

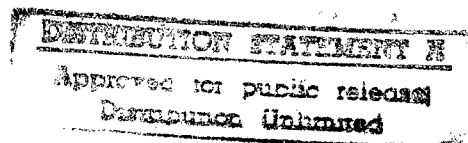
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3 January 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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3 January 1984

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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BULGARIA

CONSUMER GRIEVANCES VOICED

Sofia STURSHEL in Bulgarian 28 Oct 83 p 1

[Article by Chavdar Shinov: "Sated Producer and Unharmd Customer"]

[Text] Who rules the market: the producer or the consumer? As the saying goes, the picture is quite mixed. On the one hand, matters seem childishly clear and simple: the customer, naturally! Everything, from the famous slogan that "The customer is always right" to the most important government documents, indicates that the economic organizations must produce and offer on the market what the people want.... On the other hand, however, hundreds of facts prove that, profiting from their monopoly status in the production of one item or another, enterprises and departments take to the market goods based mainly on their own interest without considering too much the needs and views of the customers....

For example, the customer wants table grapes! Our older people may remember the famous Bulgarian Bolgar grapes which flooded the fruit and vegetable stores every autumn.... The producer, the NAPS [National Agroindustrial Union] in this case, firmly decided, however, to teach the citizenry to eat industrial grape varieties, suitable above all for wine making. Table varieties show up on our tables less and less frequently. Or else take the juicy and flavorful tomatoes... The agroindustrial complexes no longer dirty their hands with them. Instead, they taught us to eat tomatoes mainly fit for the canning industry!

And what about laundry detergents? The market is steadily offering increasingly "super" and "luxury" laundry detergents, at increasingly super and luxury prices... Naturally we, the customers, have nothing against updating goods. One may even say that we welcome such updating. The result, however, is that the Household Chemicals Economic Combine which launches these new items reduces the production of other more ordinary laundry detergents sold at more ordinary prices... It may so happen that we may not wish to wash our laundry so luxuriously! And why is it that such updating always takes a line more profitable to the producer than the consumer? Why would the Household Chemicals Economic Combine not update its output by producing a series of new inexpensive laundry detergents?

What about the restaurant where the only dinner menu is a "Tournedos del Mundo e Caballero Accesional," costing 25 leva, and where they would beat you up if

you dared order fried eggs?... Or the garage, where no one would sell you a glass for your headlight but would a full set at triple the price? Or else again when you are asked to buy a fast train ticket although that same train most unexpectedly turns into a milk run and even falls behind schedule by half an hour....

Furthermore, such producer-consumer relations are already entering the area of relations among economic organizations themselves. For Example, the Krakra DIP [State Economic Enterprise] in Pernik manufactures acetylene burners used by the SMK-OSP-3 in Veliko Turnovo which, however, needs not the full set produced by Krakra but burner No 3 only. The Pernik people sell the people of Veliko Turnovo only the full sets.... If you need a 10-leva burner you must buy the entire 130-leva set.

Take it or leave it! No separate parts sold. And the Veliko Turnovo people buy unneeded sets. What can they do, they are not about to stop working!

As we said, the picture has many colors when we try to determine who commands the market -- the producer or the customer. It is high time for the customer to be assisted in this struggle for supremacy not only by the famous slogan that he is always right but also by a stricter and closer study of this entire battle by the control organs, so that the producer would be sated and the customer unharmed....

5003

CSO: 2200/43

BULGARIA

ONE ASPECT OF POOR DISTRIBUTION OF FARM PRODUCTS

Sofia STURSHEL in Bulgarian 28 Oct 83 pp 1,5

[Article by Lyubomir Yanov: "Study of French Fries"]

[Text] At 0850 hours my wife and I decided to have French fries for dinner.

At 0910 hours not a single small potato could be found in the local fruits and vegetables store. There were plenty of customers. Some were grumbling, others cursing and others again explaining the potato shortage by citing:

- this year's poor harvest;
- the lack of manpower to dig them out of the ground;
- the shortage of trucks to haul the crop from the fields to the capital.

I found these arguments quite strange, as I watch television every day, listen to the radio, read newspapers, and learn about:

- record yields;
- the excellent work done by thousands of brigade members who went to the aid of agriculture;
- the substantial increase in the number of vehicles.

Clearly, something was wrong with the organization. But which organization? I decided to follow the chain and find out where the trouble was.

At 1005 hours there was a truly Babylonian assembly at the vegetable base in Slatina, consisting of trucks loaded with potatoes, which had come from all over the country. The organization of the work would defy even the most elementary childish logic. The trucks had lined up and were waiting for hours on end to be weighed, after which they went elsewhere for grading. And unless the quality met the standard the truck was sent back, as though it would be very difficult to grade the produce before loading, or at least before weighing it...

At 1020 hours I noticed among the enraged waiting truckers (waiting some 6-7 hours although the norm calls for 20-30 minutes), a few stumbling workers from the base, approaching the truckers and slurring, "For a bottle of brandy we'll unload your truck immediately..."

At 1045 hours I met with a person wearing a blue apron, looking like he belonged to the middle management of the base. He explained that the trouble was that just now one of the padlocks had broken.

"The truckers are undisciplined. They all drive up around noon and want the trucks to be unloaded immediately. How many times have I said that it would be best to come toward the evening, leave the truck here and come the next morning, after it has been unloaded."

I did not manage to ask him where during the night some elves would come to the base to unload the trucks, for some bearded trucker joined our conversation.

"Nonsense, I have been waiting since 4 o'clock yesterday and it is only now that they are beginning to unload my truck."

My interlocutor pointed at the impudent fellow as though saying "You see the ruffians with whom I have to deal?"

The "impudent fellow" turned out to be Georgi K'osev from the motor vehicle enterprise in Ikhtiman:

"The norm for my truck is 300 leva daily income. It is currently 40 leva. What kind of monthly earnings will I have? What will I be paid for having taken 20 hours to haul a few tons of potatoes from Ikhtiman to Sofia?"

I keep thinking that it was a bad deal to stuff the truckers' heads with economic knowledge. Now all of them can figure things out.

At noon I travelled on Goshov's unloaded truck to Ikhtiman. Along the way, in order to fight boredom, Georgi said:

"The APK [Agroindustrial Complex] has even more trucks than we do, but its drivers are smart devils. They don't carry potatoes or hemp."

I have not seen the lines of these "devils," but have heard that elsewhere, on Saturdays and Sundays, when buses carrying brigades from plants and enterprise come, the local farmers depart with other buses to see the homeland and learn to love it.

At 1320 hours I was listening to Chavdar Milikin, director of the Ikhtiman automotive vehicles enterprise:

"I realize that the most important task now is to harvest the crops. That is why we do not refuse even a single truck to the APK, even though this makes us fall behind our plan and creates difficulties with our other customers. Our trucks are not for agriculture only. We have to pull trucks out of other

places and use them to haul the crops. I believe, however, that the farms and Bulgarplod should improve their organization. Yesterday they asked for seven trucks which they kept until 2 pm and returned unused."

At 1500 hours I came across several elderly women-cooperative farmers in the farm's yard. They were sitting by a huge pile of potatoes which were starting to mold. They picked the potatoes one by one and stuffed them into various bags according to size. Next to them was a modern potato grading machine which would have done the work of 80 old women. However, the machine stood idle and so were the seven truckers who were waiting for the bags to be filled in order to load them and haul them to Sofia.

At that moment there appeared Yanko Yankov, the Bulgarplod representative in Ikhtiman, who dismissed the drivers.

"But we are waiting to load up."

"When? It is 3 pm. These people (he pointed at the women who were scratching at the potato pile) work until 5."

I saw how quickly the disparity between town and country had disappeared: at the peak of the harvesting season the farmers were keeping office hours.

At 1600 hours I decided, as member of the press, to intervene, and requested of Yanko Yankov to allow the loading of the potatoes.

"By the time they are loaded it will be 7 pm. When will they haul them and when will they unload them in Sofia?"

"Early tomorrow morning..."

"It is obvious that you know nothing about potatoes. How can they spend the entire night in their trucks? What if there is a frost? It will spoil them! Here in the evening we cover them with mats. It would be best for the potatoes to be loaded tomorrow morning toward 10 am and reach the base around noon..."

It is true that I don't understand anything. One Bulgarplot official wants them in the morning and the other in the evening. The farm yards are full of potatoes, while the local fruits and vegetables store has none.

At 2050 hours my wife served me French fries. Everything was settled quite simply. While I spent 12 hours touring various spots, a private farmer had gone to his plot, pulled out his potatoes, loaded them on his Moskvich and brought them to the free market. Realizing that not a single potato was to be found in the stores, he had hastily upgraded his, sold them quickly and left in good health....

5003

CSO: 2200/43

PUBLIC CATERING SYSTEM CRITICIZED

Sofia STURSHEL in Bulgarian 4 Nov 83 pp 1,3

[Article by Varna STURSHEL Correspondent Vl. Cheshmedzhiev: "Tracking Smiles"]

[Text] Commonplace Truths

It would be no major revelation to say that the food offered in the restaurants is not tasty and is quite monotonous. Meatless dishes are unspiced, thus making us hate them to death. In general, a meatless dish can be found for no more than half an hour after the restaurant opens. A couple of pots have been cooked for the sake of an eventual visit by the control authorities.

To make the picture full, let me add the commonplace truths that the waiters are sour-faced, restaurant categories are upgraded (the difference frequently being one of price only), that the thousands of masterpiece recipes are simply ignored in public catering, etc.

All of this is known and could be supported with a number of very specific examples. They may be culled in Varna, for example, so that some may think that the same does not exist in Vidin, Malko Turnovo or Petrich.

Variety Does Not Pay

Our restaurant cuisine is displaying the clear tendency of becoming a grill, regardless of instructions regarding "variety," and regardless of controllers, fines and reports.

While the controller is reading the latest report, the public catering audience understandably nods and thinks more or less the following as regards the reporter:

"...Yes, you are right, there are thousands of national dishes and, as you say, the social effectiveness of variety is tremendous, but you, my dear, are forgetting the economic effectiveness which determines my wage. It is easy for you to formulate slogans, but if you were to become a cook would you reduce your broils for the sake of meatless dishes?... You mention that we must cook tasty and even spicy meals, but it so happens that Bulgarplod, our

supplier, has signed no contracts for dill, parsley, celery or savory. The APK [Agroindustrial Combines] chairmen claim that it does not pay them to produce such spices also. How then can dishes be made tasty?"

Such unspoken thoughts contain a great deal of truth. If we want tasty meatless dishes, the restaurant management feels that all we want is to dirty the table cloth and the plates. The cook, the manager and even the personnel of the Ministry of Internal Trade and Public Services are not economically interested in serving us a variety of tasty, i.e., labor-intensive dishes!

Labor Is Expensive

Kitchen operations involve a great deal of manual labor. In Varna, which is one of the most "restaurant-rich" cities in the country the work premises have no ventilation. They have no carts and vegetable peeling and chopping machines. They use one or two rather than seven or eight knives. This increases the work load and inevitably worsens the quality of the food. The main blame should not be put on the Ministry of Internal Trade and Public Services. Actually, in terms of mechanization, the city on the Black Sea is not the worst.

Since labor is expensive, a few years from now we shall be asking ourselves: "Classical novels speak of stuffed vine leaves, mixed vegetables, fried zucchini or fresh eggplant. What were they?"

We may become angry and wave our arms, and we may be exaggerating the danger that foreign tourists will be driven away by the eternal "broils" (we personally have no choice). If they were to speak frankly, the workers and employees in public catering could answer is in a chorus:

"It is clear. You are urging us to invest more work for less money!"

Is this the case?

To Feed or To Water Us?

Scientific workers (in Varna) have made studies and determined approximately the number of seconds needed to produce and sell various groups of meals and ready-made goods.

Let us look at their computations.

The marketing of 100 levas' worth of alcoholic beverages requires a certain amount of work (pulling the cork out, pouring, serving, collecting the money, washing the glasses). A 100-leva turnover from cookery products requires 10-15 (ten-fifteen) times more work. This means that the restaurants will continue to try to serve us more beverages and less food. This will be done intuitively or, which is more likely, entirely deliberately, the appeals of the sobriety movement notwithstanding.

Let us consider the accounts in the kitchen itself. If we are trying to reach the same turnover from the grill or a meatless borscht, the amount of labor

invested in the second case will be higher by a factor of 15-20! This should indicate to us that in the future as well we shall not be served zucchini with onions. We will rarely see meatless borscht but grilled meat will be always available!

A Scale For Rhinos

The specialty "beans in a pot" showed up. We ate it, praised it and licked our fingers. If the cook shows some incentive the beans will be always tasty and will draw customers from all over. But the cook lacks incentive and starts putting ordinary cooked beans in the pot and then serves it.

The ministry and its scientific units know, naturally, that the restaurants violate the principle of "equal wages for equal work." It must be quite difficult to determine precisely the labor invested in each dish and item. It is probably exceptionally complex to substantiate any kind of a change which would stimulate a greater labor investment for the sake of better quality. Even the lowest worker in an establishment should be given the type of incentive which will encourage him to offer with roughly the same amount of interest Shweppes and alcohol, meatless and meat dishes, and cooked and ready-made dishes. The moment there is preference there will be cunning and fines and reports will make no difference.

And on top of all this, we ask the cook and the waiter to smile at us? What a strange wish! These are entirely normal people!

5003

CSO: 2200/43

MARTINKA PRESENTS ECONOMIC PLAN FOR 1984

Bratislava PRAVDA in Slovak 1 Dec 83 pp 4-5

[Report of the CPSL Central Committee Presidium on the Slovak Socialist Republic's 1984 economic plan, presented at the CPSL Central Committee's session by Karol Martinka, minister-chairman of the Slovak Planning Commission]

[Text] The CPSL Central Committee Presidium has instructed me to present to this session, which ties in with the 9th session of the CPCZ Central Committee, the report on the state implementation plan of the Slovak Socialist Republic's economic and social development in 1984.

Its basis and starting point are the results of the fruitful and creative efforts by Slovakia's workers who now number nearly 2.5 million. The resolutions adopted by the 7th session of the CPCZ Central Committee and the November session of the CPSL Central Committee last year, the annual membership meetings and conferences of the party organs in the okreses and krajs, the conferences of the party organs on accelerating the practical application of R & D results, the resolutions of the CPCZ and CPSL Central Committee Presidiums on the national economy's development in the first half of 1983 and on the immediate tasks, and the government's organizing work provided important stimulation for these efforts.

This year, however, has not been merely a period of stepped-up effort to fulfill the set program of the party's economic and social policy in our entire country and in the other socialist countries. It has also been a year when we perceived more tangibly than in the past that we are living in a class-divided world, and that the aggressiveness, antisocialism and anti-Sovietism particularly of the imperialist circles in the United States pose a specific threat to world peace, to the peaceful construction of socialism in our country.

The CPCZ Central Committee Presidium's report on the current international situation, which Comrade Bilak presented at the 9th session of the CPCZ Central Committee, stated: "Never before have our party and socialist state been confronted more urgently than now with the complexity of the national economic plan's tasks and their linkage with the development of the international situation and national defense. From this follows not only the need of pursuing more consistently our long-range economic strategy to improve the efficiency and quality of all work, to utilize efficiently our production potential, to

enforce utmost economy and enhance the value of all resources, to perfect management, to develop widely the workers' initiative, and for our economy to participate more closely in socialist economic integration and the international division of labor; but also the demanding nature of man's all-round development, and of his education in the spirit of socialist patriotism and of socialist and proletarian internationalism. Only conscientious and selfless work will contribute to the economic development and defense capability of our republic, to the growth of its weight and role within the socialist community, and in the struggle against war and world peace."

Favorable Trends Dominant in Fulfilling Tasks of Socioeconomic Development

These are the broad and demanding aspects from which we must evaluate the fulfillment to date of the objectives that the 16th CPCZ Congress and the CPSL congress set, as laid down in the law on the 7th Five-Year Plan.

Whereas in the first two years of the current five-year plan the task confronting the national economy was to rapidly adapt to the new and more demanding conditions, and to maintain continuous social production while reducing the consumption of fuels and raw materials, at the sessions of the CPCZ and CPSL Central Committees last year we were already able to set for 1983 the objective of again accelerating the national economy's growth.

Today when we already know the results for the first 10 months of this year, we are able to say with full responsibility that we have successfully mastered the overwhelming majority of our set tasks, mobilized more idle resources than we had planned, and made further progress toward the intensification of economic growth.

This is reflected specifically in the acceleration of the growth rate in all basic branches of material production. The increase in industrial production in 1983 is greater than in the preceding two years. After two years of stagnation, the performance in construction is rising. The development of livestock production also is accelerating, which contributes eminently toward consolidating the situation in the market for food products.

On the whole we are successfully realizing the set objectives for changing the economy's structure. Realization is continuing of the role that the five-year plan set for engineering and electronics as the decisive vehicles of a rise in industrial production. We are continuing--although not always at the desired rate and on the necessary scale--the structural transformation of the other branches of industry, particularly of the wood-processing, chemical, metallurgical and electric power industries, and also of construction and freight transport.

This way, by fulfilling the rationalization programs and exerting greater pressure for improving the quality of production, which the CPSL Central Committee, its Presidium and Comrade Lenart personally are pursuing consistently, we are able to maintain, and in some respects even to intensify, the favorable trends in reducing the material intensity of production and circulation within the economy. This is reflected in the expected 3-percent growth of national income in the Slovak economy in 1983, at a much lower rate of increase, 1 to 1.5 percent at most, in the consumption of energy sources and material resources.

The acceleration of growth, accompanied by its further intensification, creates the prerequisites for solving important socioeconomic tasks.

The development to date indicates that we are proceeding the way Comrade Potac has said, at the session of the CPCZ Central Committee, also in restoring the external economic equilibrium of the CSSR, to which also the Slovak economy is contributing its share. This is evident from the results anticipated in the branches that are under the control of the Slovak government; their results mean that the trade surplus in the balance of trade with nonsocialist countries will be 0.2 billion korunas higher than planned, and 0.7 billion korunas higher than last year.

The formation of material resources influences favorably also the quantitative aspects of investment. The prerequisites exist for exceeding the planned volume of investment in the Slovak economy by approximately 2.0 billion korunas this year, and to solve with this amount particularly the needs of agriculture, but also those of housing construction and several other branches.

But as most important we regard the fact that the increased and more efficient formation of resources statewide and in Slovakia will provide the conditions for maintaining the attained level of personal consumption, for partially improving its structure, and also for raising the level of social consumption and housing.

We are fully aware that these positive aspects of the economy's development are a result of the efforts and creative activity of millions of workers, of the initiative of the foremost collectives, production innovators and others, multiplied by moral incentives specifically in this complex period of worldwide developments.

A unique role in this is played by the party's leading role, by its political, economy-organizing and unifying functions, by the personal commitment and enthusiasm of the Communists for the realization of the objectives set by the 16th CPCZ Congress and the congress of the CPSL.

An important factor in this are the political and economic relations that stem from our affiliation with the socialist community, and especially from our constantly intensifying cooperation with the Soviet Union.

However, the overall favorable development does not mean that the persisting shortcomings have been overcome in every area. The critical evaluations by the CPCZ and CPSL Central Committee Presidiums and by the government apply particularly to several branches and many organizations. They apply especially to the production structure's slow adaptation to the foreign and domestic demand. At many enterprises not even the results in improving product quality satisfy the increasing requirements for selling their products in these markets. Therefore the development of our ability to export, and mainly of our foreign-exchange earnings from export, is unsatisfactory especially in manufacturing. It is inevitable to observe more consistently the linkage between the improvement of labor productivity and the rise of earnings, and also the planned wage intensity of production, as prerequisites for the domestic market's equilibrium.

We cannot be satisfied with the fulfillment of this year's tasks in the timber and furniture industries, and at some enterprises of the pulp and paper industry. Uneven is the fulfillment of the tasks in crop production, due to bad weather that did not affect all farms equally.

In agreement with the tasks outlined in the CPCZ Central Committee Presidium's standpoint on the situation in construction, the work of this branch must be directed more consistently toward speeding up the completion of construction projects and improving the use of materials.

These questions must be discussed critically because they are causing the economy and society losses that amount to billions and are felt very keenly under the present tight economic conditions.

It is the more urgent to overcome these weaknesses because next year, in order to meet the targets of the party's economic and social policy that the 16th CPCZ Congress set, we will have to step up our objectives regarding both the growth rate and the efficiency of the economy's development.

A Qualitatively Higher Level of the Economy's Development in 1984

With the plan for 1984 we are entering the final period of realizing the economic program that the 16th CPCZ Congress set, and at the same time we will be creating directly also the conditions for the economy's development in the second half of the 1980's.

As pointed out in the report of the CPCZ Central Committee Presidium presented by Comrade Potac, this fact further underscores the requirement to consistently pursue our development strategy and mode of ensuring the reproduction process in a way such that (1) development of the economy will attain a qualitatively higher level, and (2) this period will become a qualitatively new stage of development.

In agreement with the long-term course of the party's economic policy and the needs of the Czechoslovak economy, the 1984 plan in Slovakia directs the efforts of the entire party and of the state and economic sphere toward the following objectives:

First, toward utilizing and further increasing the present favorable trends in the realization of the tasks, thereby accelerating the dynamics of development and ensuring the formation of material resources necessary to strengthen equilibrium of the domestic market and of external economic relations, and to continue realization of the qualitative tasks set in the area of capital construction.

Secondly, toward the further intensification of the entire reproduction process, by utilizing more efficiently the results of R & D, by expanding socialist economic integration and especially cooperation with the Soviet Union, and by utilizing more fully the idle capacities of our industrial technology and economic potential, so that intensification may become a source of development's further acceleration, and of its greater proportionality and better balance, and a source of profit.

Thirdly, through the application of these requirements to the Slovak economy, toward implementing in practice the directive that has been formulated in the documents of the 16th CPCZ Congress and the CPSL congress, and which calls for basing economic growth on the further, even more efficient utilization of the natural resources and economic conditions so as to achieve faster economic growth in the SSR and thereby to increase its share in the formation of resources statewide.

Intensification the Way to Solving the Problems of Development

It follows from the overall concept of the plan that the intensification of development will be of ever-greater significance for the more effective implementation of the long-term strategy for economic development that is directed toward the comprehensive improvement of efficiency.

If this strategy is to produce the required results, it must include all areas of the reproduction process, and every level of management--the center, the economic production units, and the enterprises--have a unique role in pursuing this strategy.

Under the conditions of the Czechoslovak economy and from the viewpoint of its present and future development, however, of key importance are the rate of adding value to raw materials and sources of energy, and their more efficient and prudent utilization.

We are pursuing this objective primarily by further transforming the structure of the economy and especially of industry, and by continuing to support the rapid growth of the branches where the rate of realizing value is above average, and to curtail production in the material-, energy- and import-intensive branches.

We expect that also in 1984 engineering and the electrotechnical industry will remain the decisive branches for the overall growth of industry. Their relatively lower material intensity, wider opportunity to utilize skilled labor, and the more favorable terms of trade of most of their products are especially important factors of the growth of overall efficiency. At the same time we will continue our efforts to realize more value from timber, our most important raw material from the viewpoint of export.

The structural changes also in other branches of industry are aimed at utilizing more efficiently our domestic material resources. This policy is being pursued also in agriculture, where differentiated control of the populations of the individual livestock species serves this purpose, as well as in freight transportation, where preference is being given to transportation systems with a lower specific fuel consumption.

At the same time we must intensify also the structural changes within the individual branches. Attention is being concentrated primarily on ensuring comprehensively the development of selected units and manufactures that are the subjects of the state target programs, which include the tasks of research, production, investment, and of providing foreign exchange and personnel.

As has been emphasized repeatedly at the sessions of the CPSL Central Committee, the other decisive direction of realizing more value from our material resources is improvement of the products' utility characteristics and quality in the widest sense of the word, and perfection of the product mix within the assortment.

Therefore the tasks set in next year's plan will be more demanding. They call for a mandatory increase of at least 14 percent, over the actual results this year, in the value of products on a high technical and economic level, which is about three times the planned growth rate of entire industrial production.

But not even this task can be regarded as adequate from the viewpoint of the conditions that confront particularly the manufacturing branches. Therefore it is absolutely essential that the enterprises, in the course of drafting their economic plans, prepare an inventory of the R & D work stations' results and of the possibilities for accelerating their innovation programs, and then step up their set tasks accordingly. The experience of years past, when the targets of the plan were overfulfilled considerably in every branch, indicates that a task stepped up in this manner is not only desirable, but also realistic and feasible.

This approach is the more important because specifically our experience this year confirms the need to interpret more comprehensively the processes of realizing value, the criterion of which can only be the final national economic result. The point is that the higher degree of fabrication and the better quality of the products be fully reflected in the phase of their realization, in the degree of the realization of their value in foreign markets as expressed in higher foreign-exchange earnings, and in the better satisfaction of consumer demand in the domestic market.

Effective fulfillment of the rationalization programs plays an important role in reducing the material intensity of production. To this end we must utilize the party's broad support that culminated in the social audits of managing the consumption of fuels and electricity, and in the initiative of the 10th Congress of Trade Unions to exceed the targeted savings in the consumption of fuels and electricity by 0.5 percent a year.

Here we have good examples of efficient solutions. Equipment for the continuous casting of steel, recently placed in operation at VSZ [East Slovakia Iron Works] in Kosice and at the Sverma Iron Works in Podbrezova, has fulfilled all expectations. In 1982-1984 this technology will help save 104,000 tons of ferrous metal and approximately 68,000 tons of standard fuel equivalent.

The development of nuclear power generation likewise has a unique role in the process of introducing efficient solutions. It permits a radical curtailment of the consumption of refined fuels for power generation. The saved petroleum products and gas can be used in applications where they cannot be substituted, or where much more value can be produced by processing them.

In the branches that are under the Slovak government's supervision, the prerequisites also exist for saving the 1.9 million tons of standard fuel equivalent and the more than 60,000 tons of metal that the five-year plan calls for.

To this end it will be necessary to further improve the utilization of secondary sources of energy and heat, to modernize the technological and power-generating processes, and to accelerate the reconstruction of boilers and driers.

However, we cannot be satisfied with these generally favorable results. We must evaluate critically the fact that at many workplaces the efforts to save fuel have been relaxed under the influence of a more favorable situation in fuel supply and increased stocks of fuel, which have been achieved thanks to the miners who fulfilled well their coal-output plan, and also to the mild winter last year. For example, shortcomings were uncovered in every sixth audit that the State Power Inspectorate conducted in the second quarter. There are shortcomings also in the preparations for the drives that are to save energy or metal in the future. Often the ministries, economic production units and enterprises are using for other purposes the investment or foreign-exchange resources that have been allotted for the realization of rationalization programs.

The great national economic importance of a purposeful, imaginative and consistent approach to realizing more value from our material and energy resources stems from the fact that this direction of intensification is the key to the solution of our main problems. It is a prerequisite for maintaining the average growth rate of the economy, and for supplying the final demand even at stable or only slightly increased fuel, raw-material or material resources.

The realization of more value from our material resources and their more efficient utilization are a much more effective alternative of solving the contradiction between possible inputs and required outputs, the contradiction with which practically the entire world is now confronted. It will suffice to refer to the results of the rationalization program that in 1981-1983, merely in the branches that are under the supervision of the Slovak government, saved nearly 1.3 million tons of standard fuel equivalent, which approximately equals six months' output of coal and lignite in Slovakia. The creation of conditions for such an expansion of coal-mining capacity would require an investment of several billion korunas, and high annual financial costs.

The maintenance and further intensification of the present rate of realizing value is an important prerequisite also for reducing the import intensity. Only in this way can we continue the process of restoring the equilibrium of our external economic relations with nonsocialist countries, without the serious and undesirable interventions in the economy and in the citizens' social status that we see in the economically developed "rich" capitalist countries.

Finally, this path of developing the economy is also an instrument for reducing its transportation intensity, which in our country is excessively high and results in the inefficient and unproductive expenditure of society's resources. Some progress in this respect has already been achieved in 1982-1983. For 1984 we are setting the task of reducing the transportation volume per unit of social product by 4 percent. Besides structural changes and other national economic measures, this will require systematic rationalization of supplier-user relations, and the optimization of shipping and distribution. This task is the more persistent because the transportation and production organizations

must further reduce their fuel consumption in absolute terms, in comparison with the level of consumption this year.

Faster Penetration of R & D Into the Economy

As this was emphasized at the 8th session of the CPCZ Central Committee and the September session of the CPSL Central Committee, realization of these far-reaching and inevitable intentions is directly and organically linked to the acceleration of research and development, and to the more efficient practical application of its results.

The objectives that are being set in this respect for next year serve primarily the intention of utilizing all the efficiently solved research tasks. In all, the state R & D plan's 233 outputs for practical application that have been introduced as product and technology solutions in 1982 and 1983, and which will be used next year, are to contribute an increase of 4.1 billion korunas in output, at favorable economic indicators.

No less important is to organize and ensure the realization of 400 more product innovations and over 700 technology innovations from the solved ministry, sectoral and enterprise R & D plans.

Practical application of these results in production and in the nonproductive branches will save the realizers and users additional quantities of fuel, electricity, raw materials and supplies, and imports from nonsocialist countries, and will also permit an expansion of export to these countries.

Of great importance for refining and improving the technical and economic production parameters is also an increase in output totaling 1.4 billion korunas, based on new and continuing licenses. This requires that our technicians and workers fully master particularly the production of cyclohexanone by the innovated technology, of polypropylene using the new production capacity, of car and truck clutches, and also the cultivation of new varieties of crops.

To improve the prerequisites for, and to accelerate, the practical application of the obtained results, as of next year the state plan will set the construction of pilot plants and experimental plants as mandatory tasks, for the investors as well as the suppliers, which will strengthen the priority of such projects. Larger investment, foreign-exchange and financial allocations are being made and more personnel is being assigned for the construction and expansion of the realization base of both applied research and basic research, particularly within the framework of the Slovak Academy of Sciences.

All this further underscores the urgency of the tasks that were set at the sessions which the CPCZ and CPSL Central Committee held on science and technology. Specifically this requires that we improve the structure of the entire scientific research base, closely link basic research and applied research, intensify international cooperation particularly with the Soviet Union, and at the same time pool the personnel of the specialized institutes, organizations and enterprise sphere to solve large comprehensive programs within shorter time limits.

Society's Needs Must Be Supplied More Fully by Developing Material Production

On the more efficient utilization of the decisive intensification factors is based the realization of another national economic objective: to continue next year the acceleration of material production's growth rate and to utilize more widely its developmental possibilities that are provided particularly by the accessions of new skilled workers and by the expansion of the industrial technology base.

The CPSL Central Committee Presidium and the SSR government believe that it is both necessary and realistic to set for 1984 the task of increasing the social product by 3.2 percent over its expected level this year, and to expect--on the basis of the improvement in the efficiency of the entire reproduction process--a faster, 4.2-percent growth rate of national income.

In this way not only the performance of the Slovak economy will increase, but also the return on the investment in it. Next year the Slovak economy is to provide about 41 percent of the total increase in national income. The development targeted so progressively will become a significant dynamic factor of the unified Czechoslovak economy's development.

In this we see the broad political and economic scope of realizing the long-range policy of the CPCZ on the nationality question.

This acceleration of the growth rate in Slovakia is to be achieved on the basis of a pronounced rise in industrial production. While in 1981 and 1982 the annual increase in industrial production was 3.0 billion korunas and will be 6.5 billion this year, for 1984 we expect an increase of 8.2 billion korunas.

This goal is to be achieved at highly differentiated growth rates of the individual branches and sectors, depending on their efficiency, overall material and import intensity, and their ability to supply the needs of the national economy in the desired product mix.

Nearly 60 percent of the total increase in industrial production in 1984 is to be realized in engineering and the electrotechnical industry. Development in these branches is aimed primarily at a set of manufactures that are included in the state target programs, particularly hardware for automatic control systems, electronics, industrial robots and manipulators, semiconductor converters, and equipment for nuclear power generation. In other words, production sectors that are of decisive importance for raising the technological level of not only a wide range of engineering and electrotechnical products, but to a large extent of other production sectors as well.

Furthermore, the expansion is expected of the production of trucks, tractors, diesel engines, technical ships, data processing equipment, forming machines, industrial transformers, and certain types of consumer goods.

A specific feature of the ways in which this development is to be ensured is that better utilization of existing capacities is to provide a full 80 percent of the increase in production.

Primarily an improvement of product quality must contribute to this. The value of high-technology products must be increased by 1.9 billion korunas or nearly a third. This will require the development and introduction of new products worth approximately 13 billion korunas. The enterprises concerned are faced with the task of introducing the production of new types of tractors, construction and road machinery, antifriction bearings, farm machinery, subassemblies for nuclear power plants, semiautomatic presses for the pressure casting of metals, railroad cars with licensed bogies, computer hardware, and portable color TV sets.

This program is the more timely because the output of engineering and of the electrotechnical industry is clearly export-oriented. Nearly 80 percent of the increase in the final deliveries of these branches is earmarked for export, which presupposes continuing the intensive exchange of machinery and equipment with the other socialist countries, and--after a temporary stagnation--restoring the rapid expansion of export to the markets of nonsocialist countries.

Next year we again expect to increase the output of the chemical industry, jointly with the pharmaceutical industry, by 1.1 billion korunas. In comparison with the past, however, the sources of this development will change considerably. The quantity of crude oil that will be refined will remain at this year's level, which will require strict conservation of petroleum products in every branch. On the other hand, we expect to increase the output of the raw materials and intermediates necessary for the production of man-made fibers; to expand the production of chemical intermediates and fine chemicals, particularly of agrochemicals, resins and rubber-industry products; and to use more intensively the new processing capacities in the rubber industry.

It will be necessary to ensure far more consistently and comprehensively in particular the tasks included in the state target programs that are aimed at developing progressive manufactures.

Important and challenging will be mastering the realization, research and construction of production units and pilot plants for N-alkenes and rubber-industry chemicals; placing in trial operation the equipment for the production of an antioxidant in Sala, on the basis of a specialization agreement with the Soviet Union; preparation and development of the construction of universal halls in Hlohovec and Slovenska Lupca; reconstruction of the P-2 penicillin plant; designing a new technology for the production of vitamin C, and intensification of the production of vitamins A and E; and introduction of the production of several immunological preparations and new drugs.

In this respect it will be necessary to utilize the stimulating proposals that emerged from the proceedings of a seminar on fine chemicals, held recently on the suggestion of the CPSL Central Committee Presidium.

We will be ensuring under complex conditions the development of the wood-processing industry. On the one hand, the total volume and structure of the decisive raw-material input are determined by salvage cutting in our oak stands. On the other hand, progress is slow in overcoming the difficulties in attaining the design capacities of new production equipment, as this has been criticized at the session of the CPCZ Central Committee. There are problems also

in conjunction with the adaptability of production to the new structure and quality of the demand; these problems, together with the delays in the commissioning of some capacities, are being carried over also into the new year.

Starting out from the broader needs of the national economy and in order to ensure the linkage between forestry and the wood-processing industry, it is essential to target in the plan a larger output of deciduous timber, an increase of nearly 200,000 cubic meters over the five-year plan, and to log about three times more oak than usual, while reducing the harvesting of other timber.

In this way the conditions are being created for the further development of the wood-processing industry, which will have at its disposal 180,000 cubic meters more of mature timber than this year. In accordance with the established conceptual goals, the wood-processing industry is to increase the use of scrap wood for technological purposes by 200,000 cubic meters, from 457,000 to a total of 657,000 cubic meters.

Parallel with the better utilization of existing capacities, it is a realistic task for 1984 to increase the output of the wood-processing industry by 700 million korunas or by more than 5 percent. This will have to be achieved primarily by increasing the output of pulp by about 40,000 tons; of paper and cardboard, by more than 10,000 tons; of veneer, slats and other structural materials, by 7 to 40 percent; and of furniture, by nearly a quarter billion korunas' worth. Thus also in this industry the product mix is tending toward a higher degree of the raw materials' fabrication.

The exceptionally demanding nature of the tasks in these branches stems from the fact that nearly 70 percent of the total increase in their final deliveries must be realized in nonsocialist markets, and at the same time these deliveries will consist not only of raw materials, but to a no small extent also of increased exports of furniture and other types of finished products. Fulfillment of this task will require closer cooperation between DNP [Woodworking and Furniture Industry Economic Production Unit] of Zilina and the Drevounio Foreign-Trade Enterprise, and simultaneously wider use of also nonconventional forms of marketing abroad.

In this respect, and also from the viewpoint of the consumers' more exacting requirements in the domestic markets, we cannot regard as adequate for the current demand even an increase of more than 13 percent in products of quality grade 1. Therefore it is being requested to utilize the capacities of the research, development and design work stations to achieve more pronounced progress in this field.

Even with these stepped-up tasks, for 1984 we are not planning to exceed the tasks of the five-year plan in this branch by more than 0.5 billion korunas. This fact, together with the development in other years, must stimulate everyone concerned to overcome the shortcomings and problems more conspicuously.

On the initiative of the Slovak government, programs have been elaborated to consolidate the Pulp and Paper Industry VHJ [Economic Production Unit] and the Woodworking and Furniture Industry VHJ. Through the joint efforts of the

enterprises, general directorates and ministry, with the help of the trade union concerned and with the support and leadership of the party organs and organizations, it is necessary to achieve that these programs become instruments of improvement, and that the faster stabilization of the situation particularly in the woodworking and furniture industry enable us to recover the large investment of society's resources.

Product quality and innovation of the produced assortment are the decisive source of light industry's development. The product mix of the branch is being adapted to the present situation in the domestic and foreign markets. The physical volume of the output of household textiles is expected to increase by 5.8 percent; of rugs, by more than 3 percent; of knitwear, 5.5 percent; of outer apparel, by 4.3 percent; and the output of certain types of glassware will also increase. In view of the development of the demand, of the import intensity, and partially also of the capacity limitations, an increase is not expected in the output of the basic types of fabrics and footwear.

Light-industry enterprises are expected to contribute with their products to the domestic market's better supply, while at the same time expanding their export further.

In relation to domestic trade, the basic task remains the improvement of the offered assortment. The progress must be multiplied that the evaluation of buyer-seller relations noted in the faster growth of the deliveries of consumer goods that are in short supply, and of consumer goods of special quality, and the assumed obligations must be consistently ensured and fulfilled.

Besides devoting attention to export to the socialist countries and the Soviet Union in particular, also the light-industry enterprises must overcome the temporary stagnation of export to nonsocialist countries. The importance of this quantitative aspect is reflected in the nearly 11 percent increase of the export tasks. Their fulfillment will require selling more products of the textile, clothing and footwear industry in these markets, although admittedly at more favorable prices than up to now.

These brief glances at the development of the important industrial branches unambiguously show that the key tasks are concentrated in the sphere of quality. They are associated with a differentiated approach to the development of the individual sectors and manufactures, with further changes in the output's principal destinations, and with the better marketability of the products at home and abroad. Every manager must draw from this the necessary conclusions and act accordingly, for both the short and the long term.

Next year's tasks of the agro-industrial complex have been inspired by the need to increase further the degree of our self-sufficiency in food supply. The justification of this strategy becomes even more pronounced in the light of the broader international economic interrelations that were thoroughly analyzed also at the 37th session of CEMA, held in Berlin. The imperialist countries are using food and agricultural raw materials as strategic goods and as an instrument of unconcealed political pressure and blackmail.

The 16th party congress identified the restoration of the growth rate of crop production, elimination of the long-term disproportions between crop production and livestock production, and the inevitable changeover to the intensive path of developing food production, as one of the decisive ways of fulfilling the tasks in this area.

The results last year and this year indicate that these basic tasks are not being fully ensured. During the past two years, the planned output in livestock production was exceeded by more than 3 percent, while the planned output in crop production was fulfilled only 97 percent. As a result, we have not succeeded in reducing to the desired extent the dependence of livestock production on imported feed.

For agriculture and the food industry the 1984 plan sets demanding tasks in two important directions: to utilize more effectively the sources of higher yields, and to add value more efficiently to the planned inputs of energy, fertilizer, agricultural chemicals and feed, and of agricultural raw materials in the food industry.

The key task in this respect is to produce 3.8 million tons of grain, and the necessary quantity of bulk fodder of good quality. On this will directly depend the maintenance of the planned consumption of meat and other livestock products. It will require the necessary agrotechnical measures at every level of management and in every agricultural enterprise to ensure safe yields of the individual crops, in an acreage structure that will stabilize the harvested grain's area at the level anticipated by the plan.

Increasing the intensity of growing sugar beets, especially improving their quality, and ensuring the production of oil seeds at the level that the five-year plan has set for 1985 remain very timely tasks. They are made necessary by the domestic demand, and also by the need to strengthen our foreign-trade relations.

The decisive requirement in livestock production is to use feed sensibly and efficiently. This can be achieved only through the intensive feeding of hogs and poultry, which in its turn requires consistent regulation of their populations in accordance with how much feed grain is realistically available. In cattle breeding, in the interest of increasing the efficiency of feed consumption, it will be necessary to employ especially differentiated selection, i.e., to cull the individuals that do not utilize their feed adequately and are unsuitable for further breeding.

Timely decisions regarding central stockpiles of feed and possible subsidies should be used to have every level of management and every farm prepare mandatory feeding regimes based on the actual feed and fodder situation, and adopt effective measures to ensure continuous and efficient feeding until the new crop, while fully utilizing also the supplementary sources of feed and fodder. Stable quality and most suitable composition of mixed feeds are essential conditions for using efficiently the given sources of feed and fodder supply.

The reduction of losses in what grows in the fields, is produced in the barn and is processed in the food industry is of special importance from the

viewpoint of improving the profitability of farming and food production. The Slovak government has discussed a program for reducing losses. For example, merely the losses that do not require any investment, etc., amount to 1.2 billion korunas in crop production, and 0.2 billion korunas in livestock production, and this way society loses about 4 percent of the annual output. We have in mind particularly the losses in terms of the quantity and quality of grain, bulk fodder, sugar beets, potatoes, vegetables and fruit, but also the losses of stable manure and manufactured fertilizer, the losses caused by weed infestation, and the excessive losses of livestock. The CPSL Central Committee Presidium emphatically demands that such programs for the reduction of losses be elaborated by every agricultural and food-industry enterprise.

To ensure the tasks of the plan, and to achieve greater stability and better balance in the development of agriculture and the food industry, more material inputs are being made available from society's resources than what the five-year plan calls for.

To ensure livestock production until the new crop, the allocation of imported grain to the central grain stock is being increased by 170,000 tons, despite the considerable complexity of our external economic relations. This represents 6 percent of the total consumption of feed grain in the socialist sector. Deliveries of the biological components likewise will be increased in order to improve the quality of the mixed feeds.

Wide room is being provided for accelerating and intensifying the construction of installations for the improvement of soil fertility. The construction of irrigation systems will be completed on 10,800 hectares and begun on 15,000. Losses of bulk fodder will be reduced, and its quality improved. Pastures will be utilized more efficiently, and the growing of intensive crop varieties will be spread. The higher allocations will mean that the technological operations in basic tillage can be upgraded, and technological systems can be used more widely for growing individual crops, including their processing and storage after harvesting.

In comparison with the five-year plan, the volume of the planned mandatory and indicative investments is higher by 1.7 billion korunas or 23 percent. This includes 0.6 billion korunas more for investment in machinery. These resources must be utilized as efficiently as possible, and the realization of investments in the food industry must be improved.

The development of farm production will provide the raw materials necessary for the population's food supply. By processing these raw materials efficiently and without any losses, the food-industry enterprises must contribute toward the further improvement of the supply situation in the domestic market, and toward maintaining and perhaps even improving on the indisputable progress that we have achieved this year.

A quantitative expression of this objective is the targeted 38.1 billion korunas of deliveries by the agro-industrial complex for the domestic market in 1984, at retail prices, which requires a 4-percent increase in the volume of deliveries over this year.

After the stabilization of the structure of food consumption, the questions of assortment and product quality are shifting to the forefront of attention in this area as well. The individual sectors of the food industry, especially the ones in which we have an adequate raw-material base and where the growing demand is in accord with the requirements of sound nutrition, must concentrate more consistently on the innovation of assortments that are in harmony with consumer demand and will influence this demand.

In this context, in the interest of realizing more value from the raw materials, the CPSL Central Committee Presidium and the SSR government deem it necessary to introduce and spread the production of selected foods, especially at the enterprises managed by the economic production units of the meat, dairy, poultry and canning industries.

Long-Term Problems of Capital Construction Must Be Solved More Decisively

Just as in the entire five-year plan, also in the plan for 1984 investment policy recognizes the inevitability of national income's more limited use for capital construction so as to strengthen our external economic equilibrium and gradually reduce our foreign indebtedness, parallel with ensuring the main objective in the area of the population's living standard, and also to solve the ecological problems and strengthen the nation's defense capability to the necessary extent.

In agreement with this policy and in view of the statewide resources and possibilities, the capital construction planned for next year, although still 1.7 billion korunas above the five-year plan's level, calls for a 3.6-percent reduction in comparison with this year. Therefore we must strive that much more to utilize these resources more intensively, and especially:

--To concentrate them on the projects that are nearing completion and the ones under construction, so as to achieve the largest possible return and at the same time to reduce the volume of capital construction in progress;

--To select new starts that will help to efficiently solve the problems of the coming period; and

--To increase the allocation of resources for progressive modernizations and projects with short payback periods, for solving the needs of agriculture, and for comprehensive housing construction.

On unfinished construction projects with budgeted costs exceeding 2.0 million korunas, the 1984 plan calls for spending a total of 19.3 billion korunas, including 6.4 billion korunas on 105 mandated projects. This is a volume that will enable construction to proceed according to the schedules and completion dates of the projects. The above volume is more by 2.9 billion korunas than the new starts of such projects in 1984, and for the four years of the five-year plan the volume is more than for the new starts by as much as 30 billion korunas or 54 percent. In this way we are continuing to solve a long-term problem: that of reducing the volume of unfinished projects begun under the current five-year plan. The progress achieved will already create conditions

for continuous construction, shortening the construction time, and for increasing the volume of completed projects.

In 1984, therefore, we can expect the activation of investment inputs from the preceding period that have been temporarily frozen in unfinished construction, because the 57 billion korunas of new fixed capital will exceed the 1984 volume of investments by as much as 15 percent.

This is reflected in the specifically targeted task of placing 29 capacities in trial operation. Especially the following important construction projects and capacities are involved: 440 MW of generating capacity at the Jaslovske Bohunice nuclear power plant, 185,000 square meters of production floorspace in engineering and the electrotechnical industry, capacities for die forging at TAZ [Trnava Automobile Works] Trnava, coke batteries at the East Slovakia Iron Works in Kosice, antioxidant and diphenyl capacities at Dusla in Sala, rubber-industry compounds and extruded rubber at the Gumarny [Rubber Works] in Dolne Vestenice, additional capacities for spiral hose at Matadorka in Bratislava, industrial rubber products at Likier in Hnusta, etc.

On the mandated projects alone, capacities are to be obtained that will have a planned output of 4.25 billion korunas, of which about 850 million korunas can be exported, and will provide 6,600 jobs.

A similar orientation is being demanded also within the agro-industrial complex and in the nonproductive sphere.

The attainment of this goal, which is decisive from the viewpoint of the return on investment, requires that the best construction collectives be assigned to these projects, and that they be supplied the most productive technical tools and construction materials available. In this respect, large tasks in terms of volume await the enterprises of the General Directorate of Civil Engineering Construction (Generalne Riaditelstvo Inzenierskeho Stavitelstva) in Bratislava, and the enterprises of the Industrial Construction (Priemyselne Stavebnictvo) VHJ in Kosice are in the completion stage of exceptionally demanding tasks. In this VHJ it is necessary to complete 14 important mandated projects, which requires consistent implementation of the measures adopted by the government's presidium to consolidate the enterprises of this VHJ, particularly Hutne Stavby (Metallurgical Construction Projects) of Kosice, and Chemkostav [Chemical Combine Construction Enterprise] of Humenne.

The planned new starts, less by 5.2 billion korunas in comparison with the five-year plan, are directed at key needs of the Czechoslovak economy, such as structural changes and the rise of the technical and economic level of production, with due consideration for the exploration of future conditions. In accordance with these aspects, the following qualitative aims are involved:

--Nearly 30 percent of the overall limit on new starts is earmarked for the further development of the fuel and power base and the more efficient utilization of capacities;

--Fourteen of the projects, with a budgeted cost of nearly 2.0 billion korunas, are in the nature of modernization and reconstruction projects. They include

renovation of the plant for producing paraffin wax by solvent extraction, reconstruction of the production of car tires and of the Makyta clothing plant, two investment projects at the East Slovakia Iron Works, etc.;

--Twelve of the investment projects are to create conditions for improving our external economic relations, expanding export by 0.750 billion korunas and substituting 320 million korunas of import;

--Six of the investment projects are to ensure the realization of more value from materials and raw materials;

--Of the overall limit on new starts, 16.4 percent is earmarked for improving the population's food supply.

The substantive aims are the same also of the investment projects that are being prepared already for 1985. They include also projects for the broader and better utilization of the magnesite deposits, as recommended at the seminar sponsored by the CPSL Central Committee.

Also in 1984 we intend to use our partially increased capacities to support investments in areas important for the stability of economic development, the domestic market, and supplying the population's needs.

The plan not only solves the most pressing needs, but it also purposefully creates conditions for the concentration of the contractors' capacities. At the most important contractor, the Ministry of Construction, the number of unfinished projects has been reduced by 485 already during the first three years, and next year it will be reduced by 140 more, or in all by 29 percent. However, performance of the necessary volumes of construction work under these conditions requires a higher level of work organization on the projects, and also at the suppliers of the technology, and of installation work in particular. In view of the persisting demand for installation capacity, 4.0 million rubles was allotted to import installation workers from Poland, in order to ensure completion of the investment projects at enterprises of the Ministry of Industry.

The plan simultaneously provides 5.4 billion korunas for building repairs. In comparison with 54 percent this year, 59 percent of the local construction industry's capacity is being earmarked for this purpose. This requires the national committees to consistently ensure the fulfillment of this task, and to direct their enterprises to further expand their services for the population, as this is required by the resolution that the 6th session of the CPCZ Central Committee adopted.

Consistently applying the principles of the productive forces' socialist distribution on the territory of Slovakia, the plan, in agreement with the resolution of the CPSL congress, provides for the following:

--Further narrowing of the economic and social differences between individual regions, particularly in the multinationality okreses of southern and eastern Slovakia;

--Solution of the problems of proportional and comprehensive development of Bratislava, the capital of the Slovak Socialist Republic, in agreement with the priority assigned it by the 16th CPCZ Congress.

The Main Objective, the Population's Living Standard, Must Be Ensured

The purpose of our efforts to further accelerate the economy's growth rate, to persistently switch the economy to a path of intensive growth, and to increase efficiency, is to fulfill even under the present complex conditions the basic objective of our party's economic policy outlined at the 16 CPCZ Congress: the maintenance and improvement of the material and cultural level of the people's lives.

Also for 1984 we are setting ourselves the goal of creating the prerequisites for a comprehensive and balanced solution of the population's vital needs.

To this end we expect a further rise of personal consumption, parallel with changes within its structure; we will develop social care for the population and its living environment; we will guarantee a more secure livelihood by providing job opportunities and by raising the population's educational and cultural level; and in many respects we will do all this above the levels specified in the 7th Five-Year Plan.

The draft of the plan anticipates a 2.2-percent rise in total cash incomes, which is organically linked to further qualitative parameters of development so as to better reflect the efficiency of labor and to agree more closely with the principle of remuneration based on merit. This is expressed by the very progressive ratio between the 3.9-percent rise of labor productivity measured in terms of adjusted value added, and the 0.9-percent rise of average earnings in the socialist sector. Considering the development to date, earnings will exceed the five-year plan's target even so by 2.4 billion korunas, and within this by 1.0 billion in agriculture. While retaining the five-year plan's standards, therefore, stricter measures are inevitable regarding the use of funds to pay wages. This is necessary for maintaining the equilibrium and stability of the domestic market.

At a growth rate of 3.4 percent, transfer payments in terms of volume are at the level of the five-year plan. This development will permit a 2.4-percent rise in personal consumption in 1984, instead of the 1.3-percent rise targeted in the five-year plan.

This underscores the need for balancing more consistently supply and demand in the domestic market. In comparison with the five-year plan, therefore, the retail turnover is being increased by 2.2 billion korunas or by 2.6 percent over this year. Market allocations will be ensured in such a way that sales of industrial consumer goods will increase twice faster than food sales.

The increase in sales of industrial consumer goods will be achieved primarily in durables. For example, we expect sales of 26,000 to 28,000 cars, 195,000 radios, 65,000 black and white TV's, 36,000 color TV's, 102,000 refrigerators, and 89,000 conventional and 35,000 automatic washing machines.

Linked to this year's continuing consolidation of the market, the prerequisites are being created for a further improvement of the level of food supply. The plan provides for increasing sales of milk and dairy products by 2.5 percent; of eggs, by 3 percent; and of fruit, by more than 10 percent. A much faster rise is expected also in sales of nonalcoholic beverages.

In conjunction with this it should be emphasized that the role of trade is not only to ensure the mentioned increase in sales, but also to achieve it while flexibly supplying the citizens' needs so that everyone may buy for his honestly earned money the merchandise he needs, at any time. Therefore store inventories are being increased by 400 million korunas. Furthermore, production will be required to cooperate with domestic trade in specifying more accurately the required assortment, to speed up product innovation, to supply more flexibly merchandise that is in short supply, and expand more conspicuously the supply of merchandise of exceptional quality.

The enterprise of the local economy, construction and production cooperatives are confronted with an entirely new and demanding task of providing paid services for the population, which are to increase by 3.2 percent. Even though activity in this area has been stepped up after the 6th session of the CPCZ Central Committee and the parallel session of the CPSL Central Committee, the achieved results are still inadequate and require a substantially more flexible response to the population's needs, especially where changes have occurred in the structure of the demand following the introduced price measures. These tasks were discussed very specifically at the conference that the CPSL Central Committee and the SSR government held with officials of the party and of the national committees.

Just as every year of the current five-year plan to date, also the plan for 1984 anticipates a further rise in public consumption, by 3.5 percent. Which means that the per capita cost will already be 10,041 korunas (including social security insurance), which is more than what was anticipated in the five-year plan.

These resources are earmarked particularly for a further improvement of health care. The capacity of the medical institutions will be expanded, and 200 more beds will be provided than what the five-year plan calls for. The number of doctors and other medical personnel will increase by 3,000 above the level of the five-year plan.

Large amounts are continuing to be allotted to improve care for children and youths. Accordingly, the capacity of day nurseries will already reach 51,000 children, which is more than what the five-year plan anticipated. In the same way also the kindergartens will be able to accomodate already 92 percent of the children in the corresponding age group, which will exceed the target that the party congress set for 1985. Higher levels are expected also in the day-time homes for pupils, youth clubs, and school cafeterias.

Material provisions for the higher educational institutions will improve considerably. New construction next year will add capacity for the instruction of more than 4,000 students, and dormitories for 1,360.

The objectives of our system of education and training cannot be realized without exceptional social costs. Therefore the 1984 plan anticipates 3,300 more

personnel and 90 million korunas more in wage resources than what the five-year plan called for. Therefore we request the Communists in the Ministry of Education, the Ministry of Health and the national committees to adopt also measures that will guarantee truly prudent administration of these resources, and will prevent overspending and requests for supplementary allocations next year.

To fulfill the tasks in social care, under the current five-year plan we intend to add 3,500 places in the homes for the elderly. An increase of not quite 900 places will have been achieved in the first three years. For this very reason the CPSL Central Committee Presidium demands a radical change in the attitude to so sensitive a social area, and unconditional fulfillment of this task. A resolution of the government's presidium also demands this of the national committees, the Ministry of Construction, and the Ministry of Labor and Social Affairs.

Even though the amount earmarked for comprehensive housing construction has been raised by 0.5 billion korunas, the prerequisites are not being created as yet for fulfilling the five-year plan's tasks, neither in terms of the number of housing units nor of providing public facilities and utilities.

Therefore all participants of comprehensive housing construction must regard as the absolute minimum the task of completing 34,700 housing units, together with the appropriate public facilities and utilities. Realization of the program that the Slovak National Council enacted into law will require even so the completion of nearly 40,000 housing units in the last year of the five-year plan.

Therefore it is essential that the kraj and okres national committees, the Ministry of Construction and the other participants of comprehensive housing construction not only adopt the measures necessary to this end, but also that they implement these measures consistently. Together with the Slovak Union of Housing Cooperatives, the Communists working in the national committees must exert greater effort and show more initiative especially in ensuring the conditions for the realization of the targets in cooperative housing construction with self-help, and in private housing construction.

Special attention is being devoted in the plan to protecting the living environment, so that water quality, the abatement of harmful emissions, and the working environment may improve with the expenditures for this purpose.

Nearly one billion korunas will be allotted next year for investments to protect the living environment. This will permit continuing at a faster rate the projects left unfinished under the preceding five-year plan and the ones started under the current five-year plan, and also undertaking new starts. Linked to the progress to date, nine ecological projects have been designated for completion that will reduce harmful emissions and water pollution, especially in Moldava nad Bodvou, Sala, Pezinek and Vranov. But it also should be said that completion of seven more projects, especially of sewage-treatment plants, has been postponed until 1985 because of delays in capital construction.

Ten more ecological projects, with budgeted costs totaling 550 million korunas, are to start next year. These include five projects to curb water pollution,

three projects for the abatement of air pollution, and two projects for the liquidation of wastes. Territorially these projects will solve primarily the needs of the Nitra and Vah valleys and of Kosice. Preparations are underway also for the reconstruction of operations that are injurious to health, or for new construction; for example, at the Slovak National Uprising Plants in Ziar nad Hronom, at the Wilhelm Pieck Chemical Works in Novaky, at the magnesite dressing plant in Kosice Bociar, and in the production of nonferrous alloys in Hacava.

Fulfillment to Date of the 7th Five-Year Plan's Tasks

Consideration of the implementation plan for the next-to-last year of the five-year plan must be combined with an evaluation of the results of our entire joint efforts to date to realize the objectives of the Czechoslovak Communist Party's economic and social policy, specified quantitatively in the Slovak National Council's law on the 7th Five-Year Plan. In broader interrelations this will also show the importance of consistently fulfilling next year's plan, and the scope of the tasks prepared for 1985.

The results during the first three years of the five-year plan, and the basic parameters proposed for next year's plan warrant the CPSL Central Committee Presidium's conclusion that in sum the economic and social development to date conforms to the resolutions of the 16th CPCZ Congress and CPSL congress, and that the positive aspects are the dominant in the five-year plan's fulfillment.

The workers in most branches of industry are fulfilling successfully the tasks of the five-year plan. An important factor in this development is that throughout the entire five-year period to date we have been able to maintain the relatively high growth rates of the manufacturing branches, particularly in engineering, the electrotechnical and pharmaceutical industries and, despite several problems, even in the wood-processing industry. Their outputs planned for 1984 are nearly 30 percent higher than in 1980. Since 1983, the performance of construction is rising again.

Fulfillment of the tasks is at the level of the five-year plan also in agriculture, even though there are shortfalls in the fulfillment of the targets for the production of cereals, sugar beets and oil seeds, while the supply of livestock production is being ensured with increased feed imports.

This development of material production and of its efficiency is creating realistic conditions for a 1984 social product at the level of the five-year plan, and for national income slightly above this level. At the same time cumulative social product for the first four years of the five-year plan will be 6.0 billion korunas higher; and cumulative national income, approximately 2.0 billion korunas higher.

As we have already emphasized, the continuity and further growth of material production could and can be maintained only by realizing more value from the raw materials and sources of energy, by effecting structural changes, fulfilling the rationalization programs and reducing the transportation and import intensities. Only by pursuing this policy can we set for next year the task of increasing our social product by more than 7 percent over 1980, while keeping

practically unchanged the consumption of fuels and basic metallurgical materials and significantly reducing the consumption of engine fuels and cement, and petroleum refining.

As the documents of the 16th CPCZ Congress and CPSL congress required us to do, in this period we have begun to solve also the problems that accumulated in capital construction. Even at the inevitable gradual curtailment of investments and changes in the estimated costs of several large investment projects, the volume of investments in progress will decline 22 percent by the end of 1984 in comparison with the volume at the beginning of the five-year plan, which will enable us to harness a further significant reserve of national economic efficiency.

As decisive, however, we must regard the fact that the economy's continuous development and a certain rise in its efficiency create the prerequisites for realizing our economic and social policy's main objective in the area of the population's standard of living.

We are succeeding in realizing our intention of maintaining the attained level of personal consumption even while our population is growing. The population's educational level is rising. The services that relieve the burden of the families with small children, and the network of health-care and social institutions are expanding. In four years nearly 145,000 housing units will have been made ready for occupancy, out of a total of 185,000 targeted for the five-year period.

These positive results, however, must not lull us into complacency. The truth of the matter is that in many respects we have achieved a turnaround in development, but many shortcomings still persist in the national economy. The stepped-up targets of next year's plan and the tasks for 1985 urgently demand that we eliminate these shortcomings more forcefully.

Better Workmanship a Prerequisite for 1984 Plan's Fulfillment

When a year ago we were considering the plan for 1983, we were aware of how challenging was the turnaround we would have to achieve. Today we are in a position to establish that our socialist society has been able to harness the reserves and advantages of our socialist planned mode of development, to such an extent that we are not only fulfilling but even exceeding the set qualitative tasks.

As evident from the presented description of the plan's characteristic features, for next year--the next-to-last year of the five-year plan--we are setting tasks that in some respects are even more stepped up. To illustrate their scope and complexity, it will suffice to mention that in 1984 we want to increase national income by 6.0 billion korunas, which is as much as the increase we are attaining in the first three years.

In setting these tasks we are assessing realistically our strength and possibilities, particularly the contributions of the intensive path of development. We are aware that this is a process which is on a qualitatively higher level of the entire reproduction process and is constantly gaining in importance. It must be perceived comprehensively because its many-sided and broad spectrum of

action influences the life of entire society, and the management of society as a whole and each of its members. In the everyday realization of this process of intensification, therefore, everyone must perform his appropriate and unique role so that the overall result may be the most successful. This requires upgrading organizing work at every level, and fulfilling the tasks creatively, actively and with initiative, at every workplace and by every member of our society.

The first prerequisite for successfully fulfilling the plan next year is to break it down by enterprises and organizations, down to the individual workers. We emphasize the principle of breaking down the tasks and limits for the subdivisions creatively, not mechanically.

Our experience from years past indicates that serious shortcomings exist specifically here, in the superficial breakdown of the tasks from the higher organs to the subordinate organizations, without taking the real possibilities and reserves adequately into consideration. A no less sensitive question is to observe the merit principle in relation to the economic production units and enterprises that proposed progressive tasks in the course of counterplanning; to convince the subordinate organizations that the plan's tasks are inevitable and realistic, instead of simply breaking down the tasks by command from above. As the CPCZ Central Committee emphasized, the plan's elaboration into the economic plans of the economic production units and enterprises must be approached with a sense of great political responsibility for fulfilling the program of the 16th party congress.

We expect the state and economic organizations to create all the prerequisites for fully utilizing the modifications adopted in the interest of having the Set of Measures exert a more comprehensive and more effective influence.

With the wholesale price adjustments that will become effective as of 1 January 1984, and also with the ones being prepared for 1 January 1985, the price ratios will change significantly, value categories will become a more objective basis for reflecting the socially necessary costs, and the level of domestic prices will come closer to the level of foreign prices.

Further emphasis on the merit principle will be placed also by the measures in capital construction: in particular, the evaluation of performance and remuneration will be linked to the completion of turnkey projects (by the new decree on invoicing). Criteria will also be used to evaluate enterprise performance and reward top managers, depending on the observation of the schedules of all mandated projects.

Foreign trade will place greater emphasis on the merit principle by using as a criterion of an export task's fulfillment the transfer of the shipment to the transportation enterprise, and not the placing of the products in inventory; and also by expressing a mandated export task in terms of only f.o.b. prices.

In the plan the efforts are being continued to provide more room for independent decision-making in the economic sphere. Accordingly, the burden of paperwork has been eased, and the number of indicators has been reduced.

Of great importance is the further expansion of the workers' active participation and initiative in shaping the party's economic and social policy, and especially in its realization. In this we see a way to reconcile interests, utilize reserves, and to ensure more sensitively the supply of warranted needs. Through their political and organizational work, the state and economic organs and our largest mass organization, the revolutionary trade-union movement, must provide ever-better conditions for this. Therefore cooperation between the SSR government and the Slovak Council of Trade Unions is becoming broader with each year. The questions of a coordinated approach to preparing the economic plans, collective contracts, and measures for the realization of next year's plan at every workplace were discussed at a joint session that the government's presidium and the secretariat of the Slovak Council of Trade Unions held in November of this year.

To this end there are also other ways that permit, in harmony with the principles of the Set of Measures, more consistent application of the merit principle, greater differentiation in remuneration, and also the expansion of the brigade *khozraschet* form of remuneration. This requires that the managements of the organizations and the trade-union organs see to it that every worker becomes thoroughly familiar not only with the plan's tasks, but also with the conditions of their realization and of remuneration. At every enterprise the key points must be selected jointly to develop a broad socialist competition movement.

The workers' active participation in socialist competition can be developed in conjunction with such important occasions as the 40th anniversary of the Slovak national uprising, and the 35th anniversary of the adoption, at the 9th CPCZ Congress, of the program for Slovakia's industrialization. A qualitatively higher level of development and the plan's successful realization will be the most worthy contribution toward fulfilling the legacy of these events. This will also be the most valuable contribution with which to observe the coming 40th anniversary of our country's liberation by the glorious Soviet Army. Many localities in east Slovakia will be celebrating this anniversary already next year.

In behalf of this it is requested to purposefully utilize the proven forms, especially joint socialist pledges, the rationalization and innovation movement, brigades of socialist labor, the technicians' creative plans, self-supervision, personal savings accounts, and all the proven forms of the workers' initiative and activity that have been employed up to now.

All these efforts, together with the measures for creating the necessary conditions, must lead to the specific preparation and conclusion of collective contracts. More purposeful use must be made here also of the enterprises' social development plans.

This economic and political work among the masses for elaborating the 1984 economic plans at the individual workplaces must be directly combined already with the drafting of the plan for 1985. Here again we must strive for a qualitative break with the current methods and forms of preparing the plan at the enterprises, so that broad collectives of workers may participate in the preparation of the plan, and not merely a narrow circle of enterprise experts.

This will require not only organizational work on the part of the revolutionary trade-union movement, but also a review of the rules of counter planning, their refinement and more specific formulation and, of course, also their consistent observation.

A joint review of all types of standards, for materials as well as labor, must contribute toward improving the quality of planning, already before the actual drafting of the plan, so as to achieve significant progress in terms of the scope and quality of the reviewed standards. Closer attention must be devoted to the work of the planning, designing and technological work stations in order to accelerate the practical application of progressive technologies and new products so that the overall rise in efficiency may be based primarily on research and development.

We have more time for such more thorough drafting of the plan for the last year within the current five-year period, because the approved tasks of the five-year plan are known and can serve as a guide in planning.

The demanding nature of the tasks that our party and socialist society are now solving in order to ensure the objectives that the 16th CPCZ Congress and the CPSL congress set in the economic sphere demands the systematic and comprehensive perfection of the methods and forms of management in every area of party, trade-union and economic work.

On various occasions Comrade Husak emphasized that the order of the day was to do everything necessary to adapt our economy and work methods to the new and more demanding conditions and requirements. This inevitably necessitates a scientific and comprehensive approach to political, organizational and managing activity. For all party, trade-union, state and economic organs and organizations, and for their officials, this means starting out from the specific situation, from the knowledge and experience in conjunction with securing the congress tasks. The words of V. I. Lenin fully apply to today and tomorrow: "We cannot learn to solve our problems by new methods today if yesterday's experience has not opened our eyes and revealed that the old methods were not right."

We must recall and master this principle of a party-minded approach especially now, in conjunction with mobilizing all the members of the party, when preparations are underway for the party locals' membership meetings to be held early next year. For specifically these membership meetings will have to critically evaluate fulfillment of the 1983 tasks and the effectiveness of party work in conjunction with implementing the resolutions of the 16th CPCZ Congress, CPSL congress and annual party conferences; to amend the principal tasks; and to specify the further course of action for ensuring the congress tasks, and primarily the goals of society's economic and social development in 1984.

The unity and mutual dependence of the economic and educational tasks are now more pronounced than in the past. The economy and its performance are and will remain a sensitive factor influencing the political atmosphere, because through them the wide masses are participating in the formation and use of society's wealth. The political and ideological level is again a factor that strengthens the moral incentives which are so important in our socialist society.

As the set objectives become more demanding and the international situation more complex, therefore, economic education, propaganda and agitation shift to the forefront of attention. The order of the day calls not only for explaining the key tasks of our economic development, but also for mobilizing the workers very specifically for the fulfillment of the tasks, in accordance with the specific conditions at each workplace, and directed toward improving the efficiency and quality of our work.

The results achieved in realizing the resolutions of the 16th CPCZ Congress and CPSL congress reaffirm our self-confidence in our own ability, and the great inexhaustible potential of our socialist society and of the entire socialist community. But at the same time they must evoke even greater determination to consistently implement the party's economic and social policy, formulated at the 16th CPCZ Congress and the CPSL congress, and specified at the 9th session of the CPCZ Central Committee and today's session of the CPSL Central Committee.

In the 1980's, which are demanding years also in the economic sphere, we are functioning under truly new qualitative conditions of not only economic development. The party's leading role, and all activity of the party, its organs and organizations, and of every Communist must be developed accordingly. To gain the support of the workers for the active realization of the resolutions adopted at the other sessions of the party organs is now the primary task of every Communist, so that the tasks of the five-year period's next-to-last year may be fulfilled successfully for the benefit of the people, and so that we may successfully finish what we have begun.

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CZECHOSLOVAKIA

MARTINKA DISCUSSES FEDERATION AS SOURCE OF ECONOMIC STRENGTH

Bratislava NOVE SLOVO in Slovak 27 Oct 83 p 6

[Interview with Eng Karol Martinka, deputy premier of the SSR Government and chairman of the Slovak Planning Commission, by Leopold Podstupka: "The Federation--Our Internal Unity and Strength"; date and place not specified.]

[Text] On 28 October 1968, the 50th Anniversary of the Czechoslovak Republic, the National Assembly, Czechoslovakia's supreme legislative body, passed the Constitutional Law on the Czechoslovak Federation. On 30 October 1968, the anniversary of the memorable Martin Declaration, in which the representatives of the Slovak nation acknowledged their political unity with the Czechs in one republic, the Federation Law was ceremoniously signed by the president in Bratislava Castle. On the occasion of the 15th anniversary of this significant milestone in the history of our nations and the economic development of our socialist society, we asked Eng Karol Martinka, deputy premier of the SSR Government and chairman of the Slovak Planning Commission, for an interview.

[Question] How do you view this significant historical event now, 15 years later?

[Answer] The establishment and existence of the Czechoslovak federation has been a logical and organic outcome of social and political efforts to adjust the relations between the Czech and Slovak nations.

The efforts of the CPCZ to find such a solution for our nationality policy go back to the class struggle of the working class and other working people during the First Republic, they were shaped during the struggle for national liberation and at the time of the Slovak National Uprising, and found their way into the first political document of our new Czechoslovak state, the Kosice Governmental Program.

The event was preconditioned by and is based on the victorious socialist revolution, which eliminates exploitation of man by man and all forms of oppression of the working class and lays foundations for the creation of qualitatively new relations between nations. Unequal rights and discrimination of nations are replaced by brotherly cooperation, trust, equality and equal rights in the spirit of proletarian socialist internationalism. These newly formed

fundamental relations have become significant driving forces in our society and our socialist development.

This Leninist conception of complex adjustment of relations between nationalities, i.e., adjustment in social, economic, cultural and legislative areas, is especially significant for us, economists.

Socialist federation as a long-term dynamic form of optimum adjustment of the relations between nationalities in a socialist state has been for 15 years a significant factor in the fast and dynamic development of our society and united Czechoslovak economy. Federation enabled favorable economic development in Slovakia, which was making progressively more contributions to the country's common resources by its production, but also permitted Slovakia to use the fruit of joined efforts.

The prophetic words pronounced by Gustav Husak, then chairman of the Corps of Representatives, on 10 March 1948 on the occasion of new members committing their oath to then Premier Klement Gottwald, have been filled with new specific content and quality results:

"... I would like to point out that the solution of the recent political crisis and the defeat of reactionary forces are particularly joyous and liberating for us Slovaks. From now on, Slovakia will be a bastion of state unity, governmental policy, Slavic orientation and building efforts. Foundations for the balanced development of the entire country have been laid, foundations for consistently strengthening the principles that we have together accepted for our state." During the entire period of our socialist development, the CPCZ never ceased to point out that faster and well-balanced development of Slovakia is an inseparable factor in the economic development of the entire country and that in order to ensure dynamic development of the united Czechoslovak economy, and in order to grow, we must use resources in all parts of our country.

Socialist federation created new, wide space for another period of improving our national economy and efforts for better quality and higher effectiveness.

[Question] During that period, however, the political and particularly economic conditions were very complex for consistent implementation and development of the new federative arrangement. Which factors helped to develop and utilize the advantages of the new arrangement in the economic area?

[Answer] There were primarily three decisive factors. First: the implementation directive adopted at the CPCZ Central Committee session in May 1969, which signified a return to fundamental values and principles of the party efforts and socialist society development after the crisis. The directive stipulated the following main objectives:

--renewal of the party's unity based on Marxist and Leninist principles of development and party life;

--renewal of the party's leading role in society, political life and the area of economy and culture;

--to strengthen the function of the socialist state as an organ of the working class power;

--to implement effective and decisive measures in order to solve country's economic problems and to strengthen unified planned control of economy.

Second: the orientation of our foreign policy, which included the following objectives: to remain a firm part of the socialist community, to strengthen our alliance with the USSR and cooperation with other countries building socialism, to implement a program for further development of economic and R&D cooperation with CEMA countries, to develop cooperation particularly with the Soviet Union, which is a fundamental condition for consistent and dynamic development of the Czechoslovak and, therefore, also the Slovak economy.

Third: the immense internal economic force represented by the production-technological and economic base as a result of the preceding socialist development. This strength, together with another specific and very attractive party program, which gives hope for further consistent progress and guarantees vital social securities to our people. has become a powerful instrument for releasing creative energy and a source of initiative and inexhaustible activity of our working people in the process of implementing the objectives of our economic and social policies, aiming at increasingly better and richer life of our people.

[Question] Everybody can see the results of these efforts and uses them. How would you briefly characterize the 15 years of federation, what general results could you give?

[Answer] In terms of the character and conditions of the development, this period of socialist development can be divided into two distinct stages. The first stage consists of the Fifth and Sixth 5-Year Plan periods in the 1970's, when the economic balance was renewed and the dynamism of the national economy was developing in all respects and areas. The people's living standard grew significantly and the dynamic development of the Slovak economy was fast.

In agreement with the 16th CPCZ Congress directives, the second part of the period is characterized by a qualitatively new stage in the development of the Czechoslovak economy, aiming at securing accelerated transition to intensive development. The progress in Slovakia was relatively faster.

[Question] Can you give some results to demonstrate this development, particularly the process of balancing the economies in the SSR and CSR, which was favorably affected by federation?

[Answer] The 1970-1980 decade is characterized particularly by the following important tendencies:

--Fast development in material production throughout the country and effectiveness, resulting in a growing national income and even faster development in Slovakia. Successful development is demonstrated by the following comprehensive data which speak for themselves:

<u>Index of Growth Between 1970-1980</u>	<u>CSSR</u>	<u>SSR</u>
Social Production (Excluding Foreign Trade)	156.5	175
Industrial Production	168.8	199.7
National Income (Excluding Foreign Trade)	159.6	171.5

--The share of Slovak economy in the nationwide resource formation was steadily increasing. Even though the SSR share in the national resource formation is 27.1 percent, 23.9 percent in industrial production, during that decade the Slovak share was 32.6 percent of the national income and 34.8 percent of industrial production.

--Although the population in Slovakia was growing twice as fast as the population in the CSR (10 percent as opposed to 4.9 percent), the production capacity per person was higher in Slovakia.

More effective use of development factors and opportunities in Slovakia and the dynamic economic and social development assisted by the brotherly help of the Czech working class and technical intelligentsia made this period a period of balancing the economic levels of both republics. Whereas during the preceding 20 years (1950-1970) the difference in the national income formation per person decreased by 2 points (i.e., on the average 0.1 point annually), during the last 10 years the difference decreased by 0.1 points, i.e., 0.51 points annually.

Such fast growth of the national income in Slovakia created conditions for gradually balancing labor social productivity in both republics. Thus in 1980, the Slovak production area reached 92 percent of the social productivity in the CSR (in terms of the created national income per worker in the production area). In industry, Slovakia achieved 101.7 percent of the CSR level, 96.1 percent in the construction industry and 87.2 percent in agriculture. In the effect of a different area structure respecting the needs of the entire country is disregarded, social productivity in the SSR is lower by only 2.4 percent. If we consider also the effect of unfavorable natural conditions in Slovak agriculture and forestry, the difference is even smaller.

Therefore, we can say that at the beginning of the Seventh 5-Year Plan period and given equal natural and economic conditions, the levels of labor social productivity were essentially balanced.

These and further facts demonstrate the well founded words by CPCZ Central Committee Secretary General Comrade Gustav Husak who, acting as the leader of the delegation of the CPCZ Central Committee, said at the KSS Congress on 20 March 1981: "We have the right to say that one of the important results of our party's policy related to socialist development is the balancing of the fundamental differences in the conditions of economic, social and cultural life of our nations and particular regions in our country. Only the socialist establishment enabled us to achieve such results. The fulfillment of this great program in such a short time signifies great victory of our party's policy." His words delivered at the 16th Party Congress are equally convincing: "We

can say with justified pride that we have fulfilled the task and have overcome the historically existing differences in the conditions of economic, political and cultural life of our nations."

[Question] What are the present results of this qualitatively new period of the Seventh 5-Year Plan and what are the further conditions for development of the federation?

[Answer] In accordance with the 16th CPCZ Congress directives, the development capacities are used more effectively, although raw and processed material and energy inputs do not increase. Enforcement of intensive development should bring about a final and decisive result -- a higher national income. The development capacities and restructured production in Slovakia are being used more effectively, which accelerates the development in Slovakia and increases its share in the country's dynamism.

In agreement with the plan for the third year of the Seventh 5-Year Plan, the development dynamism in Slovakia is roughly 50 percent faster than in the CSR. We expect that in terms of effectiveness, this plan will not only be fulfilled but exceeded. We also expect that during these 3 years of the Seventh 5-Year Plan, the Slovak economy will create more than 40 percent of the total material production accretion (social product).

Considering the results of the analysis of the conditions given by the developed industrial technological base and its standards as well as the analysis of future conditions (including first long-term predictions), we can say that we have sound foundations to continue in the present direction. It is in the interest of the united Czechoslovak economy to utilize potentials in all areas and the Slovak economy provides further opportunities in this respect.

[Question] You mentioned that economic and R&D cooperation, particularly with the Soviet Union, was one of the decisive factors in the dynamic development under federated conditions and thus in the development in the SSR. Could you specify this and give some examples?

[Answer] In the 1970's, cooperation with CEMA countries and particularly with the Soviet Union became more extensive and versatile and affected all areas of the replacement process. The year 1971 was decisive in this respect, because we adopted the Comprehensive Program for Further Deepening Cooperation and the Development of Socialist Economic Integration. This document marked the beginning of a new, more effective stage in the development of mutual economic relations. The implementation of this program brought about better use of the advantages following from our participation in the international division of labor and was beneficial to the effectiveness of our economic development.

In 1970-1980, sales transactions between the CSSR and the USSR grew more than 3.3 times. During this period, the export capacities of the Slovak economy significantly increased: total exports grew 4.6 times, exports to socialist countries grew 4.7 times and to the Soviet Union 4.93 times.

Cooperation with the Soviet Union proved to be mutually advantageous, beneficial, stabilizing and at the same time activizing especially at the end of the 1970's and at the beginning of the 1980's, i.e., during a period of inflation, depression and growing problems in economic development throughout the world, when discrimination measures and various forms of credit and other financial restrictions are imposed on Czechoslovakia.

The Long-Term Program for the Development of Production Specialization and Cooperation Between the CSSR and the USSR, signed on 13 March 1980 in Prague, represents an attempt at a planned solution of further development in these relations. It represents a new, progressive form of cooperation, which will guarantee complex and long lasting mutual economic relations.

Thus we can see that during the first years of the Seventh 5-Year Plan period, a period when the conditions at the markets in non-socialist countries continuously deteriorated, our economic cooperation with the Soviet Union developed, deepened and accelerated further, although the pace of the internal production development slowed down. Although the industrial production in Slovakia increased only by 7 percent from 1980 to 1983, total exports increased by 17.7 percent, exports to socialist countries by 26.6 percent and to the USSR by as much as 41.8 percent. This shows that up to 70 percent of the entire export growth was oriented toward the Soviet Union.

This cooperation not only significantly affects the continuity of our further development, but is also an effective instrument in the successful implementation of the economic and social policy of the party.

[Question] What can you say in conclusion?

[Answer] The experience of the past 15 years as well as the results we have achieved unambiguously confirm that the Czechoslovak Federation is a significant factor, mobilizing resources and potentials in both national republics, leading to further successful development of the Czechoslovak Socialist Republic as well as both national republics and strengthening the unity of our brotherly nations and all nationalities.

In Slovakia, the potentials for effective and intensive development have not been fully used yet. The results achieved in the social and economic development of Slovakia, the material, technical and economic base, the increased standard of planned control, the qualifications of our working people and further development of their creative activity provide not only a firm basis for further success but also a necessary and irreplaceable contribution to the general strengthening of the internal unity and strength of our common socialist country.

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PRICING POLICY WITHIN SET OF MEASURES DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 14 Oct 83 pp 1, 4

[Article by Eng Vlastimil Boura, ScC, first deputy minister, Federal Price Bureau: "Prices in the Set of Measures"]

[Text] I was prompted to write this article by the plan for the development of wholesale prices as of 1 January 1984, which was approved by the Presidium of the CPCZ Central Committee and the CSSR Government, and whose implementation is already well under way. This is the third more substantial increase of wholesale prices in the course of the preceding and the current 5-year plans. I should like to explain in greater detail the importance of price policies implemented in the area of wholesale prices and, first of all, to specify their function in the framework of the general complex of mechanisms of the planned management of national economy.

Comprehensive Restructuring Is the First Step

If I say that this is the third more substantial increase of wholesale prices, then I should also like to refer to both of the preceding major adjustments. In 1977 we took the first step, namely, comprehensive restructuring of wholesale prices. It was truly comprehensive restructuring--a reaction to drastically increased prices of fuels, energy and raw materials in world markets which had taken place unexpectedly in late 1973 and continued through 1974 and after. At that time the price increase of inputs represented an annual volume of Kcs 20 billion for our republic. During the November 1974 session of the CPCZ Central Committee the general secretary of the CPCZ Central Committee, Comrade Gustav Husak, outlined a straightforward task for our national economy: to attenuate this negative effect on our domestic economy as much as possible by effective production policies.

Preparations for comprehensive restructuring of wholesale prices as of 1 January 1977 started at full speed in 1974 and 1975 in close cooperation with the khozraschet sphere already under those new conditions; hidden assets existing at that time in our national economy could be fully utilized and the overall level of wholesale prices in our national economy as a whole did not need to be raised. The whole increase of the prices of inputs in subsequent production could be attenuated to the debit of the

planned cost reduction and utilization of above-norm profits in individual branches. The overall level of wholesale prices could be maintained despite the rise of wholesale prices in the branches of the basic industry, because the price level either remained the same or dropped in several branches of the processing industry.

Another significant arrangement was the one-time adjustment of wholesale prices in 1981 and 1982, i.e., in the beginning of the current 5-year plan. Its necessity was dictated by another--literally--explosive rise in the prices of fuels and energy as well as of some raw materials in world markets in 1979 and 1980. Furthermore, our own situation in coal mining for delivery to power and coking plants continued to deteriorate; the justification for the rise of the costs and their amount was reviewed in conjunction with the advance of the working face in inferior mining and geological conditions, the necessity of capital investment and geological survey, the miners' social security, the effect of the mining operations on the costs in the area of ecology, etc.

The increase of wholesale prices of industrial raw materials and products resulted in higher costs in agriculture and called for a fundamental increase of procurement prices for agricultural products (Kcs 12 billion). This increase had to be reflected in wholesale prices in the food industry in order to express more accurately the actual costs of its products. In the second adjustment of wholesale prices higher inputs in our economy represented a total of Kcs 60 billion in the annual volume. The adjustment was implemented over 2 years, in 1981 and 1982, in accordance with the directive of the 16th CPCZ Congress on the implementation of continuous updating of prices.

Thus, those were triple inputs in comparison with 1977. Once again we all--the regional and branch central organizations with the khozrashchet sphere--stood together before the task assigned by the Presidium of the CPCZ Central Committee and the government of the CSSR, namely, to prevent mechanical projections of higher prices of inputs in our economy in the prices of subsequent production, and to enforce again the highest possible attenuation of that effect. This task was so much more difficult because the inputs were three times higher, and, conversely, the untapped assets in the costs and above-norm profits were substantially lower, the planned rate of the economic development was slowing down, and conservation of fuels, energy and materials for our production was not progressing to our satisfaction. However, we proceeded from the premise that the accumulation of hidden assets never ends; it is a natural part of the dynamically developing process of replacement.

Every increase in production forces, reflected in intensification and efficiency, releases some of the resources (labor value added, the material factor, etc.) which must be identified as newly created sources of assets and utilized for further growth.

In this second adjustment of wholesale prices the prices of goods made from primary inputs could be lowered by a full one-third. Thus, the total level of wholesale prices increased 0.8 percent, although it would have risen 15-16 percent if it were reflected mechanically, without attenuation. The prices of final products, i.e., of products that do not reenter the process of further production and are designated for final consumption in the domestic market, for social consumption (health services, the educational system, culture, etc.), for investments and for exports, were up only 7.2 percent on the average.

An annually repeated 2 percent increase in wholesale prices of all sources of fuels and energy began to be enforced as a part of the objectivization of wholesale prices of fuel and energy resources and intensification of the impact of the attenuation; however, the consumer could not pass on this increase in the prices of his products. This method also intensifies the pressure of prices on physical reduction of the consumption, which is its primary objective. The annually repeated increase in the prices of crude oil, Kcs 0.20 per 1 litre added from 1983, must be completely attenuated as well and cannot be reflected in consumers' prices. It is a relatively strong economic pressure. Both these areas represent annually Kcs 2.1 billion. In October 1981 higher retail prices of gasoline and crude oil, which socialist organizations procure at retail prices, represented part of basic policies aimed at markedly reduced consumption of petroleum products.

Under complex foreign economic conditions the newly organized branch of the electrical engineering industry led the efforts to cut the wholesale prices of its products. This was made possible on the one hand by that industry's achievements in reducing production costs as well as by the declining price of silver in world markets. The reduction of wholesale prices in our electrical engineering industry alone represents an annual volume of more than Kcs 1.25 billion. Along with the reduction of prices of certain goods, especially in the branch of general engineering, the overall level of wholesale prices will be reduced this year roughly 0.3 percent. It is part of the continuous updating of wholesale prices implemented in the Seventh 5-Year Plan in the framework of the plans for the development of wholesale prices.

Culmination of Continuous Implementation in This 5-Year Plan

Another truly distinctive adjustment of wholesale prices--i.e., the third in succession--was the increase of wholesale prices as of 1 January 1984. It was motivated mainly by a further rise in the procurement prices of fuels and energy from imports as well as from our domestic production. As of 1 January 1984 the inputs in our economy will be raised an additional Kcs 40 billion in the annual volume.

Life is thus facing us with the harsh reality of domestic and foreign economic conditions which called for a solution of a Kcs 120 billion increase in prices of inputs from imports as well as from domestic production

over a period of 7 years. Never before have we faced such a task. We should mention that a significant part of higher inputs was successfully attenuated in prices. That also applies to the adjustment of wholesale prices as of 1 January 1984, when more than one-fifth will be attenuated in prices.

Thus, along with the USSR and GDR, we belong among the countries with the lowest increases in the level of wholesale prices.

We may use the following data to approximate this challenging task in terms of economy. In 1982 Kcs 836 billion of the Kcs 1,328 billion of the social product in current prices went for consumption in the production. This consumption in the production, however, includes the process of reproduction with its repeated inputs of products, from the raw material up to final product, which pass, for example, through several enterprises that invoice them further as goods whose production they had finished. If we consider in total consumption in the production only primary inputs affected by the Kcs 80 billion increase in 1977 and in 1981-1982, as mentioned in this article, then this concerns an amount of approximately Kcs 220 billion (including the above-mentioned increase), and thus the increase of prices of primary inputs represented 50 percent during that period. Although this calculation is only a rough estimate, it indicates how economically challenging is precisely the period of the Sixth and Seventh 5-Year Plans in the history of the nearly 40 years of our building of socialism.

As of 1 January 1984 the wholesale prices of all sources of fuels and energy, whether crude oil and natural gas from imports or other domestic fuels and energy, will increase a total of 26 percent. Furthermore, the wholesale prices of some raw materials for our food industry will be raised in conjunction with the adjustment of procurement prices; on the other hand, the wholesale prices of certain nonferrous metals and selected engineering and electrical products will be cut.

The level of wholesale prices in our national economy is up by a total of 4 percent as of 1 January 1984 and the wholesale prices of final products will increase by only 4.1 percent.

In connection with the adjustment of wholesale prices as of 1 January 1984, we encounter from time to time the question of whether it is inevitable to raise the wholesale prices at this moment when the prices of raw materials are becoming somewhat stabilized and, in the case of crude oil, have even declined from \$34 to \$29 per barrel.

One must bear in mind that contractual prices among the CEMA countries are based on 5-year averages of world prices, which in past years has enabled us to spread the price increase over an extended period. That was a most important factor in contractual prices because we were able to prepare better for a more gradual rise. Naturally, it means that this

5-year average goes on and will not end practically until 1986. Under the existing conditions the costs for the procurement of crude oil and, jointly with it, of natural gas from the USSR will be for us still substantially lower than imports from nonsocialist countries.

In the further development of our economy and in future years crude oil and natural gas will continue to serve as raw materials for the generation of power and as fuels which will never be in excess in our country and which we always must very carefully conserve. The prices follow the same purpose. For that reason petroleum products, such as fuel oil, gasoline, heating fuels and asphalts, are sold only at retail prices, or at wholesale prices with added sales tax. Crude oil may be procured at wholesale prices only for chemical processing. The purpose of imposing retail prices also for khozrashchet organizations is to intensify economic pressures on the most rational exploitation of petroleum products. Administrative measures in the form of mandatory limits of consumption also efficiently intensify such economic pressures.

An analogical situation appears in the case of natural gas, whose prices also are differentiated according to its consumption. For the purposes of power generation its wholesale price is higher in order to stimulate better conservation.

As for the last year of this 5-year plan, 1985, it is anticipated that only some minor adjustments in wholesale prices will be completed, namely, in the food, textile, leather and paper industries. In conjunction with a review of Czechoslovak state standards for wood, the wholesale prices of green wood and timber will be adjusted, and at the same time, another stage will begin in reducing wholesale prices in electronic and certain other branches of our engineering industry. For that purpose a directive for the planned development of wholesale prices in 1985 has been submitted to the government of the CSSR and the Presidium of the CPCZ Central Committee. These minor adjustments will be reflected in the overall level of wholesale prices, which will increase only 0.6 percent in 1985 with mobility on either side of the price scale.

The policies implemented in past years in the area of wholesale prices are important proof of practical application of state price control in pursuing our party's economic policy. The state holds consistently in its hand the planned management and control of price development. No mechanical projection of the growing costs is permitted in the procurement of raw materials, materials, fuels and energy, whether imported or of domestic origin. As mentioned in greater detail in the preceding paragraphs of this article, the economically justified level of attenuation of the prices of subsequent products is an integral part of the adjustment of wholesale prices; planned reduction of costs and above-norm profits, as the basic sources of attenuation, are always carefully confronted with the given options and the intended effect. Central agencies systematically control price movement by continuously updating wholesale prices by means of plans for their development.

Prices in the Mechanism of National Economic Management

With the above recapitulation of the main reasons for such extensive changes in wholesale prices over the past 7 years and of the approaches to their implementation I relate the prices with the entire national economic management system because the fundamental objective of those measures, stemming from the documentation of the congress, was to guarantee:

--that domestic wholesale prices systematically express the socially necessary costs of their procurement;

--that the growth of procurement costs be attenuated as much as possible by savings mainly in the processing of raw materials and materials, and especially in the consumption of fuels and energy;

--that everybody--beginning with planners, constructors and technicians--be guided by the effort to use the least amount of materials and energy for the production of goods of the best possible functional qualities, i.e., operationally efficient, dependable failsafe and durable; to achieve what the experts call the highest possible valuation of the consumed raw materials and materials as well as energy;

--that above all managers on every level of the management realize that the intensive growth of prices of imported inputs is most efficiently compensated by analogical achievements of the highest possible growth of the prices earned in the foreign market (fco prices) for exports of our goods.

However, the mechanisms of the planned national economic management were unable to contribute toward that end as much as necessary. They successfully met their task under the previous conditions of our national economic development, as has been objectively confirmed by the achievements obtained in such a historically brief period.

The end of the 1970's in the newly developing domestic and foreign situation was convincing proof that the foremost task of our times is to cut the material and energy consumption of our products. However, the actual course of economic life in our enterprises failed to follow that line--on the contrary. From our own practice we know specific examples where the planners and constructors were unable to compel the management of the enterprise to include in its production program a new product whose bulk had been cut by a half or more and whose decisive parameters had been upgraded. The attitude of the management was motivated by the fact that the new product was less labor-intensive, for example, by only 25 percent, and thus the enterprise was unable to double the amount of new products so that the reduced wholesale price, cut because of lower material consumption, does not jeopardize the fulfillment of the plan for the production of goods or of gross industrial production.

The gradually developing discrepancy led to antisocial consequences. On the one hand, the prices of materials were dramatically increasing as a worldwide phenomenon objectively demanding a drastic reduction of the bulk of the goods--their miniaturization--and, on the other hand, systemic mechanisms of management motivated the managers to assume contrary attitudes with consideration of the enterprise, but with an antisocial impact.

For that reason the price control agency declared in 1978 a principle for such cases--that lower material consumption is no excuse for reducing the wholesale prices of the product, as long as all its qualities are preserved. By maintaining the current price the manufacturer is left practically with all the advantages stemming from the reduced bulk because his profits are thus increased.

This approach to materials and, with its aid, to the fulfillment of the dynamism based in the plan for the production of goods and gross industrial production, were fully reflected in our industry and also in other branches. In construction overdesigned foundations were often used for low buildings as though several more floors were to be added on top; powerful bearing frames were erected in the hall on the ground floor of the factory--I-beams and panel masonry--suitable for structures with built-in heavy machinery on several stories. In bridge construction the system of indicators stimulated interest in "spreading concrete" all over the valley where the bridge was to be built rather than in spanning it with an expanded structure.

In that respect the investor was unable to persuade the contractor to follow a more efficient and less cost-intensive method--motivated by the effort to economize with limited investment funds and to be able to build more for them because the contractor would simply refuse to accept another structure and threaten not to include that particular job in his plan; contractors were often vigilant in their approach and already warned the planners that if they should fail to include in the project the structural system the contractors preferred, the contractors would simply reject the contract. Thus, the planners and constructors were already forced to select a method that was inefficient and uneconomical from the standpoint of national economy, although they were aware of more expedient methods.

The Trail Blazed by the Set of Measures Is Correct

This situation, aggravated by higher prices of raw materials, materials, fuels and energy, calls for fundamental changes in mechanisms implemented in planned management of the national economy, changes that would stimulate the workers in enterprises to reverse their action, i.e., to apply the economic mechanism so that the enterprise does not profit but is harshly penalized for consuming more raw materials, materials and energy, and, conversely, so that the enterprise and the team of its workers benefit distinctly from conservation.

The opportunity for such a solution was opened 2 years ago by the implementation of the Set of Measures in our entire national economy beginning on 1 January 1981. From our viewpoint, its main contribution, i.e., reduction

of material and energy consumption, stems from the application of a new indicator for the plan of adjusted value added replacing the previous indicator of gross industrial production and production of goods. The intensive motivation of the indicator of adjusted value added is enhanced because it is narrowly connected with accumulation of funds for the basic wage component.

The long years of experience in managing our national economy have confirmed that man must be the foremost consideration of all when resolving all problems. His actions need proper guidance. People in general behave as they are treated. The solution to every problem is in their hands. This fully applies to managers on all levels of our national economic management because they are exposed to the greatest pressures from below, by the team of workers who demand that necessary preconditions be provided for continuous, failsafe operations so that they may earn decent wages, and at the same time pressures from superior authorities which insist that an optimum plan be prepared and all its decisive sections fulfilled, among them, of course, payment of wages according to achievements.

The correct incentive effect of the indicator of adjusted value added stems precisely from the fact that material costs are excluded from it because, in terms of the focus on intensification and efficiency of the entire process of replacement, conservation of materials and energy and, hand in hand with this, better conversion of materials and energy into top-quality goods are the essential way at the current stage of the economic development in the world and in our country.

Accomplishments Encourage Confidence

The period of 2 and 1/2 years since the beginning of general implementation of the Set of Measures is much too brief to draw general conclusions, yet it is quite obvious that the indicator of adjusted value added for orientation on reduced bulk--which is among the most important national economic considerations--may prove more efficient and stimulating than previous indicators of the plan. The following data support this view, as follows from the results achieved in 1982 and in the first 6 months of 1983:

Material Consumption in CSSR Industry Expressed by Share in Inputs *

1981	1982	Difference	
		in points	in percent
54.71	53.63	1.03	2*

* Source: Statistical Information--"Review of Basic Indicators for 1982," Act No 3712/82.

The share of material consumption in the inputs in the industry of the CSSR was cut 2 percent in a single year, which is truly an unprecedented achievement in past years. The development in 1983 indicates that this

trend continues. In the first 6 months of 1983 the share of material consumption in inputs in the industry of the CSSR was further reduced to 52.80, i.e., 0.83 points, which represents a 1.55 percent reduction over the whole of 1982. Such achievements are promising; nevertheless, we must approach them for the time being with some reservations because it has been a relatively short period, but mainly because it has not been reflected to the same extent also in an overall reduction of costs and because our construction industry has not overcome the problem of unreasonably inflated bulk, which continues to this day. Expert analyses must be focused in particular on these areas in order to determine correct approaches and further steps. However, there is no doubt that we are progressing in the right direction by strengthening the mechanisms of planned management of the national economy toward intensification and efficiency.

In this context I should like to stress that in terms of adjusted value added it is not important what contents are left in it as much as what we have left out--of it or, more specifically, from total outputs, namely, raw materials, materials, fuels and energy, whereby we have become more efficient in facing the previous negative motivation precisely in total output: After all, the vital state goal-oriented programs are logically directed also to this area of the process of replacement and, therefore, at the present stage of the development of production forces, they must be always and everywhere in the forefront of our attention and of our efforts.

Furthermore, I mention this circumstance because to achieve intensification and efficiency it may be important that the workers know the contents of adjusted value added, but mainly that they know that the decisive factor for higher adjusted value added is lower consumption of materials, fuels and energy and their conversion into top-quality goods. We must fully realize that unreasonable or fictitious cooperation cannot bring positive contributions to the enterprise because, analogous to the material component, it is excluded from the creation of adjusted value added.

I regard the further development of the Set of Measures as a vital area not only in relation to prices, because every wasteful and sloppy management and every inefficiency are in the end negatively reflected in some way in the price, but also in relation to speedier and more comprehensive application of research and development in economic practice. Bolder interrelation of economic achievements of our foreign trade with the economic achievements of our domestic production also have to contribute toward the same end because creation of national income depends largely on the efficient achievements of our foreign trade. Therefore, production--particularly for export--must be better correlated with foreign markets and the achievements of foreign trade must affect it more systematically, whether their results are positive or negative.

The experiment in this direction was introduced in our economy as of 1 January 1983; it was based on the principle of voluntary association. That no longer agrees with our objective needs. The center must know well the objective and its actual urgency; for that purpose the decisive

ministries must be gradually and deliberately selected and then this mandatory task must be assigned to them. That is imperative also for the systematic fulfillment of the decisions announced at the eighth session of the CPCZ Central Committee, which called for expeditious translation of the achievements of research and development into reality.

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All socialist countries are striving to intensify the efficiency of the mechanism of planned national economic management. The challenging, very complex conditions of the 1980's have faced us with this task. Here, in the CSSR, the Set of Measures is the program of a well planned development of the planned management system of the national economy as a whole and of its individual, ingeniously intertwined mechanisms.

For that reason, it is the duty of party members as well as a moral obligation primarily of every manager of all levels of management to contribute by effective, specific steps toward the fulfillment of the tasks we are facing, and to approach those tasks with imagination, courage and necessary deliberation, without romantic illusions. At the same time, this calls for appropriate patience, because people need some time to get accustomed to new approaches and adopt them as their own. However, that must not postpone and delay the solution of our tasks.

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PRODUCTION EFFICIENCY VERIFIED IN FOREIGN MARKETS

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[Article by Josef Major and Josef Pasek, workers at the Secretariat of the CPCZ Central Committee: "Efficiency Is Verified in Foreign Trade"]

[Text] From the beginning of the Seventh 5-Year Plan all areas of the national economy have been making a determined effort to fulfill the tasks laid down by the 16th CPCZ Congress. At the Eighth Plenary Session of the CPCZ Central Committee in June 1983 it was among other things stated that most of the complex tasks were being successfully coped with. The solution of the problem of a balanced development of external economic relations has retained its extraordinary economic and political importance.

As anticipated by the 16th CPCZ Congress, the 1980's have brought quite a few problems, obstacles and risks which must be dealt with and eliminated. The complex situation in the world economy and foreign markets calls also for new approaches in the area of planning and managing external economic relations, in the area of supplier-customer relations, in economic inter-linking of the interests of the production sector with those of foreign trade, and in actual foreign trade transactions. In this respect a number of measures have been adopted which are being gradually implemented or experimentally verified.

Efficiency of Our Economy

In evaluating the results achieved in the development of the national economy during the first half of 1983 the Presidium of the CPCZ Central Committee emphasized the key importance of further increases in foreign trade efficiency. The emphasis placed on this aspect of foreign trade activity fully reflects the situation in world trade because only the producer and exporter who can offer use values with required parameters that have been produced at minimum cost can achieve results in foreign trade activity.

The basis of foreign trade efficiency lies in our own economy, in those of its functions which result in the most effective utilization of all resources -- investment funds, raw and other materials, energy and human labor.

The world markets are witnessing a fierce competition which will ultimately divide exporters into those who will derive profit from foreign trade exchange in the form of conservation of national labor and those who will suffer losses from world trade and thus will deplete their own resources necessary for further development. If foreign trade is to contribute more significantly to the labor productivity increase, to the reduction of production cost, to improving technical and economic parameters and to the desirable structural changes in the national economy, it is necessary to adapt more rapidly and more effectively to the demanding conditions of the world market. Although not all elements in the foreign economic climate reflect the economic objectivity and not all of them can be taken into account during the process of adaptation of our economy to external conditions, the world market can nevertheless be regarded as one of the fundamental technical and economic criteria of efficient functioning of the economy as well as of individual economic organizations.

In the first 2 years of the Seventh 5-Year Plan the export targets set for the socialist states were generally met and the external economic balance with the capitalist countries was consolidated. These undoubtedly are very positive results which were achieved despite the changed domestic and foreign conditions. It must be stressed particularly that during this period we succeeded in further consolidating and expanding our mutual trade and economic cooperation with the Soviet Union, which represents for us the dominant trade partner. It must also be said that the gradual restoration of payments balance with the capitalist states represents a favorable and absolute opposite tendency which prevails in the world today.

We cannot be satisfied, however, with the trend in actual exchange relations with the capitalist states. As we know, this area of the world must cope with a crisis development in its economy; it has put various obstacles in the way of trade with the socialist countries and applied protectionist and discriminatory measures against them. Nevertheless, this market absorbs the products with the high technical and economic parameters, provided that they are backed with service both prior to and after the sale. The fact that in comparison with 1972 we pay for the same amount of raw materials imported from these countries approximately 50 percent more in the value of exported machinery and equipment signifies that some of our products are not always successful in international competition.

Our trade partners in the socialist countries likewise place big demands on the quality and technical standard of products exported by us. Only the goods of top quality which satisfy the demands of the consumer fetch adequate prices. Our production and foreign trade are gradually realizing that the market of the Soviet Union is one of the very demanding outlets today as to the utility quality and technical standard of exported products. Imported raw and other materials and energy can be effectively financed only by those of our exports which will meet the requirements of the Soviet partner. Only top quality products can compensate for the increases in the price of imported raw materials inputs and thus ensure a favorable development

of actual exchange relations. At the same time it is imperative to improve the preparedness of our trade representatives for the price negotiations with the socialist partners, to have available up-to-date and credible price documentation, and thus, with proper knowledge of the matter, to submit justified price proposals, to fulfill our export commitments on time and in proper quality, and at the same time to insist on the fulfillment of contracted import commitments from these countries.

Very few people doubt that the road to the higher efficiency of foreign trade leads from production to the export of adequate use values manufactured on the basis of participation in the international division of labor, socialist economic integration and particularly on the basis of overall cooperation with the Soviet Union. However, much more effort will be required to make full use of all these potential reserves peculiar to socialism for intensive economic development.

Science and Technology Broaden Export Possibilities

Considerable reserves must be found particularly in the more rapid application in practice of scientific and technological achievements, in the higher efficiency of capital investment, in the more effective use of production assets, in the smaller consumption of materials, energy and raw materials. The mobilization of these reserves will eventually affect also the development of efficiency of our foreign trade.

We import, for example, considerable quantities of raw materials, materials, energy and food. To pay for them we spend approximately 50 percent of funds gained by our exports. More than Kcs 35 billion are spent on the purchase of fuels alone. Like other states, our economy will have to cope rapidly with smaller inputs. In the FRG, for example, the consumption of crude oil amounted to 115.1 million tons in 1979, but only to 75 million tons in 1982. This means that the crude oil consumption declined almost 35 percent within 3 years.

Imports are an important factor in economic development, but also a tool of international division of labor. Imports of machinery and equipment affect the pace and degree of modernization of the economy, and also the rate of technological development. The basis of import possibilities, however, is created primarily by the export efficiency of individual sectors and branches. The key in the given situation is how to make the production process more cost effective and convert the material and energy inputs into competitive products. The high innovation activity depends upon all components of the production process -- beginning with the application of the latest achievements of science and technology to preproduction stages and postsale service both in our country and abroad.

The competitiveness of products is the end result of work of workers in development and design engineers, blue-collar workers and fitters, technicians and merchandising personnel. The big foreign firms with increasing frequency set up joint innovation teams consisting of research

workers, design engineers, designers, psychologists, workers in trade services, and so on. Their task is to suggest further innovation of products and to prepare new, original products with the new applications. Favorable conditions are gradually being created for innovation activity -- the exploitation of these prerequisites and potentialities, however, fully depends upon the attitude of each participant in the innovation process. The resolution of the Eighth Plenary Session of the CPCZ Central Committee on the more rapid application of scientific and technological achievements in practice formulated a number of tasks and ideas whose implementation will positively affect also the development of foreign trade efficiency. These questions must be the focal point of attention particularly of economic production units, enterprises and foreign trade organizations.

Economic Linkage Between Production and Trade

An important condition of the identification of the interests of production and foreign trade in the increased efficiency of foreign trade exchange is further tightening of economic linkage between the production and foreign trade organizations. The economic mechanism must more significantly contribute to the projection of results of foreign trade transactions into the management of production and foreign trade organizations. This is the objective of rules on experimental verification of measures designed to make more effective foreign economic relations, which are being verified in selected sectors, their production organizations and some foreign trade organizations this year. These rules intend to interlink more closely the domestic economy with the external environment and thus to create a demanding economic climate for the economic subjects which will compel them to manufacture use values that will successfully compete on the demanding markets of both socialist and capitalist states.

Experimental verification of rules designed to make foreign economic relations more effective constitutes an integral part of the comprehensive approach to making the system of planned management more efficient. Its other component part will be the experimental verification of new elements in speeding up scientific-technological progress and in establishing a unified investment fund closely linked to the resolutions of the Eighth Plenary Session of the CPCZ Central Committee in June 1983.

A certain period of time will be required for a thorough analysis and evaluation of the proposed experiment. It appears that a minimal 2-year period is necessary for an objective and pertinent evaluation of results which the experiment has produced in the area of increased export and foreign trade efficiency, and for the determination of further courses of action in this area.

Rational Import Policy

As already pointed out above, the results of Czechoslovak exports constitute the key basis of imports. Our production basis largely depends on the import of raw materials and other materials. We must effect imports for our

agricultural complex, domestic trade, health care and other sectors. To obtain the necessary funds to pay for these large imports and at the same time to make installment payments on our past commitments is by no means a simple affair. It requires maximum effort both in increasing export efficiency and pursuing a rational import policy.

To pursue a rational import policy means to ensure economical utilization of imported raw and other materials, machinery and equipment. However, it means also to ensure a rapid recovery of foreign exchange used to pay for imports and to make use of optimum terms in the trade, credit and foreign exchange areas. Making the decision on a prospective concrete import requires knowing in advance what its effect will be, how much national labor it will save, how it will be reflected in the competitiveness of our economy. Moreover, one must be sure that the import in question is indispensable and the respective commodity cannot be substituted for by another product manufactured in our country or obtained through international production cooperation particularly with the socialist countries.

Also in relation to imports, the area of technological development, science and research plays a key role, because it is expected to contribute considerably to the optimum utilization of imported raw materials, energy, machinery and equipment.

The reduction of import requirements gradually becomes a conceptual idea based on the long-term programs of import and export policy. In accordance with the resolution of the CSSR government, import commissions have been set up virtually at all levels of production as well as in the area of foreign trade. They consist of a large body of workers from the area of technological development, research, investments, economy and finance. These commissions study and evaluate the problems from the standpoint of the entire society, deal with urgent immediate tasks and conceptual intentions and focus their attention on strengthening export competitiveness.

The implementation of principles of a rational import policy by the foreign trade organizations consists not only in achieving the best possible terms of delivery, price, payment, transportation, and so on. It is important also to buy at an appropriate time and to link our considerable imports to the promotion of Czechoslovak exports on the respective markets with our trade partners who are not only producers and exporters, but directly or indirectly also consumers and importers.

To the reduction of import requirements attention must be paid already during the development of products, in the formulation of production programs, in design and engineering. In planning investment projects we must thoroughly consider and calculate not only the imports of machinery and equipment, but also of energy and raw materials. The nonobservance of construction deadlines and delays in putting new capacities into operation have an unfavorable impact on the balance of payments. As to the import aspect, it must be pointed out that imported machinery was frequently put into operation behind schedule in recent years. A considerable quantity of machinery and

equipment imported from the nonsocialist states has remained in the warehouse for a long time. On the average, machinery in the value of Kcs 4-4.5 billion was not put into operation on time every year. By 1980 this volume was successfully reduced to approximately one-half and by the end of 1982 the value of machinery not put into operation on time amounted to Kcs 1.7 billion. This improvement was brought about particularly by the measures effected by the Federal Ministry of Finance, SPCS, and some ministries such as FMHTS [Federal Ministry of Metallurgy and Heavy Engineering] and MP CSR [CSR Ministry of Industry]. Within the framework of a rational import policy, permanent pressure must be exerted also in this area.

Of key importance to further expansion and increased efficiency of our foreign trade during the period after 1985 are the intentions and measures built in in the long-term outlook, in the preparatory work on the Eighth 5-Year Plan of development of the national economy and in further improvement of the system of planned management. An important role in this respect is assigned to the implementation of long-term programs of cooperation with the socialist countries, particularly the Soviet Union, to the planned consultations on the coordination of 5-year plans of CEMA member states for the 1986-1990 period, and to the implementation of measures adopted by the 37th CEMA plenary session in Berlin.

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AGRICULTURE MINISTER VIEWS PROBLEMS IN FARM MANAGEMENT

Prague RUDE PRAVO in Czech 31 Oct 83 p 3

[Article by Miroslav Toman, CSSR minister of food and agriculture: "A System of Economic Responsibility; In Agriculture as Well There Are Numerous Unresolved Tasks"]

[Text] From the results of the first 2 years of the Seventh 5-Year Plan, including the evaluation of the expected yields from this year's harvest and the outlook for livestock production through the end of this year, it may be assumed that we will be successful in raising gross agricultural production by 5.2 percent more than the average for the Sixth 5-Year Plan, with plant production exceeding this average by 6.6 percent and livestock production by 4.1 percent.

Nevertheless, one must not overestimate the successes which we have achieved. On the contrary, it remains a fundamental task to mobilize all capabilities, and in particular to assure the priority development of plant production over livestock production, to further intensify it while at the same time achieving more effective agricultural production.

Eleven Million Tons of Grain

Based on harvest results and estimates of per hectare yields made by the Federal Statistical Office as of 15 October 1983, the plan for grain production (including corn), which had been established for 1983 at 11 million tons, will be met, with the average per hectare yield reaching 4.32 tons. This is the largest amount that we have ever been able to raise and harvest successfully. A positive influence was exerted on these results by the two most productive krajs--the West Slovak with an average yield of 5.02 tons, and the South Moravian with a yield of 4.77 tons. Yields and overall production of the basic grains also significantly increased in comparison with recent years in the North Moravian and Central Bohemian krajs.

The results of legume production have also been favorable. Production has increased by 20.1 percent in the years 1981 to 1983 over the average of the Sixth 5-Year Plan. This year's examples of a number of agricultural

enterprises which have achieved yields of 4 and more tons per hectare of peas indicate the potential that exists for the production of our own protein fodders. One of the best is the Uherske Hradiste-Kunovice Mir JZD which on an area of 310 hectares of peas achieved an average yield of 4.71 tons per hectare. Also worthy of mention is the Vajnory JZD in the Bratislava okres.

We therefore want to expand the cultivation of legumes more rapidly and, depending on the degree of implementation of the protein program, also to distribute the sources of protein components from central funds to individual krajs and okreses.

The development of oil plant production has been especially favorable, particularly that of rape seed, the annual production of which has increased by 52 percent in comparison with the average for the Sixth 5-Year Plan. This year 306,000 tons of rape seed were procured, which is 51,000 tons more than projected by the plan. This contributes significantly to an improved level of coverage of the raw materials needs of the fats industry and for the production of fodder mixtures from domestic sources. The best results were obtained in the East Bohemian kraj with an average yield of 2.98 tons per hectare, the South Bohemian kraj with 2.96 tons, and the West Bohemian kraj with 2.95 tons. This is a fine example of what may be achieved through close cooperation between primary agricultural production, the processing industry, and the R&D base in the comprehensive assurance of food requirements, plant protection, and the utilization of world and domestic genetic funds.

The production sectors where despite isolated successes, on the whole there has been no success in realizing the objectives established by the plan, in minimizing losses and in adding more value to production are sugar beets, potatoes, fruits and vegetables. This is a very important part of agricultural production from the national economic viewpoint. Increasing and stabilizing the yields of these crops is now a top priority objective that requires a much greater focusing of all of our capabilities.

Still Better Fodder Management

On the whole, positive results have been achieved in fodder management, especially of concentrated fodders. In comparison with the first 6 months of the final year of the Sixth 5-Year Plan, this year's standard consumption of concentrated fodder for the same period per liter of milk declined from 0.27 kg to 0.23 kg, from 2.48 kg to 2.02 kg per kilogram increase in slaughter cattle weight, from 3.76 kg to 3.58 kg per kilogram weight gain in feed lot swine, and from 2.63 to 2.58 kg per kilogram of slaughter chickens.

At the same time, however, we still have many enterprises the performance of which is below average, which have unnecessarily high costs for the production of livestock products. For instance, in the first 6 months of this year in the CSR there was a difference of 0.69-0.81 kg of

concentrated fodder required per kilogram weight gain in feed lot swine between the top three okreses (2.94 to 3.22 kg) and the last three (3.75 to 3.95 kg). In the SSR this difference was 0.54 to 0.75 kg, based on the overall magnitude of consumption. Similar situations exist in the raising of cattle, poultry, milk and egg production.

For this reason we are considering a re-evaluation of the entire system of subsidies from central concentrated fodder stocks. From the public viewpoint, it will certainly be more proper if fodder from these sources is allocated above all to those enterprises which have demonstrated that they are able to utilize it more effectively.

We cannot agree with attempts to overfulfill production plans that are tied to requests for increased fodder sources, or with achieving an increase in labor productivity at the expense of overall productive efficiency. These are remnants of extensive economic development and of outdated thinking. Work initiative must be developed with an emphasis on efficiency, the rational utilization and reduction of the standard consumption of material inputs, and on maximizing production from each stabled animal. It is not therefore possible to offer compensation based only on the amount of production without any link to production indicators.

During this and upcoming years we will be developing livestock production at a pace dictated by our own fodder base. An every agricultural enterprise it is necessary to manage carefully all fodder supplies and to create the conditions so that the starting point for the fulfillment of 1984 targets will make it possible to continue on the adopted course of increasing the intensity of livestock production.

More Rationally in the Food Industry as Well

A favorable consequence of the fulfillment of objectives for agricultural and food production this year has been a gradual equilibrating of the food market and the achievement of stability in this important component of our domestic market, which accounts at present for roughly 48 percent of total retail turnover. We have been particularly successful in improving the market supply system for products of the milk industry, meat and meat products, products of the fats industry and from other parts of the food industry.

Nevertheless, one cannot be satisfied with the current situation. We above all require the food industry to react more flexibly to changing market conditions, that it not view the fulfillment of its targets in terms of deliveries of products about which there is no interest, but adapt itself more to consumer demand, that it increase product quality and impart more value to raw materials. The food industry should steer agricultural production with initiative and in a planned way so that primary production delivers raw materials of the proper types and quality.

Improved Management System

As the evaluation indicated, the improved planned management system has contributed above all to the achievement of a certain degree of success in the development of agricultural production efficiency and to the intensification of the khozraschet operation of agricultural enterprises. At present, intended objectives have not been reached above all in planning and in the improvement of supplier-consumer relations. Even the modified procurement prices and the supplementary price and other mechanisms in agriculture which will take effect on 1 January 1984 are directed not only toward defraying the higher costs of production equipment delivered to agricultural enterprises, but also towards the objective of further strengthening the khozraschet character of agricultural organizations, stabilizing the agricultural work force, and supporting intensification programs.

We want to create the conditions for agricultural enterprises and the food industry so that they can, in full accordance with the principles of the improved planned management system, manage themselves on a fully independent basis, develop the requisite enterprise initiative and activity and, in connection with improved performance, implement their development programs and provide for the needs of their employees.

At the same time, however, we want to put an end to the protectionist policy and introduce a system of economic responsibility for the management results of every enterprise, including the resultant demands on personnel, and the consistent practical implementation of the merit principle. All enterprises must count on this.

What Next on State Farms

There is considerable underutilized capacity in the management of state agricultural organizations. Analyses have indicated that the state farms have at their disposal more production equipment than JZD's for comparable natural conditions, but that they have a lower number of employees than the JZD, which unfavorably influences the structure of production and final output. On a per hectare of agricultural land basis, the state farms achieve a 25 percent lower level of gross agricultural production.

Beginning on 1 January 1984, it will also be possible for state farms to subsidize wages payable resources to a greater degree than previously, and particularly the bonus fund, on the basis of actual performance. This should become evident in a positive sense in the recruitment and stabilization of highly qualified employees, the improved utilization of production assets and the newest R&D findings, as well as in the overall management results of the farms. The strengthening of khozraschet operations, however, presumes a fundamental increase in the sophistication of managerial work and production organization, accountability for assigned divisions, the consistent implementation of more rigorous criteria for the evaluation of the work of all state farm employees.

Internal Enterprise Khozraschet

One of the main reasons that during the implementation of the improved planned management system there has been a lack of success in making new approaches stick is a certain lack of enthusiasm for and in some cases even an inability to break out of old techniques of managerial work, from the declaration of adopted principles to their creative and committed implementation in daily managerial activities.

In this regard it is essential to devote attention to increasing the sophistication of internal enterprise planning and management through the more efficient utilization of internal enterprise khozraschet, which has for some time now been the weakest link in the entire management system.

In accordance with the adopted principles of the improved planned management system it is essential to motivate employees to independent thinking and to demand of them more personal initiative, commitment and accountability for the work they perform. In practice this means that we must attempt to reduce the administrative burden, and cease troubling people with various agendas, paperwork and conferences that resolve nothing. On the contrary, it is essential to produce specific solutions to problems. This likewise means a thorough differentiation in compensation based on actual work performance, and participation in actual performance.

The implementation of the improved planned management system in the food industry and agriculture is a demanding process of changing attitudes and ways of dealing with people in which opportunities to prove themselves are open mainly to industrious and initiative-taking senior employees and members of work collectives. At the same time, however, it is necessary to attempt to improve the work of those who are not producing quality results and therefore are detracting from final performance. It is the responsibility of senior employees, in cooperation with party, union and youth organizations, to create the conditions so that the system can exert this type of influence on the unification of work collectives and enterprise management in a spirit of mutual critical rigorousness, in the attempt to carry out the objectives and foster the development of each enterprise in accordance with the intentions and goals of the economic policy of our party.

It will be necessary to utilize fully all the positive and negative experiences gained so far in the mobilization of our capabilities for the fulfillment of the objectives of the Seventh 5-Year Plan, and particularly in the preparation for and fulfillment of 1984 plan objectives. The objective for 1984 is to take further steps in the direction of increasing self-sufficiency in food production, a goal of basic strategic importance.

9276

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UNIFORM CRITERIA SAID INSUFFICIENT TO MEASURE WORTH OF ENTERPRISES

Prague HOSPODARSKE NOVINY in Czech 14 Oct 83 p 7

[Article by Eng Zdenek Srein, ScC, university lecturer, College of Economics in Prague: "How To Assess Achievements of Enterprises?--Uniform Criteria Are Unsuitable"]

[Text] The preceding discussion led to the agreement that the area of value planning and thorough utilization of value categories and policies in planned management of the process of reproduction is an important, yet not fully appreciated, and above all, still little known factor. Theoreticians are in almost universal agreement on this issue, though even here we may find some who oppose it on principle.

One of them is Jaroslav Vejvoda, a college lecturer ("To Eliminate the Dependence of the Plan on the Volume," HOSPODARSKE NOVINY 16, 1983), in whose view production of goods historically withered away and exists as nothing more than a lifeless administrative category in economy. I think that there is no need for extensive polemics against that thesis. To underscore the subjectivism of such a view let us refer to the confirmed Marxist principle that social practice is the criterion of truth of theoretical thought. After all, do not supply and demand exist in socialism? If we call that, for instance, formation of supplier-consumer relations, that does not change the nature of the matter, particularly in the case of goods that are not subject to central accounting. There is no need to dwell excessively on the importance of prices and other value and currency policies for maintaining rationality in this process. Nevertheless, such a view must also be respected because our knowledge may advance precisely on the basis of a conflict between different concepts.

However, achievements of enterprises cannot be expressed exactly and objectively by simple methods by means of value categories and policies (as a part of planned management). In his article "A Systematic Approach Is Lacking" (HOSPODARSKE NOVINY 14, 1983), Eng Ladislav Rusmich stresses the enormous complexity and interrelations of this problem. Nonetheless, I should like to point out certain other questions which the system proposed by Eng Ladislav Rusmich also needs to consider.

Expression of Labor Productivity

Let us pose a seemingly trivial question: What is the real importance of assessments (quantification) of achievements of enterprises? How is such an assessment related to their economic interests? There is no need to corroborate the fact that has been empirically established already long ago--that the decisive motive determining the economic policy of an enterprise in the area in which it may make independent decisions is the maximum increase of personal incomes earned by the members of the teams working in the enterprise, and, in broader terms, also their living standard, including various nonfinancial advantages such as social benefits, recreation provided by the enterprise, etc. If, for example, the management of the enterprise must select the structure of its production, it usually gravitates toward "wage-advantage" rather than "profit-advantage" when these two considerations are in contradiction.

This real group economic interest must be attuned to the society-wide interest. For that reason every consideration of the further development of the policy system in planned management endeavors first of all to resolve the "neuralgic point:" planned control of wages payable which stimulate and at the same time exert pressure on economically efficient production. This goal is served by two relatively independent managing systems: the system of wage rates and tariffs and global regulation of wages payable and other rewards by the plan. It seems that both systems are irreplaceable. We cannot rely on only one of them.

The consideration of advantages, disadvantages, economic purity or logic of this or that indicator of criterion cannot therefore be suspended in a vacuum. Among other things, the correlation of this indicator with wage control, or, more precisely, its effect as a mechanism for achieving a rational wage development, is decisive. If in his article "Less Romanticism in Indicators" (HOSPODARSKE NOVINY 18, 1983) university lecturer Milan Matejka does not regard this indicator as an appropriate and efficient mechanism for wage control--despite all the advantages he attributes to returns on investment as a synthetic expression of efficient economy of an enterprise--then this criterion becomes less interesting for the system of planned management because the question of overcoming that "neuralgic point" remains open, although return on investment is correlated with the regulation of the incentive factor in incomes of the work teams.

I think that the excessive uniformity of various proposed concepts of indicators of criterion as a mechanism of wage control, the notion that the same yardstick must be used everywhere and at all times, indicates a certain shortcoming. The decisive precondition which wage control must fulfill is that labor productivity increases at a faster rate than average wages (or establishes their relation where objective conditions prevent labor productivity from advancing, as, for instance, in mining departments). Return on investments is not hypersensitive to this relation and for that reason we must turn to other indicators. Here the decisive factor involves the selection of an appropriate expression of labor productivity which

respects the specifics of individual types of production. In some branches it is possible to lean on natural indicators, while in others perhaps a value aggregate, such as adjusted value added or calculation of labor productivity in export prices earned, may be more suitable.

To make a long story short--we must proceed from the fundamental premise that a uniform indicator applicable to all types of operations cannot be found and that we must focus precisely on a differentiated approach to the formulation of the indicator of criterion of labor productivity which respects the technological, sales and organizational specifics of individual branches. Understandably, it is a very challenging, even tedious effort; however, it does promise a better result than the search for a uniform indicator of criterion which in many aspects resembles the futile wish to discover the philosophers' stone.

A Different Horizon of Time

I think that when considering the criteria for assessments of enterprises, their role and applicability must also be defined in terms of time. The discussion more or less tacitly anticipates a short-term view, planned management of operations, which in our situation is implemented mainly by means of annual plans. The economic facts of life in our country and in the world simply preclude the specification of the 5-year plan for enterprises in the form of different long-term guaranteed limits, conditions, standards of return on investment, and so on.

Nevertheless, the projection of identical views in the area of long-term economic policies also elicits doubts, as, for example, whether returns on investment may play an equally significant role of the criterion for the assessment of long-term conceptual objectives, particularly of investments and developmental programs, which are very frequently carried out by the enterprise sphere, specifically, primarily by the branches of specialized VJ's [economic production units].

The development of theory and practical knowledge underscore the expanding role of the criterion of utility and serviceability of pertinent products, where the considerations of social and economic efficiency are intertwined. Considerable emphasis is focused on the supra-enterprise, national economic viewpoints of long-term developmental concepts, where even with specification of serviceability of the products it is necessary to gauge the economic efficiency of the proposed or considered solutions and to proceed there from the determination of individual resources which the given concept would require. That concerns national economic calculations of one-time and general costs, correlation with imports and exports, and linkage with other developmental (complementary and competitive) programs. Detailed assessment of economic efficiency (as well as utility) proceeds then from an analysis of the technical economic criteria of the production and construction, combining the natural and the value parameters.

Return on investment in the concept under consideration is not at all a decisive criterion because, among other things, its expression in figures presupposes an assessment of future outputs, and information about the development of prices of future production is often unavailable or very questionable. This, however, is not a case of "imperfect" information alone. Return on investments and prices is a mechanism of short-term economic policies with whose aid society consciously affects and controls khozrashchet interests of the enterprises. It may therefore be assumed that only in consequence, on the basis of the determination of national economic efficiency and the advantage of certain developmental conceptions, the center may create economic conditions (among other ways, by price policies) that will render those concepts advantageous and lucrative for the enterprises, and thus stimulate their interest in the given trajectory of further development.

This means that if in the management of enterprise operations and in the evaluation of their achievements practical demands lean toward the conception of a single criterion and if the simplest possible algorithm for their expression is sought, for instance, by means of return on investment (although even here a single indicator may not be sufficient to "serve one and all"), then in terms of the program it is incorrect to reduce the criterion for assessing long-range developmental programs, and thus also investments, to such simple procedures.

9004

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GERMAN DEMOCRATIC REPUBLIC

INNOVATIONS TO ALLEVIATE ENERGY SHORTAGE

Potential of District Heating

East Berlin PRESSE-INFORMATIONEN in German No 130, 8 Nov 83 pp 3-4

[Article signed by Dr. H. Ejury, department head, Ministry for Coal and Energy]

[Text] Remote heating has proven the most efficient form of heating in our republic. It makes possible a rational use of our domestic raw lignite and alleviating environmental stress at the same time, which is of special importance in view of concentrated housing construction in conurbations. In the winter of 1983/84 circa 1.2 million apartments are being heated by remote control in the GDR.

By developing centralized heating for residential areas since 1950, a new branch of the energy industry developed in our country. With the implementation of the housing construction program, the centerpiece of the working class party's sociopolitical program, enormously large heating systems under remote control evolved. The systematic expansion of the remote heat networks, the heat transfer over long distances from the producer to the consumer, the use of larger pipe diameters and higher temperatures made it necessary to separate the heat production network from the consumers installations. That was done by heat transfer stations.

These plants are very expensive in materials and costs. To curb expenditures for remote heating, much research was done. Scientific surveys by large remote heat networks, as are found for instance in Berlin, Halle, Rostock, Schwerin, Frankfurt/Oder or Karl-Marx-Stadt, and the data from the work with a new large-size research plant, led to the conclusion that it is possible to channel heat from thermal power plants and heating plants directly into room heating installations. That is done by putting up a few central pressure regulation and additive mixing stations instead of many costly heat transfer stations. Those installations are technologically designed in such a way that they are not exchanging heat between two hot water networks with different pressures but, after pressure reduction and temperature control, channel the hot water directly into the consumers' heating units.

The great scientific-technical value of this solution lies in that it thus became possible for the first time--even on the international scale--on the basis of experimental and physical computations to control the dynamic transfer processes in large heat supply networks.

The data gained from the surveys are used to supply heat for 20,000 apartments in Erfurt-Southeast. That kind of plant was set up there in consequence of excellent cooperation between working people and scientists in the energy industry, construction and the territory, with active assistance from the Erfurt Bezirk council. It made possible the savings of M 76 million in investment costs, 2,300 tons of steel, 2,600 tons of cement and 150 tons of copper. Fifty workers were not needed that would otherwise have been necessary, and 6.8 million kilowatt hours of electric energy per year are saved. All these savings result primarily from not needing structures for heat transmission stations and from the higher capability of the pipe systems. The Erfurt example demonstrates what reserves can be tapped for laying out remote control heating systems, once novel scientific-technical data are applied fast and consistently.

In implementation of the experiences and data of Erfurt, the new procedures are more rapidly being introduced in all suitable heat supply systems. Up to 1990 they will be introduced to another 81 heat supply regions in the GDR, in particular in the capital Berlin and in the bezirks of Halle, Leipzig, Karl-Marx-Stadt, Rostock, Neubrandenburg and Schwerin. The surveys necessary for it are concluded. The application of these measures will bring our economy a benefit of some M 200 million. A construction and energy industry research team is carrying on surveys to make central heating in our republic still more economical.

Cold Air Retains Heat

Magdeburg VOLKSSTIMME in German 22 Nov 83 p 3

[Unsigned article]

[Text] A so-called cold air veil keeps warm air from moving through open hall gates in the CEB WEMA Union, Gera. Cold air is sucked up, with low energy expense, and channeled to gates passed through frequently, where it forms a barrier that prevents air from leaving the hall. Thereby, the enterprise saves M 32,000 annually in energy.

Alternatives to Gasoline

Magdeburg VOLKSSTIMME in German 25 Nov 83 Supplement p 4

[Article signed by Rudi Hartwig]

[Text] Topical questions about the rational use of fuels in the sense of the economic strategy issued by the 10th SED Congress and questions about creating alternate fuels, not based on petroleum, were the focal points of attention by the participants of the 15th "New Magdeburg Experiments" conference. In a discussion chaired by Prof. Dr. Wolfgang Hinze, there were Dr. Juergen Schoenmetzler, Dr. Juergen Mueller, and engineer Rolf Lausch, commercial director of VEB Minol, Magdeburg, who responded to the many questions raised in that conference.

Water in the fuel! Is there a driver of a Wartburg, say, who has never been annoyed about a drop of water in front of the carburetor jet stubbornly choking the fuel intake? Yet, under certain conditions, water may be of benefit for a rational fuel consumption. Way back even in the late 1920's, water would be sprayed into high-performance fighter aircraft engines for rapidly increasing the performance. In the 1950's, tests were made at what was then the Dresden Technical College with water-gasoline emulsion which led to no positive results, however. . . For a few years projects have been known of the USSR, Poland, England and Japan where diesel-water emulsion serves as fuel. That diesel oil has up to 30 percent of water, dispersed in the tiniest of droplets. Though the water provides no energy, it still improves combustion. The droplets evaporate explosively in the combustion chamber and improve the distribution of the fuel in the air of combustion. That speeds up combustion. A remarkable effect is that less soot and nitric oxide comes out of the exhaust, and the combustion chamber remains clean since neither soot nor oil carbon is deposited. Sure enough, though, the saving of fuel has thus far not yet been proven exactly. Much research is still needed to provide operational maturity for this emulsion. According to an ADN report, scientists in the navigational engineering college of Warnemuende/Wustrow have had a first success in emulsifying the heavy oil used for ship machinery with water. Fuel savings run between 2 and 5 percent. That way the main machine in a 20,000-ton freighter would annually consume 120 tons of fuel less.

Gasoline from Petroleum--How Much Longer?

Today, almost all fuel comes from petroleum. Petroleum prices on the world market were roughly 16 times as high in 1980 as they had been in 1970. Annual world consumption settled around 3 billion tons. Even with consumption staying the same, the known reservoirs of nature will be exhausted in a few decades. One can already predict that after 1990 fuel requirements can no longer be satisfied by petroleum alone. At the international scale it is being taken for granted that petroleum or natural gas for fuel production and the chemical industry will have to be replaced in the foreseeable future by charcoal mixtures like coal, oil shale and tar sand. Our country has resources of 40 billion tons of lignite, of which circa half can be used technically. By means of coal liquefaction, either directly or via gasification plus fuel synthesis, synthetic gasoline and diesel oil can be produced as well as a number of oxygen compounds like methanol, ethanol and others, suitable as fuel.

Scientists in our country, while paying attention to the state of international technology, are seeking new methods for producing fuel from lignite. By 1990, those methods are expected to be ready for application in mature technical solutions.

Methanol, an alcohol, has the greatest prospects for being used as a fuel as it can today be produced from synthetic gas that can be made from coal, natural gas and petroleum products. Design modifications for the Otto carburetor engine are not needed if up to 15 percent of methanol is mixed in with the carburetor fuel. Making methanol from lignite is already worthwhile economically. Some of the methanol needed for our chemical industry is already being made that way. There are estimates that 500,000 tons of methanol can replace 300,000 tons of fuel.

There are service vehicles in our country that are driven with wood-gas to save fuel. Wood-gas is a weak gas. Storing it is not worthwhile. So it must constantly be regenerated aboard the vehicle, that takes a certain effort. This type of fuel production is not likely to become economically significant. Wood is too valuable for it, and wood chips are not obtainable at large volumes.

Some taxis in Magdeburg and other large cities are driven with liquid gas, a propane-butane mix in steel flasks under 15-bar pressure. It is well suited as fuel for Otto carburetor engines because of its high heat value, antiknock features and amenability to the environment. It does not improve the energy balance, however, because it is made of petroleum or natural gas. It is mainly used for environmental protection.

Hydrogen in the Tank

In the Soviet Union and other countries experiments have been made for some time toward using hydrogen as an energy source for motor vehicles. Hydrogen is a fuel that is friendly to the environment. Water vapor essentially is all that comes off. The heating value of hydrogen is almost three times as much as that of gasoline. Converting from gasoline to hydrogen is possible without modifying the engine much. For example, in Moscow a test for a Lada 1,200 run with gasoline and hydrogen resulted in a 70-percent saving of gasoline. The big difficulty with hydrogen is storing it, though. A hydride battery alone, an iron-titanium alloy, the atom mesh of which absorbs the hydrogen, came to a volume of 120 kg for such a Lada 1,200. Only 2 to 2.4 kilogram of hydrogen was in that "tank," with the vehicle needing circa 0.7 kg for a distance of 100 kilometers.

Producing large volumes of hydrogen also still causes problems today because it comes mainly out of petroleum or natural gas. Its production through hydroelectrolysis is very expensive and will become worthwhile only when electric energy is produced cheaply by means of nuclear and fusion reactors.

It is certain that hydrogen will play an important role in the world of tomorrow, for which prudent research is getting all set even today. For the time being, however, coal, petroleum and natural gas are going to remain the energy sources out of which fuels are produced.

Heat from Coolers

East Berlin BERLINER ZEITUNG in German 1 Nov 83 p 3

[Article signed by Jens Kalgene]

[Text] In 55 shopping malls of the capital it has become already standard procedure to heat the stores with the heat that comes off the aggregates of the coolers. When the outside temperature is above 5 degrees, not a single briquette or one kilowatt hour of electric energy has to be used up for it. That saves per shopping mall an equivalent of 40 tons of raw lignite per year. Some volume!

Gaged against the technically useable potential of secondary energy in the capital (an equivalent of 230,000 tons of raw lignite), it is, however, miniscule.

These almost quarter of a million tons are still merely a theoretical value, and only some of what is possible is in fact being saved. In 1982, it was 39 percent. Thereby Berlin lagged behind the republic at large (60 percent). Greater efforts are needed--as also was underscored at the eighth Berlin Bezirk seminar on rational energy use, in mid-October.

There are enterprises with fine results, such as the electric bulb and cable works Kopenick or the VEB Hermann Schlimme Steremat; but then there are others, too, such as the VEB Foundry and Machine Construction and Berlin-Chemie. Mostly, inadequate use of secondary energy comes together there with exceeding the energy contingents allocated. What that means economically can be seen by this comparison: The expense in using waste heat normally is only one-sixth of the costs needed for the same amount of primary energy.

For 1984, the targets have been set: At least 70 percent of the secondary energy is to be used in the capital. That calls for new scientific-technical solutions. But first we must consistently use over again in practice what was successfully tried before. There is a clear concept for the waste heat from coolers in shopping malls: 17 more of them are to be reconverted by June 1984.

Replacing the Light Bulb

East Berlin BAUERN-ECHO in German 23 Nov 83 p 1

[Unsigned article]

[Text] The Berlin light bulb plant in the Narva Combine has started manufacturing combination lamps which save energy. Such fluorescent lamps use much less energy than and give as much light as traditional incandescent lamps. A compact fluorescent lamp with a 9-Watt capacity can replace a 60-Watt incandescent lamp. The working life of the new product, at 5,000 hours, is five times that of an incandescent lamp.

5885

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BANK REPORTS ON CREDIT ACTIVITIES

Budapest FIGYELO in Hungarian No 45, 10 Nov 83 p 7

[Article: "Hungarian National Bank Report--Enterprise Liquidity Problems"]

[Text] Industrial production rose moderately in the first 9 months of the year. The long drought had an unfavorable effect on agricultural results. In convertible-account commodity trade (calculated in foreign exchange) we had a balance surplus exceeding last year's.

The bank conducted a strict credit policy. Despite this, the working capital volume of the economic organizations remains high and the composition of inventories unfavorable: excess inventories are too great. The bank has gradually increased its inventory controls, and in the case of unjustified inventory stocks it has recommended withdrawals from circulating capital goods. There was occasion during the elapsed period of the year for a modification of interest rates as a balance surplus was created that exceeded last year's.

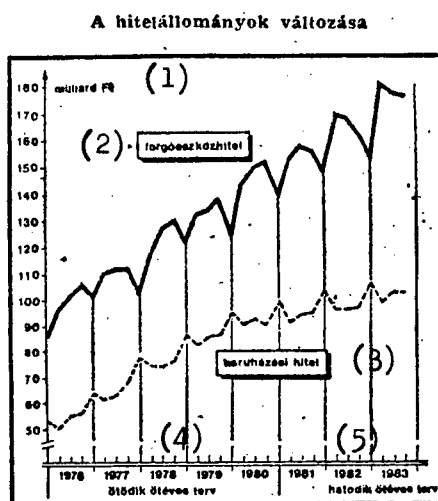
Working Capital Credit

Between January and September the economic organizations demanded a 19 percent greater loan total than a year ago. Licensed working capital credit came to 400 billion forints. Of this 42 percent went to industry, 32 percent to the food economy (agriculture, the food industry and purchases), 16 percent to trade, 8 percent to the construction industry, and 2 percent to other areas. As compared to the first three quarters of last year, the credit demands rose the most in industry (mining, metallurgy and the chemical industry), but there was also an increase in the total loans available to the food economy and to trade. The construction industry, on the other hand, received less credit than last year.

Ninety-five percent of the licensed credits are short term; after the first half of the year the tenure was further shortened. In contrast with last year, credits licensed for inventories declined, and for liquidity problems they increased. At the end of September the deposits of economic organizations were 11 percent less than a year ago. To a large extent the decrease occurred in money marked to meet savings goals, and to a small extent deposit accounts.

The financial situation of the enterprises and cooperatives has been uncertain for some time. Management and marketing difficulties as well as resource limits cause more frequent payments problems. The hold-up of payments obligations has become more and more frequent as the economic organizations make late credit amortization payments. In September, 15 of the 105 enterprises with the largest loans delayed payment obligations for the first time. In order to speed up repayments, the bank uses its right to satisfy its own demands from incoming revenues, giving this priority over other obligations; despite this, the volume of overdue credit payments at the end of the period was substantially higher than usual.

Changes in Credit Stocks



1 -- billion forints, 2--working capital credit, 3--investment credit,
4 -- Fifth Five-Year Plan, 5--Sixth Five-Year Plan

During the 9 months the enterprises and cooperatives demanded 14.1 billion forints in investment credit (as compared to 12.9 billion in the same period last year). The licensed amount came to 8 billion forints, or about one-half of the amount for the previous year. Fifty-four percent of the credits undertaken were for the financing of enterprise investments and 46 percent for cooperative investments. In the third quarter agriculture received more loans, mostly for the adopted development program. The entire cost target of the investments being realized with the 8 billion forints' worth of credit comes to 12 billion forints. (In imports as a whole, the share of ruble-account imports is 25 percent.)

With the signed credit contracts the enterprises and cooperatives are counting on an average profit of 19 forints for each 100 forints invested. This is 2 forints less than last year for the same period. The construction industry promises a much greater profit than average (45 forints), and industry is also counting on somewhat better than average results. The eigen

resource contribution in contracts signed during the third quarter was lower than in the first half year, but it came to 33 percent in the first three quarters or 3 percent higher than last year. The loan tenure is 20 months below that of credits licensed a year ago.

On 30 September, 380 credit loans were being processed for a total of 8.1 billion forints. Of this, the economic organizations demanded 2.6 billion forints for export expansion, and also the same amount for the rationalization of energy consumption. Eighty-one percent of the investment credit extension possibilities were licensed by the end of September.

After a moderation in the second and third quarters the enterprise and cooperative investment payments began to increase once again and at the end of September were 3 percent more than a year ago. The bulk of the increase was made up of costs independent of the value of the facilities (for example, interest, planning and preparation costs), but construction activity also expanded. The reduction in machine imports from socialist countries was balanced only somewhat by domestic purchases. Investors spent as much as last year for convertible account imports.

Money Circulation Among the Population

The total money receipts of the population from January to September exceeded last year's by more than 8 percent, and real value did not change notably. The increase in wage payments (not including cooperative employee wages) as compared to last year did not come to 3 percent, and this was almost 2 percent below the rate for the previous year. In September, the wage outflow accelerated as a function of the rise in production during the previous month. Other personal income exceeded last year's by 4 percent although at the end of the first half year it was still at the previous year's level. In knowledge of the half-year profit development, the economic organizations were more bold in increasing the premium and bonus payments charged to the sharing fund.

Among the money receipts deriving from agricultural producer cooperatives, almost 4 percent more was paid out than last year under the title of wages for tsz (producer cooperative) members. The rate of increase declined continuously during the year. The wages of tsz employees rose substantially less than last year, primarily as a consequence of the more moderate rate of expansion in auxiliary plant branch activity. The tsz's reduced outlays charged to the sharing fund by 5 percent.

Receipts from agricultural product marketing (purchasing) rose by 14 percent. This was caused primarily by the unprecedented pork sales and the purchasing price increase at the year's start.

The population's spending trend did not change. Between January and September outlays rose 10 percent more than receipts, including a 9 percent increase in money spent on commodity purchases. Calculated at unchanged prices, the population spent more on food, the same amount on miscellaneous industrial items, and less on clothing than the year before. The population spent 17

percent more on services than a year ago. The major role in this was played by the prolonged effect on last year's transportation and repair industry price increases as well as the increase in this year's rents and the cost of personal services. The volume of services in demand rose only to a slight extent in house maintenance and household services.

The circulation of cash continues to be brisk, and during the 9 month period both outflow and return flow rose more than a year ago. A basic role in this was played by the consumer price index which was higher than last year. Of the cash outflow a volume corresponding to last year's ratio returned to the banks.

6691

CSO: 2500/82

STATISTICAL BUREAU RELEASES REPORT ON HOUSEHOLD PLOT ACTIVITY

Budapest FIGYELO in Hungarian 17 Nov 83 p 15

[Article: "How Many Are Working on Household Plots?"]

[Text] According to preliminary data of the KSH [Central Statistical Office] about 2.7 billion hours of work were devoted to household plots and auxiliary farms in 1982, or somewhat more than in 1972. As compared to production, this amount of time is disproportionally great, more than 1.2 million workers, the obligatory time for the whole year of 20 percent of the active workers, and substantially more than the work time requirement calculated on the basis of existing norms in agriculture. It must be taken into account, however, that almost 60 percent of this time is put in by the elderly and dependents who are not capable of the same intensive work as active earners.

With work time that increased somewhat, the small farmers produced in 1982, calculated at unchanged prices, 15 percent more than in 1972. Production per one unit was 29 percent more than 10 years ago and the work time investment was 14 percent greater.

In one work hour devoted to crop production and livestock breeding, the small farmers produced a gross production value of 30 forints at current prices. The state farms and combines produced seven times as much and the joint farms of agricultural producer cooperatives five times as much. In net production the differences are less because of the greater embodied labor investment on large farms. In small-scale production the net production value was 14 forints per hour, about one-third that of large farms.

In 1982 households conducting small-scale agricultural production devoted 4.9 hours on the average to small-scale farming, 0.6 hours more than in 1972. The average conceals a very wide spread. In certain households the amount of time devoted to small-scale production is determined chiefly by the extent of gardening production, not in the least by the area covered with foil and the size of the livestock that is kept.

Household plots and auxiliary farms worked a much smaller area in 1982 than in 1972, but livestock increased. More than 70 percent of the small producers

possessed no land at all or cultivated less than 0.5 hectares, and the average livestock, holdings did not exceed 0.7 animals, and still on these farms they devoted more than 4 hours of time to production.

Only 1.5 percent of the farms observed had larger areas--over 2 hectares--but they had more than 12 percent of the land area of the small producers and more than 6 percent of the livestock calculated in number of animals. The average land area of these farms was 3.5 hectares and each farm had almost 4 animals. The average daily work time devoted to small production on these farms was 12 hours, which corresponds to the legal working time of two persons when projected over a whole year.

In farms belonging to the cooperative peasantry the size of one farm was 72 percent (in case of foil-covered areas 93 percent) larger than those belonging to industrial employees, but by and large they devoted the same amount of time to crop production. It may be assumed that the reason is the small farmers belonging to the cooperative peasantry received much more help from the large farms (soil work, plant protection, delivery, etc.) than did the auxiliary farms. The average livestock holdings of households belonging to the cooperative peasantry was 2.5 times as great among those employed in industry, but they devoted only one and one-half times more hours to livestock tending. One reason for the concentration of livestock breeding is that the tending of additional animals does not mean proportionally more work.

Since 1972 the daily time devoted by householders with plots or auxiliary farms has undergone something of a transformation partly because of the decline in the compulsory work time and partly because of the change in living conditions. A greater part of the released work time has been devoted to small production and only a small part to rest and recreation.

6691

CSO: 2500/95

CSIKOS-NAGY EXPOUNDS ON FURTHER DEVELOPMENT OF PRICE SYSTEM

Budapest PENZUGYI SZEMLE in Hungarian No 10, Oct 83 pp 723-734

[Article by Dr Bela Csikos-Nagy: "Further Development of the Price System"]

[Text] A Historical Review

Switching our economy to its new growth path is proving to be a more complicated task than expected. Primarily the real processes play a role here that are related to the unexpected rate at which the growth energies within CEMA have weakened, and in East-West trade to the partial credit embargo introduced in 1982. Naturally, the resulting constraints on growth cannot be removed through modifications in the system of macroeconomic management. However:

--Better adjustment to the requirements of the international division of labor that is based on mutual advantages could relieve these constraints somewhat; and

--Better utilization of available resources could liberate new domestic growth energies.

All this is already a matter of efficient economic policy, and as such it is also a question that concerns the system of macroeconomic management. The experience of a quarter century proves this. This is why the Council of Ministers adopted a resolution in 1983 on developing further the system of macroeconomic management. According to this resolution, the concept must be developed so as to permit realization within a few years around 1985, and the preparations must be organized so that the most urgent changes may be introduced already in 1984.

Preparation for the changes in the system of macroeconomic management and their implementation do not pose an unusual task for us. Already for a quarter century, our economic policy has been characterized by the following:

--With more or less delay, it is adjusting to the economy's changing external and domestic conditions. And in harmony with this adjustment,

--It is constantly renewing certain elements of the system of macroeconomic management.

The entire process of reforming macroeconomic management has been combined with the price system's development, and this will be so also in the future. The linkage is understandable if we consider that economic policy under commodity production manifests itself either in price control or as measures that influence supply and demand.

During the past quarter century, price policy assumed a specific role in shaping economic policy. This role differed in agriculture, industry, and the tertiary sectors.

Decisive in agricultural policy was the change introduced in 1957 in the circulation of farm products. The abolition of compulsory deliveries and changeover to free procurement "forced" the change in price policy. The mutually coordinated development of the financial system and price system in 1957 proved an effective stimulus from the viewpoint of agriculture's socialist reorganization, and of socialist agriculture's intensive development as well. The price policy that adjusted to the 1957 change in the circulation of farm products "forced" in 1970 a free feed market, thereby removing the obstacles also to the development of livestock production.

Within industrial policy, the role of price policy has always been to provide initiative. But while in agriculture adjustment to the conditions of commodity production occurred "overnight," in industry this adjustment required more than two decades. Characteristic of industrial policy in the 1957-1980 period was the gradual evolution of price functions. The accounting function of prices was perfected in 1957-1967. The structure-controlling function of prices was established in 1968-1979; and it has been asserted more forcefully since 1980, through adjustment to the development of international prices.

Price policy, however, is not doing all this consistently, which has contributed to the following:

- a. Structural change and adjustment to the market are extremely slow;
- b. Retention of price subsidies repeatedly weakens the economy; and
- c. Unwarranted incomes arise in the processes of constant inflationary pressure and necessitate subsequent regulation, which makes the economic environment uncertain.

In the tertiary sectors (construction industry and services), unlike in agriculture and industry, price functions were long unable to evolve. For in these sectors even the elementary (quantitative, organizational) conditions of price competition are lacking. Only in recent years have steps been taken to activate the price functions, by introducing construction-industry pricing based on competitive bidding, by broadening the scope of small businesses, and by freeing a substantial proportion of the innovative services from price-control restrictions. This is the area where post-1956 price policy differs the least from the price policy pursued before 1956.

Further development of the system of macroeconomic management necessitates essential new changes also in the price system. The Council of Advisers attached

to the MSZMP Economic Policy Committee has already reviewed the questions that arise in conjunction with socioeconomic development and the requirements of the international division of labor. Before long we will reach the stage of preparing the decisions, so that subsequent statutory regulation, specific formulation of the tasks, and elaboration of the related economy-organizing measures may transplant into practice everything that policy considers ripe for solution.

In May of this year, the Council of Advisers considered a document entitled "Further Development of the Price System," prepared by a working group under the author of this essay. The debate clarified the basic directions of the price system's development, although numerous partial questions still require additional analysis, and solutions to them will emerge only in the course of further debate.

As happened also in 1980, the economic reform of 1968 determines the main line in the price system's further development. This statement is valid even though we realize that today the objective political and economic conditions differ in many respects:

- a. A single market neither exists nor can one be created;
- b. External market conditions are different in trade with both the socialist and capitalist countries;
- c. The sociopolitical constraints are tighter than we anticipated.

For price policy the 1968 economic reform set the requirement of creating a price system that would provide suitable guidance for the enterprises in making their economic decisions. In conjunction with this function, three criteria have been set for pricing. Accordingly, prices must (1) reflect the production costs, (2) take the value judgment of the domestic consumer and foreign buyer into consideration, and (3) express the state's preferences.

The first criterion approaches the problem of prices from the side of production and expresses the natural phenomenon that, as a rule, unprofitable production cannot be maintained long term. The production cost must be recovered either from the price or the subsidy that the state budget provides. The second criterion approaches the problem of prices from the consumer's viewpoint and expresses the natural phenomenon that the price of a product cannot be divorced from the usefulness attributed to a product in the course of its use. In the case of products that are traded internationally, the foreign-trade price regulates this utility value. The third criterion approaches the problem of prices from the viewpoint of the state (policy). The state does not remain indifferent to the processes taking place in the marketplace. It gives preference to some, and discriminates against others.

Supply Behavior

Let us examine the production side, the production costs, particularly the set of conditions for sensible enterprise behavior and, closely linked to such behavior, the feasibility of determining whether production is economical.

The Hungarian economy is trade-sensitive. Practically every productive investment in such an economy serves either to expand export or to substitute import. Utilization of the comparative advantages in the international division of labor is a fundamental question of growth in an economy of this type. This is why consideration of the foreign-trade price seems perhaps the most important task in pricing. In a trade-sensitive economy the objective necessity of linking the domestic and the foreign-trade price stems from the fact that an organic connection exists between economic efficiency and international competitiveness on the one hand, and equilibrium, export potential and import substitution on the other hand.

In this context there arises first of all the requirement that, because of our relative paucity of sources of energy and industrial raw materials, we must not divorce their domestic valuation from their import prices. But there arises the question of how to take into consideration the price differences that exist between the ruble-denominated and the nonruble-denominated foreign market. In this respect the 1980 price adjustment introduced the change that domestic prices must always adjust not to the average cost of social production, but to the nonruble-denominated import prices and their changes. Petroleum prices are an exception in this respect. Here the domestic price is lower, 27 dollars a barrel at present, because--among other things--we subtract from the world-market price the savings in transportation costs that the Hungarian economy achieves by importing petroleum and natural gas from the Soviet Union over pipelines.

More than one author has criticized the changeover from an average of the prices² applicable to different provenances, to the highest (f.o.b. border) price. The considerations on which this changeover is based are as follows: (1) Since the past few years, the import quotas for fuels and basic materials within CEMA can not be increased at all, or only in exchange for contributing investment capital. In some instances the quotas are even being reduced. (2) The price system applicable to CEMA cooperation is based on the world-market prices. The tracking of world-market price changes has been accelerated by the changeover to the moving-average price. (3) In excess of the quotas, fuels and basic materials can be obtained within CEMA only at the current world-market prices. (4) Prices can provide proper guidance for economic development only if they reflect the marginal-import prices. (5) In their pricing users must calculate their raw materials and sources of energy at the prices of nonruble-denominated import, in the same way as their competitors in the world market. Thus the international valuation of products produced domestically reflects value judgment of domestic labor's performance.

All this warrants retaining the way in which natural resources are valued domestically.

The orienting function of prices has improved because since 1980 the producer prices of industrial products are linked to the world-market export prices or the import prices, either directly or indirectly, through special rules of the game.

But sensible enterprise (supply) behavior presupposes a system of costing adequate for this purpose, one that basically differs from the traditional,

socialist khozraschet system. The attributes of costing change when it is not intended to provide information for central planning, but to serve as a basis for sensible enterprise decisions.

Two characteristics of standard costing must be pointed out. First, costs that actually have not arisen, or not in the prescribed amount, also must be accounted as costs. These include costs whose certain proportion the state withdraws from the enterprise to form central sources of financing, as this is being done in the case of depreciation and the technical development fund, for example. The other characteristic of standard costing is the principle of adjusting to the average cost. Or more accurately, in the case of traditional pricing, the cost + profit formula is based on the principle of average cost. The cost standards are determined on the basis of the average conditions.

Such a system of costing practically demands a gross system of accounting with the state budget. Thus the enterprise may find itself in the unprofitable range already when the price exceeds the marginal cost. Consequently the balance sheet may show a loss even when the amount of revenue that the enterprise transfers to the state budget exceeds the loss.

Economic calculation in a given situation of the enterprise means a combination of the productive factors and production structure. The enterprise combines the given (or available) factors of production and compares them with the proceeds from sales, to obtain the best result. The difference between economic calculation and pricing assumes special importance when a significant proportion of the decisions concern the extent to which it would be worth increasing capacity utilization, and with what products, through the expansion of export or the domestic production of products that up to now have been imported. According to economic calculations, this is advantageous so long as the proceeds from the sale of the additional output cover, in addition to the variable (proportional) cost, also a part of the fixed cost; assuming that the proceeds from the sale of the products produced earlier, under lighter capacity loading, covered the enterprise's fixed (constant) costs.

According to the regulations now in force, for its economic-efficiency, profitability and planning computations, the enterprise may use any form of economic calculation. For various considerations, however, the official regulations governing precosting and pricing restrict the differentiation of overhead and profit according to the principal sales destinations (capitalist export, socialist export, and domestic market). The differentiation of cost and profit between products intended for the domestic market and those for export may not serve as the basis of applying disproportionately high producer prices in comparison with the domestic prices of products already in circulation. The profitability of nonruble-denominated export may not be improved by shifting the overhead to products sold domestically. Under the system of engaging in foreign trade on their own account, for example, industrial enterprises may not employ cost allocation based on how much overhead a product is able to absorb when they are calculating the profitability of their nonruble-denominated export, etc.

Thus economic calculations have been unable to become fully integrated into the system for preparing enterprise decisions, despite the initiatives since

1968 to spread their use. This is depriving the economy of important reserves for improving external economic equilibrium.

Since we have retained numerous elements of the pre-1968 costing and financial system, the point of departure for the price system's development can only be that the enterprises use so-called economic calculations, and not the officially prescribed precosting (pricing), as the basis for deciding whether the price position of a commodity or like product on the market is suitable for them, and in what product mix to expand their production so as to increase their profits at the prices attainable in the market.

Sensible enterprise behavior cannot dispense also with systematic comparisons of the enterprise's products with those of its competitors. In the case of important export products it is warranted and useful to perform their comparative analysis from a technical viewpoint (product design, production technology, technical qualitative indicators, gross and net material consumption, the amount of labor expended on the individual production operations, the degree of cooperation, the size of the production series, etc.) and also from the viewpoint of the market (lead time, and the scheduling of partial deliveries; supply of spare parts and servicing; operating manuals and technical consulting; frequency of claims; the difference in transportation costs; advertising, promotional materials, commissions; customs and other administrative regulations in the country of destination). In this way it is possible to uncover also in their breakdown the losses that result partially from the higher domestic costs, and partially from the fact that the export prices of Hungarian products usually are lower than the prices of foreign products. When the loss factors are known, it becomes clear what changes have to be made and where; the possible additional cost of the necessary internal enterprise measures can be estimated and compared with the improvement in profit that can realistically be expected through more efficient cost control or a more advantageous export price.

Comparative analyses of this type and the subsequent practical measures must become an integral part of an enterprises' operations. We must abandon the enterprises' practice of attributing the losses resulting from their poor performance simply to discriminative measures. The improvement of international competitiveness requires enterprise behavior that knows in detail the competitors' production and marketing methods and is able to use this knowledge.

Consumer Preference

The assertion of consumer preference raises the most complicated questions in the socialist economy, although one would assume the production based on demand can be achieved more naturally under the socialist socioeconomic system than under capitalism. The consumer's role in pricing depends on the following:

- On how decisive demand is within supply policy; and
- On whether bargaining over the price is possible.

The 1968 economic reform introduced basic changes in the system of regulation, but it altered only slightly the economy's system of institutions, the structure of enterprise organization. The monopolistic organization of supply

remained intact. In accordance with the view prevailing in the 1960's, moreover, introduction of the economic reform in industry was preceded by organizational integration.

In addition, the 1968 economic reform did not carry out consistently a change-over from supervision-oriented vertical organization to marketing-oriented horizontal organization. Yet vertical organization is warranted only if the hypothesis that state planning is "perfect" is correct. According to this hypothesis, the plan solves every problem at the macroeconomic level, and for the microeconomic level there remains nothing more than to fulfill the plan. We know from experience how untenable this hypothesis is. But there has been no thorough analysis to determine what changes regulation based on economic instruments warrants in the system of institutions, and in the structure of enterprise organization in particular.

On the supply side, of course, competition among products cannot be circumvented, and at the present state of technology this is of great significance, provided that central allocation of materials does not tie the enterprises' hands in choosing their sources of energy and structure of materials. With a widening of the assortment of products, competition among products exists in the case of machinery for investments and of consumer goods as well. But this in itself does not yield a satisfactory result. Up to now, however, import competition, or even domestic competition among enterprises, has not been significant. Aside from the curbs on import, the high import duties make import competition marginal, especially these days. And competition among enterprises has been limited for a long time to those sectors where the relative weight of cooperative industry is significant.

All this enables us to understand why economic policy after the 1968 economic reform has been unable to elevate the consumer to his theoretically desirable status, even though this policy has strived for a relatively greater equilibrium than in the past. From this stems perhaps the most important task in conjunction with the system of macroeconomic management in the coming years: by improving the conditions for domestic competition, to adapt the system of institutions to a marketing-oriented organizational structure.

In the 1968 price reform, creation of a flexible price mechanism raised the most problems. The possibility of imbalances had to be taken into account. The flexible price mechanism had to be prevented from causing uncontrollable inflation. We introduced a mixed price mechanism that featured fixed and maximum prices, ceilings and floors set for price movements, and also free prices. The main question of the mixed price mechanism was designation of the strategic points at which pricing had to be excluded from the direct effect of market forces. Three hypotheses were accepted as the basis for this:

1. Official restrictions on pricing must be employed more widely in the case of consumer goods than of capital goods. In the sphere of consumption we chose the price forms so that the products and services which account for 50 percent of the spending by a consumer of average income would have guaranteed prices. This meant guaranteed prices for 70 percent of the items included in the cost-of-living index.

2. Official restrictions on pricing must be employed more widely in the co-operative sector of agriculture than in state industry. This is warranted for the following reasons:

--The macrostructure of industry is predetermined by the existing plant structure, and the process of structural change is regulated, under close central control, by the development policy outlined in the plan. Agriculture, on the other hand, is distinguished by its branch characteristic that there is wide opportunity to change the production structure through decisions at the micro-economic level.

--The state guarantees the basic wages of industrial workers, but the income conditions of agricultural workers are regulated by the prices that the state subsidies adjust, and by taxes.

3. In the state sector of the national economy, with the exception of the basic infrastructural services, the effect of the market's value judgment must be maximally ensured, primarily in the processing of materials. In state industry, therefore, we designated the strategic points of official restrictions on pricing within the circle of energy sources and basic materials. At the same time we started out from the principle that the prices evolving within industrial cooperation would be regulated by the final product's price from which they are derived.

In 1968-1983, the scope of goods and services supplied at free prices expanded gradually, with due consideration for the basic principles. Table 1 shows the proportions of the price forms.

Table 1. Controlled and Free Prices, in Percent of Sales in Early 1983

	<u>Controlled</u>	<u>Free prices</u>
Industry (including food industry)	20	80*
Construction industry	75	25
Agriculture	63	37
Transport	77	23
Other	15	85
Material production jointly	30	70
Material production without industry	58	42
Personal consumption	43	57

*Within this, competitive pricing accounts for 50 percentage points.

For the coming years, a substantial expansion of the sphere of free prices can be planned in the construction industry and personal consumption. The proportion of free prices could achieve 100 percent in the construction industry, and 70 percent in personal consumption. To this we must add, however, that the so-called stabilization mechanisms (the ban on unfair profit, and the obligation to file intended price changes) will place limits on price bargaining by the enterprises, just as they have done in the past.

Political and Social Preferences

The circle of political and social preferences, and the mode of asserting them are one of the most controversial questions of price policy.

In 1946-1951, these preferences were limited mostly to public utilities, which were supplemented--within a fairly narrow circle--by preferences for industrial goods, primarily industrial goods that children needed. All these were so-called direct preferences, built into the consumer-price system. In contrast, the consumer-price preferences emerging in 1952-1968 were mostly the results of "freezing" the consumer prices. Thus the so-called indirect preferences developed as functions of the changes in the producer (or procurement) prices. Their wide-scale application had an impact on the rise of producer prices, as a result of which a series of producer prices shifted to the unprofitable range.

Because of the consumer prices' considerable deflection from value, the 1968 economic reform was unable to set as its immediate objective the basing of consumer prices on value. It was believed that consumer prices commensurate to the producer prices could be introduced in 10 to 15 years. But we never interpreted a changeover to cost-commensurate consumer prices to mean complete abolition of all budgetary price subsidies.

According to the long-range principles for the price system's development, we may include among the socially warranted consumer-price preferences the following:

--The goods and services for basic cultural, health and social objectives. Depending on the economic situation, this circle of preferences might broaden or even tend toward supplying such goods and services free of charge.

--The prices of basic foods will remain preferred (tax-free) also long term.

--The rates for essential services (services for which there can be no substitution), rents, transportation fares and public-utility charges may be regarded as prices that periodically must follow the changes in cost proportions but could remain below the level of the socially necessary costs even in the more distant future.

--We will maintain the price deflections whose purpose is partially to provide revenue, and partially to curb the growth rate of consumption. We will continue to set higher prices than what the costs warrant in the case of gustatory products such as alcoholic beverages and tobacco products, of luxury items, and also to curb the excessive growth of private cars.

In some instances the application of prices deflected upward from their costs can serve also to redistribute incomes; for example, when such prices are applied to consumer goods that are bought primarily by higher-income strata within the population or significant in catering to tourists.

An intentional and lasting preference does not mean that the prices are frozen. Changing costs necessitate that consumer prices reflect their changes. Yet to

be solved is the task of defining more closely where is it expedient to track the changing costs continuously and where is it sufficient to approximate them, or the areas in which the separation of the two types of price movement may continue according to the present practice.

According to the computations performed at the end of 1978 and the beginning of 1979, the price subsidies that can be abolished would raise the consumer-price level by nearly 30 percent. The computations at that time were related to the preparation of the 23 July 1979 price measure that was a significant step toward value-commensurate consumer prices and meant a rise of roughly 9 percent in the consumer-price level. Also partial measures have been introduced since then.

Because of the national economy's liquidity problems and the need to maintain our international solvency, in the computations at the end of 1978 and the beginning of 1979 we divided the price-subsidized products into two groups. Into the first group we assigned the products that affected only Hungarian citizens, such as rents and discount fares, or the services whose price subsidies were enjoyed predominantly by Hungarian citizens. Into the second group we assigned the products more closely related to foreign trade or invisible export. Electric power, fuels, chemicals and food are the more important commodity divisions in this group.

This classification into the two groups appears important from the viewpoint of the sequence in which the budgetary price subsidies that can be abolished are to be phased out. In 1984-1987, in any event, significant further steps will be necessary to change over to value-commensurate prices, although it is hardly likely that we will be able to set the complete solution of this problem as a realistic objective for the mentioned period.

Agricultural Price System

Our agricultural price policy has been based during the past quarter century, and will presumably continue to be based, on the concept that was formulated to change over to free procurement, after the abolition of compulsory deliveries and during the period of agriculture's socialist reorganization.² From time to time there usually arise the concepts of world-market price³, agricultural parity ratio⁴, and of converting the budgetary subsidies into price subsidies.⁵

The world-market price has ceased decades ago to regulate the structure of farm production in Europe. It is no accident that after World War II the founding of the Common Market in Western Europe began to unfold with a common agricultural policy, with the introduction of regional prices that significantly exceed the world-market price level and depart from it considerably in terms of price relatives.

The agricultural parity ratio has likewise lost its significance with the establishment of worker-peasant income parity. Under these conditions agricultural parity would actually express the requirement that we tax agriculture at the same rate as industry, and that we raise the procurement prices specifically to improve the farms' ability to pay taxes. But this would mean a radical

overhaul of traditionally industry-centered taxation, with all the accompanying social tensions.

Those who advocate the conversion of budgetary subsidies into prices occasionally forget that there are specific tasks which we could hardly solve by means of prices. In the branches with long production cycles, for example, subsidies not included in the prices have proven to be the most effective incentives for maintaining and developing production. Also in agricultural cooperatives farming under unfavorable natural conditions, only the specific subsidy is able to retain the manpower.

The debates over the concepts should be interpreted correctly. We export about 30 percent of the value the agriculture and food-industry complex produces, and most of the increase in its output as well. Therefore it is necessary to provide through the prices the maximum amount of guidance for the producers as to how much the world market is able to absorb, and the changing prices at which the farm and food-industry products can be sold. We must also strive to prevent the subsidies not included in the prices from distorting the cost structure; in other words, we should always be able to determine our international competitiveness and its limits.

For these and similar reasons our agricultural price system will continue to change through constant adjustments also during the coming years, just as it has during the past quarter century. Our price policy wishes to promote also in the future the development and international adaptability of this sector that is so important within our economy.

In the current debates on agricultural price policy, attention has focused on two questions. One is the profitability of farming and of ancillary activity. The other concerns the relationship between procurement prices and consumer prices.

Ancillary activity accounted for 33 percent of the value of the agricultural cooperatives' production in 1982, following the lifting of the bans on their industrial activity. However, ancillary activity is subject to production tax; consequently only about a fourth of the profit stems from ancillary activity. It is customarily pointed out how unfavorable the economic situation of the cooperative sector of agriculture would be if it were not allowed to engage in industrial activity. This has raised the demand that the procurement prices of agricultural products be based solely on the costs and profits of the principal activity, farming. But we must not stray onto this path. Liberalization of the regulations governing ancillary activity has been founded specifically on the consideration that it should provide additional income primarily for those agricultural cooperatives where the income level would otherwise be low, due to the unfavorable natural conditions. We must achieve an improvement in the ability of the agriculture and food-industry complex to compete internationally primarily by stepping up ancillary activity.

A closer link between the procurement prices of farm products and the consumer prices of food products appears essential from the viewpoint of strengthening the market's value judgment within the agriculture and food-industry complex.

Just as in industry, also in agriculture we must abandon sooner or later the view that decisions concerning the production structure and investments can be based solely on material and technical criteria, specifically with the expectation that the financial burdens of such decisions should be guaranteed by the state budget, regardless of whether the products can be marketed at prices commensurate with these financial burdens.

Industrial Price System

Industrial price policy or, more accurately, competitive pricing is the area on which most economists are focusing their attention. There is much criticism, but it contains very little of practical use. Or stated more precisely, the critical materials played an important role in the debates that prepared the decision, but most of these materials could have been written even before 1980.

Let us begin by saying that in 1979 the majority opinion held that the conditions were lacking for a changeover to the competitive price system.⁶ Most of the criticism since 1980 has been directed not against the competitive price system itself, but against the simulation of competition, respectively the exceptions. Here a realistic appraisal of the competitive price system is hampered also by the occasional interpretation as "arbitrary" of the rules of the game, any departure from which can be interpreted only as an exception. The view also has been expressed that pricing, as a result of the exceptions, has reverted to the cost + standard profit formula.⁷ Yet everyday experience can show convincingly that a temporary concession in the direction of cost is not the same as pricing based on the cost principle. Who could deny the change that has occurred in rating enterprise performance, evident also in that the temporary exceptions--not widely employed, contrary to general belief--are being allowed under mutual obligations. The gap that the price system based on production cost created between enterprise thinking and our economy's dependence on the world market is being eliminated.

In the 1979 debates, and also since then, it has been proposed repeatedly that in domestic pricing the import price, and not the export price, should be the main regulator.⁸ Tracking the import price cannot be solved, for the following reasons:

--Of the several million different products produced, we are importing only a few tens and thousands. Thus we would be using not real but calculated foreign-market prices as the general equilibrium prices in the domestic market, which would burden pricing with unsolvable problems of product identification within the circle of finished and semifinished products.

--In the linkage between domestic and foreign-trade prices, tracking of the prices (or price ratios) would be extended also to products, in addition to natural resources; this would paralyze the natural price function that the price of a product sold domestically must reflect the domestic balance of supply and demand.

It must be pointed out very emphatically that with the 1980 price adjustment we wanted to establish a yardstick for measuring the efficiency of production, one

that could be verified also internationally. Admittedly, the price system is performing this function incompletely, partially because the price regulations are too rigid, and partially because of the exceptions that have to be allowed as a result of this rigidity. But we cannot develop a more modern price system by replacing the present methods of pricing with simulation methods of a new type.

The document on the price system's further development expresses this as follows: The concept of a domestic competitive price influenced by the prices of international trade is based on the realization that we will be able to achieve our long-range economic objectives (rise of the living standard, and the economic growth necessary for this purpose) only if prices are built into the system of regulation together with their real (orienting, stimulating and equilibrium) functions. In the absence of strong domestic competition, prices are able to perform these functions only if they develop, wherever possible, within the limits of the international (foreign-trade) prices. Thereby the domestic prices will be able to reflect and compare the real, internationally recognized states of efficiency, and to transmit the structure-transforming effect of the demand that is rated as effective on the basis of the profitability that is attained at these prices.

By placing industrial prices under the control of competitive international prices, the price system has assumed a function that it is able to fulfill adequately only under advanced market conditions, under complete domestic and external economic competition. In the absence of such conditions, the expectations can be met only by means of complicated regulations, by defining the rules of the game for pricing geared to the foreign-trade prices, in a simulation model. But we knew already at the time of its introduction that the simulation method could be only temporary, because with time the drawbacks become increasingly apparent of any regulation that is not based on real conditions.

From all this it is obvious that further development can proceed only in the direction of improving the market conditions. An integral part of this concept, therefore, is an economic policy that strengthens the conditions of domestic competition in the competitive and noncompetitive spheres, including the stimulation of import competition that is indispensable in the competitive sphere.

Construction Industry's Price System

We must achieve a fundamental change in our price policy in the area of investments. A part of the social product earmarked for accumulation is invested in material production, while the other part increases the capital stock of the nonproductive branches. On this basis we distinguish between productive and nonproductive investments.

In the case of nonproductive investments (schools, hospitals, etc.) we are only able to conclude the value of the structure from the outlays, because this product of labor does not become a commodity. Competitive bidding is nevertheless the most effective way of ensuring that the actual costs will conform to the socially necessary costs.

The situation is different in the case of a productive investment because it becomes a commodity. But a particular commodity. Its utility value lies in that the built facility can be used for commodity production. Hence it also follows that here the socially necessary cost can be determined only indirectly, through the cost and price ratios of the products (as commodities) produced in the facility. If the cost of a product produced with the new capacity is greater than at most of the capacities already in operation, then the investment cost, or a part of it, is not confirmed and does not become a part of the value.

This organic connection between investment and commodity production becomes apparent only when an already operating plant undergoes reconstruction, or when the organizer of the investment is also responsible for production. But looking back over a long period, the two are separate especially in the case of our most significant investment projects. These are the investment projects that typically take longer to build than planned, cost more, and yield a lower return. Since the absence of time-sensitivity and cost-sensitivity is significant especially when there is a sharp separation of planning from contracting, and of the investment function from the production function, also investment price policy can be perfected only in harmony with the transformation of the system of institutions.

In modernizing the system of institutions we must place the greatest emphasis on developing further the construction industry's system of organizations. The organizational structure's rearrangement in accordance with the requirements is unfolding. Comprehensive enterprises have been formed for building maintenance and repairs; several subsidiaries and many small companies have been established. Modernization of the organizational structure and internal operating mechanism of the construction industry's contracting and engineering enterprises must be continued by increasing the number of entrepreneurial organizations of small and medium size.

Parallel with all this, we must change the construction industry's price system. The regulation of pricing in the construction industry, which is based on the Construction Industry Costing Standards and has hardly changed since the 1950's, no longer satisfies the requirements of industrialization and technological change in the construction industry, and the peculiarities of installation work. It will be expedient to develop further the construction industry's price system in the direction of letting the construction-industry organizations and their customers determine the prices by mutual agreement. It will be expedient to set a contracting (competitive) price system as a permanent objective in the construction industry. If suitable conditions are ensured, competition among contractors will create prices that will stimulate the improvement of efficiency and make the contractors' supply behavior more active. Prices and the contractors' income situations will be able to reflect the real efficiency conditions, will transmit the structure-forming effect of demand, and in general will enhance the coordination of supply and demand.

Conclusion

There have been and are economic organizations that, strangely enough, every possible price adjustment has revealed to be nonviable, and yet we are ensuring

their operation by subsidizing them from the state budget. On the basis of our experience over a period of several decades by now, it will be worth while to sum up a few conclusions that may be drawn from this: (1) In an economy where the production structure and product mix did not evolve under the direct influence of market forces and in a manner subject to price automatism, it seems unrealistic to demand that control of the structure be solved through a normative financial system, without any exceptions. (2) Under the exceptionally complicated sociopolitical structure of our time, the structure-orienting role of prices has weakened on the scale of the world economy, and no country can remain indifferent when faced with intensifying protectionism.

In spite of this, more definite steps can be taken than at present toward developing an efficient structure. To this end we must assume even the risk of social conflicts.

The price system must be judged as a part of the process that began in economic policy in 1979, following the October 1978 resolution of the MSZMP Central Committee, and to which ever-newer elements are being added to this day. Within this process the concept of developing the price system and the price mechanism is twofold: (1) in the sphere of production, to proceed in the direction of competitive prices; and (2) in the sphere of consumption, to coordinate the requirements of our policy on the standard of living with a sensible consumption structure.

In developing our price system we have reached the point where any further step requires increased caution from the viewpoint of our ability to centrally control the price level. What do we mean by this? In 1968 we changed over from an official price system to a mixed price mechanism in such a way that we are able to maintain relatively secure control of the price level. This can be attributed to the stabilization mechanisms that we have built into the price system. Of outstanding significance among them are the obligation to prepare economic calculations, including the centrally regulated costing procedures, the provisions banning unfair profit, and the obligation to file in advance any intended price increases. In manufacturing all this is supplemented by adjusting the domestic price level and average profit of the enterprise to changes of the export price level and to the export profit.

The establishment of sensible economic calculations appears to be the most important and simultaneously the most urgent task, from the viewpoint of forming an efficient production structure, and also of developing a marketing policy that serves to improve international competitiveness. To this end, however, we must abandon the system of costing based on cost standards, which at present is the most important information base for price control.

Some lessons learned from international experience warn us that every forceful step that is taken toward market-price automatism, but without the adequate support of equilibrium and of the market forms, excludes irrational elements from the economy by introducing another irrational element by means of the price-wage spiral, which could lead to even anarchic phenomena. Now and in the immediate future, therefore, we must work on elaborating our tactic of a series of steps combined with safeguards, and our policy of advancing deliberately. We must chart on this basis also the course of the competitive price system's further development.

In any event, we will take the initial steps already in 1984. Of competitive pricing's two constraints (the price level, and profitability), we will remove the profitability constraint where measurement of the price level has been solved suitably and also the market situation is satisfactory. But we might also consider establishing the club of enterprises operating under suitable conditions, where a market-price system could be employed, with broader enterprise independence extending also to other areas of the economy, and with the inclusion of an import-price constraint.

Widespread application of economic calculations at present is being hampered also by the central organs' excessively great demand for information; to meet this demand, the enterprises are practically forced to maintain a system of accounting and costing that leaves no room or inclination to introduce a basically different system. Thus the basic problem is how to satisfy the central organs' demand for information within a system whose attributes are controlled by the enterprises' sensible orientation. Or stated differently, the entire system of accounting should be made to conform to the principle of economic calculations.

FOOTNOTES

1. The working group was divided into six subgroups: (1) Review of the industrial producer-price system. Proposals for its further development. Headed by Andrea Deak. (2) Further development of the price system in agriculture and the food industry. Headed by Janos Marton. (3) Review of the construction industry's price system. Proposals for its further development. Headed by Dr Jozsef Kadar. (4) Prices and rates within the infrastructure. Headed by Jozsef Hoch. (5) Further development of economic calculations. Headed by Edit Javorka. (6) The linkage between the financial system and the price system. Headed by Attila Madarasi.

The members of the working group were as follows: Andras Ambruss, Akos Balassa, Bela Berci, Andrea Deak, Otto Gado, Istvan Gergely, Peter Havas, Robert Hoch, Edit Javorka, Jozsef Kadar, Bela Kadar, Lajos Konya, Istvan Kollarik, Janos Lokkos, Attila Madarasi, Janos Marton, Ferenc Nyarady, Emil Nyul, Janos Ori, Mrs Bela Papp, Laszlo Pongracz, Mrs Ferenc Pora, Laszlo Racz, Sandor Saska, Rezso Scholcz, Ferenc Szabo, Pal Szilas, Marton Tardos, Sandor Vandor and Julia Zala.

2. Rober Hoch, "World-Market Prices and the Equilibrium Price," KOZGAZDASAGI SZEMLE, October 1980.
- 2.[sic] It will be worth calling attention to the fact that the Research Institute of Agricultural Economics provided a summary of the views on the agricultural sector's price system, as background material for the document "Further Development of the Price System." The summary identified 46 works that discusses agricultural prices.
3. Gyula Varga, "An Agriculture Producing for the Market," KOZGAZDASAGI SZEMLE, No 6, 1982.
4. Mrs Burger nee Anna Gimes, "Az elelmiszertermeles gazdasagtana" (The Economics of Food Production), Publishing House for Economics and Law, 1980;

Laszlo Nemeti, "Development of Net Production," FIGYELO, 26 Mar 80; Janos Marton, "Further Development of the Conditions for Competitive Food Production," GAZDALKODAS, No 2, 1981.

5. Rezso Kostyal, "Tamogatasok, adok, keresetszabalyozas a mezogazdasagban" (Subsidies, Taxes and Income Regulation in Agriculture), Publishing House for Economics and Law, 1983; Istvan Molnar, "Why Is Agriculture's Contribution to National Income Not Increasing?", KOZGAZDASAGI SZEMLE, No 2, 1982.
6. Istvan Abel, "Pricing Geared to Foreign-Trade Prices," KOZGAZDASAGI SZEMLE, No 7-8, 1980; Lajos Zelko, "A Contribution to the Theoretical and Practical Problems of the Competitive Price System," KOZGAZDASAGI SZEMLE, No 7-8, 1981.
7. Laszlo Antal, "Some Thoughts on the Economic Mechanism's Further Development," GAZDASAG, No 3, 1982; Katalin T. Forgach, "Comparison of Export and Import Prices," FIGYELO 30 Dec 81; Janos Kornai, "On the Present State and Prospects of Economic Reform in Hungary," GAZDASAG, No 1, 1982; "Bureaucratic and Market Coordination," FIGYELO, No 28, 1983 (excerpts).
8. Gabor Somfai, "Practical Problems of Our Competitive Price System," KOZGAZDASAGI SZEMLE, No 2, 1982; Julia Zala, "Consistent Further Development of Our System of Macroeconomic Management," KOZGAZDASAGI SZEMLE, No 7-8, 1982.
9. Laszlo Puhr, "Competition Among Entrepreneurs and Technologies," FIGYELO, No 2, 1982; "Will There Be Competition in the Construction Industry," FIGYELO, No 35, 1982; "Some Thoughts on Regulating Competition Among Contractors," PENZUGYI SZEMLE, No 4, 1983.

Laszlo Radnotzi and Mrs Hirschler nee Katalin Csikos-Nagy, "A beruhazas mint vallalkozas" (Investment as Contracting), Budapest, Publishing House for Economics and Law, 1982.

Ferenc Vissi, "The Price System's Role in Economic Contracting," GAZDASAG, No 3, 1980.

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HUNGARY

PROPOSED CHANGES IN GROWTH, PRICES, WAGES IN AGRICULTURE DISCUSSED

Budapest FIGYELO in Hungarian 17 Nov 83 p 15

[Interview with State Secretary Dr Miklos Villanyi; date or place not specified]

[Question] Agriculture has survived the drought, but we cannot as yet fully measure the economic consequences of the long dry period. The effect, however, may influence in an important way the future annual agricultural plans and also perhaps the 1984 modification of regulators. We asked Dr Miklos Villanyi, state secretary of the Ministry of Agriculture, about the accuracy of these assumptions.

[Answer] First of all I would like to state that it was not a wide-ranging drought. The natural adversity affected only a small part of the country and even among the farms in the drought's "epicenter" there were some where by strength of the combined effect of the natural factors different crops did well next to fields that had been burnt out. On the basis of all this, it was necessary to adjust to actual farm situations through timely central financial measures. Because wherever drought damage did not occur and the planned, high production results could be achieved, there is no justification for exemptions from the general efficiency requirements of next year's annual plan. But where the drought caused substantial losses and as a result the development bases will be reduced in the future, an automatic use of the withdrawal measures generally planned would lead to a plunge in production.

[Question] If one may use the expression in economic matters, this is a very decent way of thinking, but will the losses suffered this year affect future annual plans?

[Answer] I believe our plans are realistic. This means that in 1984 we can count on a small increase in 1982 results. Of course we should not take this to mean that we will enter 1982 data automatically in every rubric. For example, we cannot count on a repetition of the 1982 crop production record. On the other hand, the livestock breeding goals exceed the 1982 level. As a consequence of the general market situation the rate of growth in auxiliary activity will apparently also continue to decline, although even so it will come to 6 percent. This contributes significantly

to the fact that the 1984 gross production increase of large agricultural farms will increase by almost 5 percent as compared to the results expected for this year, and by about 4.5 percent as compared to 1982. From this, according to plan, the increase in the production of agricultural products will vary between 0 and 1 percent.

[Question] Even if we cannot expect dynamic growth following the drought, what can we count on in the individual production sub-branches?

[Answer] Demand continues to be high in grain production. The goal is 15 million tons of production, something which has never before been reached. To do this we need to achieve an average production of 4.8 tons of wheat on 1.35 million hectares, and 6 tons average production on 1.6 million hectares of corn. Among the industrial crops, we would be justified in any event to plant 106,000 hectares. Despite the increase in the average yield of vegetables we need to restrain the decrease in arable land allotted to vegetable production. According to the original plans we should have reduced the sowing area for rough fodder by 1984 in the interest of increasing the production of commodity crops. But we had to give up this idea because of this year's unfavorable rough fodder production.

The area for grapes and fruit will be reduced although we are planning a new planting area of 5,000 hectares. Thus by 1984, as compared to this year's results, we are counting on a moderate rate of increase in production. Among the livestock breeding sub-branches, small producers' cow herds will continue to be reduced. This is designed to counter the increase in beef cattle and in dairy yields. The situation is different in pig and poultry breeding where because of foddering and marketing problems, or their prevention, the possibilities for production growth are more moderate.

[Question] By what economic means do you want to achieve or, to use a stronger term, force the above-mentioned changes?

[Answer] It would be well first to summarize the general requirements for the regulatory system that is expected by 1984. According to these requirements we must increase the role of prices and arrive at domestic prices that adjust as much as possible to permanent trends in foreign market prices.

[Question] This does not appear to be a new requirement but one that has been emphasized ever since we could speak of a regulatory system.

[Answer] Here, too, we have a policy of small steps. A breakthrough kind of change is not possible because we have neither the domestic nor the foreign market possibilities for the necessary higher price level. But to continue with the interrupted line of thought, by modifying the regulatory system we are striving to increase the cost and profit sensitivity of the farms. Perhaps I could summarize by saying regulation gives primarily the efficient farms the possibility of expanding production, and at the same time creates the financial conditions for continuous production by unfavorably endowed farms that produce below average.

[Question] How can we speak of normatives if the regulatory system is adequate for the good and the bad?

[Answer] About one-third of the farms are managing with unfavorable endowments. But still we cannot give up the meat, milk and grain that is being produced at these places. Therefore the price subsidies, for example, linked to agricultural production will continue to grow at the cost of tax restraint possibilities.

[Question] Nobody disputes that the supports are justified, but the question of what is worthwhile to produce is determined in the final analysis by the acquisition price of producer means and the marketing price of agricultural products. How will these be shaped in the future?

[Answer] By 1984 the measures to increase production costs or to reduce receipts will amount to 11 billion forints. In this framework, for example, we will have to increase the price of fertilizer 16 percent on an average, the import protein fodder price by 9 percent, and the domestic price for the same by 6 percent. The price of certain machines and in general of free-price industrial products will be higher. Grain premiums will be eliminated as well as energy supports temporarily extended this year.

Of course, the rise in production costs will be eased by the rise in purchase prices. Thus, for example, considering the permanent world market terms of trade the purchase price of grain will increase by 6 to 7 percent. We shall also increase the price of vegetable if not to the same extent. The purchase price development for wine grapes, wine and vegetables will be determined by the prevailing market situation.

Naturally, the price increase for crop production, mainly of grains, will also influence livestock breeding costs. Therefore, we will increase, for example, the purchase price of pork to the same extent that we can counter the increase in fodder costs. In the poultry sub-branch, on the other hand, where there are problems, the planned price increase will not counter even the increase in fodder costs. On the other hand, an increase in the purchase price in the interest of beef exports or a secure dairy supply will improve profitability.

[Question] If we compare the two kinds of price increases, how will the balance of agricultural production develop?

[Answer] The purchase price increases will compensate only in part for the increase in production costs. Therefore, in the interest of countering the expected decline in income the gross income tax will be reduced by 15 to 20 percent and compulsory reserve fund formation will be terminated.

[Question] As we know, the circumstances limiting investment possibilities and the termination of compulsory reserve fund formation certainly do not mean the free spending of released money. But then what kind of thinking led to the termination?

[Answer] The reasons for the change in the system of reserve building do not differ from that in other economic sub-branches. Basically, I can mention that the compulsory reserve fund--primarily because of its circumscribed possibilities--did not mean actual reserves. The compulsory formation had a negative effect on the profit interests of the farms, for they were aware of the fact that a definite percentage had to be held in reserve, and that in most cases its use was not a matter of farm decision, but was possible only with the approval of higher organs. All this had a depressing effect on profit interest. Consequently, we expect an increase in profit sensitivity from the elimination of reserve formation. And on the other hand, we regard the measure as a new step in increasing the enterprise independence of management. Proceeding from this thought, I would like to note it would represent a total misunderstanding of the measure if it made the farms regard reserves as unjustified. It is well known that the sensitivity of farms--primarily because of weather and market changes--is greater than average, and thus there is even greater justification for the formation of reserves. We expect that the farms will quickly recognize the new--noncompulsory--importance of reserve fund formation and utilization and primarily the advantages of using these funds, which will therefore receive an important place in their management.

[Question] Various farms in the country are using experimental wage regulation with the goal in mind that in the future it will be possible to choose not only one but various kinds of economic regulation systems. How do you evaluate the results of the experiments thus far?

[Answer] I would start by saying that the operational testing of so-called experimental regulation and the acquiring of experiences is taking place along with the further development of income regulation. As a matter of fact, we do not regard the income regulation that is taking place of 300 farms--on the basis of gross income per person--as experimental. The number of farms participating at present in income regulation experiments is 90. They have been working with experimental conditions actually only during the current year. We see its significance in that the farms may be able to choose from the possible changes a regulation that is appropriate to their production structure and their personnel situation. According to information that is still developing, the new income regulation methods are stimulating more rational personnel management, and in contrast with impressions are not accompanied by an excessive wage outflow. These experiments are also serving the further development of farm taxation and the taxation system on personal income, that is to say, they are directed at the further development of income regulation as a whole. On the basis of our experiences thus far we cannot as yet decide whether the farms must work in the future within one or more income regulation forms; and it is not even certain that all the variants of the present experiments will be realized. We need to acquire more experience. Our goal is that income regulation, should stimulate a growth in efficiency and personnel reductions.

CONSTRUCTION INDUSTRY EXECS MEET WITH BAKA, RAP REFORM CHANGES

Warsaw ZYCIE GOSPODARCZE in Polish No 44, 30 Oct 83 p 13

[Article by Teresa Gornicka: "On Modifications"]

[Text] How are the proposed modifications in the reform's systems-type solutions seen and judged by those having a direct interest in them, i.e., by enterprises? The answer will vary, obviously, depending on the specific branch, the enterprise's current financial position, the degree to which the fixed assets it owns are used up, etc. A conference that recently took place at the Ministry of Construction and Construction Materials Industry played the role of a branch survey polling the opinion of enterprises operating within the framework of the construction and construction materials industry. Over 100 enterprise directors participated in the conference. Professor Wladyslaw Baka, the government's economic reform plenipotentiary, also attended the conference.

It should be remembered that the period of adapting to the introduction of the new system was especially stormy for the construction industry. Even officially, the construction industry switched to the new system with a half-year delay. The first conclusion to be drawn from the conference discussion is that the new system has caused radical changes in this traditionally noneconomic community. As Minister Wladyslaw Baka stated in his concluding remarks, one of the reform's unquestioned accomplishments is that it caused profound changes in people's consciousness. Today little has remained from discussions that took place only a year ago in construction communities and from prejudices concerning the new system, which were due to the branch characteristics. Of course, this does not mean that now the proposed modifications are more easily accepted and that polemics concerning the changes are always won.

Stability--the Highest Priority

The negative attitude that was discernible in statements of all the participants in the discussion mainly concerned the idea of making the proposed changes in the rules of the game in such a short time. The construction industry is by its very nature ill-equipped to handle this type of changes due to the long period needed for preparing and producing construction goods and a complex contract system. It is also more difficult to implement those changes consistently, as evidenced by the recent developments. For example, even now enterprises

have to cope with various remnants of the previous command-distribution system from which they were not cut off completely upon changing to the reformed system. Contractors' folders still contain, pushed to the very bottom, investment orders received under the old system that could be fulfilled then, and there is no way that they can be fulfilled now. There are contracts signed according to the administrative orders system with specific dates for completion of the work and specific penalties in case the dates are not kept. It is the question of the investor's good will whether the penalties will be executed or the contractor be given dispensation. For example, today the Warsaw Budopol, which specializes in hospital construction, has in its folder orders whose fulfillment would require doubling its present production capacity. Some of those orders have nothing in common with health care investments. At any time this contractor may have to pay stiff penalties for renegeing on contracts that together are worth over 100 million zlotys.

During the first reform implementation stage much was done to rebuild economic bases of enterprises' existence in this section of the economy. Views that too much was done in this respect were even voiced. However, due to various financial subsidies, enterprises became profitable. But the promise of ensuring that everybody has an equal start has not been kept. There is still a considerable number of enterprises that do not have the statutory minimum of resources at their disposal in turnover. This applies mainly to industrial and specialized construction enterprises. A total fulfillment of this promise would require a subsidy of 10 billion zlotys. This is a considerable sum, but at the same time enterprises have to cope with many problems caused by the excessively high participation of bank credits in financing of current activities. The conference discussion presented a clear evidence that, generally speaking, the assumption that the reform's mechanisms are at this time smoothly functioning and that there is a clear understanding of the results of its functioning is nothing but an illusion. Such a statement cannot be made about any sector of the economy, and especially about the construction industry. The most sensitive item on the construction industry reform agenda, prices and the very price setting principle, complicates the evaluation of the results of the chosen direction and scope of justified systems-type changes.

As it was mentioned above, prices have been the most controversial problem from the very beginning of the construction industry's introduction to the new system. Under conditions of the contractor's monopolistic position, introduction of contract prices created a real danger of the contractor taking advantage of his position to gain high profits. To protect investors from this type of price increase, at least concerning investments that are especially important to society, official prices limiting the size of the allowed profit were introduced in addition to contract prices. Of course, this did not solve anything since contractors still had a free hand in determining the real costs. Since the construction industry did not have at its disposal practically any standard base that could be used as the point of departure for determining those costs, centrally determined resolvers, so-called M82 resolvers, were introduced as a basis for negotiating prices between the investor and the contractor. This move only made all weaknesses and irregularities of the current price setting system more permanent. Thus, for various reasons, this solution was criticized by all, including those that made the decision to introduce it.

Contractors believed that this principle does not in the least address the requirements of the self-financed enterprise because, for one thing, it does not take into consideration different conditions for constructing each building. At the same time, there was a prevalent opinion that this solution will result in inefficiency, waste, and organizational flaws becoming even more entrenched in the construction industry. Although during the first half of the year the construction industry remained within the price limits specified by the M82 resolver, exceeding it only by 0.05 percent, it does not mean that the resolver fulfilled the role of disciplining contractors. It is true, however, that it curtailed their freedom of gaining huge profits. This is because contracting enterprises are characterised by lower profitability when compared with industrial enterprises. For 1768 units, only 52 achieved over 40 percent profitability, and not even one could be found in the group of units that achieved 85 percent profits.

During the discussion everybody agreed that price setting on the basis of the cost estimate is the only efficient way of doing it for the construction industry. A term "cost estimate price" is even in use now. This is the contract price modified for the needs of the construction industry. To introduce such prices, an official standard base obligatory for all the country's enterprises has to be established. The base has to define the size of real outlays and labor costs per unit of a construction product. In view of the continuing construction services market supply-demand imbalance, it is proposed that maximal profit rates be limited to 20 percent for the period from 1984 to 1985 as well.

Some doubts were voiced during the discussion by the participants. However, they did not concern the main idea, but rather formal chances for introducing such price setting principles as early as 1 January 1984. Catalogs of official standards are still being developed. If they are to become the construction industry's required price setting base, they have to be closely analyzed and verified before they can be approved. Their practical use is also contingent on training qualified cost estimate specialists both for investment and contracting organizations.

Fears Concerning Development

While the necessity of disciplining costs using an objective price setting basis is not generally questioned today, the proposed tax system changes met with much criticism. During the conference a view was expressed that fiscal premises of the proposed tax modifications affect development needs of enterprises. One director representing an agricultural construction enterprise presented a kind of simulated calculation showing results of the proposed tax hikes, using as an example the enterprise's economic situation during this year. According to the calculation, the proposed hikes would affect the enterprise in such a way that its profitability would be threatened.

Much was said about negative results of the tax system expansion for equipment-transportation enterprises. Those enterprises own very costly fixed assets which quickly depreciate. Of the 23,000 machines currently used in the construction industry, almost 70 percent are now fully depreciated. Similarly,

the average age of transportation means is over 5 years. If enterprises cannot put aside sufficient depreciation funds due to higher profit taxes, the capacity of the construction industry stripped of its equipment and transportation means will rapidly deteriorate.

In order to preserve the aging equipment's working capacity, enterprises are forced to keep increasing employment of those who conserve it. As a result, the FAZ [Vocational Activization Fund] payments increase. The proposed hikes concern the way in which this tax, which is contingent on the profit size, is calculated. Thus, they limit the part of the profit which could be earmarked for development.

Tax deductions are expected to be in effect for some branches and enterprises according to guidelines for strengthening the reform principles and improving its mechanism. These expectations, undoubtedly, blunt somewhat the sharp edge of criticism since it is not known yet who will be awarded the deductions. However, during the discussion reservations were voiced concerning the plan for transferring the competency in this matter (and especially concerning FAZ payments deductions) to the Ministry of Labor, Wages, and Social Affairs, which is not sufficiently familiar with specific conditions and the economic situation in particular branches.

During the discussion attention was also given to the lack of a connection between the proposed systems-type changes and the available information concerning the investment policy principles for the next year. In particular, this concerns the correct identification of the group of investments that are considered in the plan as priority investments, as well as the methods of implementing those investments. In general, the solution calling for the implementation of priority investments by way of government contracts was approved of by discussion participants. This solution includes guaranteed material supplies. It was also proposed that government contracts should cover whole groups of priority investments including housing, hospital, and systems of community services construction.

Some Specific Issues

Discussions concerning those branch characteristics that would make the branch eligible for being excepted from the reform's general systems-type solutions have partially died down by now. As we all know, those discussions often concerned the construction industry, and they took place during the first stage of the reform's implementation. At present this subject has returned to the discussion forum under the guise of a need for additional reform instruments that would help adjust the reform to production conditions of particular branches. This mainly concerns the need for including in the system additional tax deductions that would facilitate model transformations in organizing the contractor's job.

Additional reform instruments are needed in the construction industry to reestablish the troubled function of the main contractor. Enterprises do not want to take on this function because gratuities that the investor is ready to pay for performing this function are impossible to consume under the current tax

system. The construction industry will not be able to solve this problem without tax deductions applied to a part of the wages received by the main contractor for performing the coordinating function.

The directors also proposed that incentive funds be set up at construction sites from savings gained by making costs lower than commonly required standards. A total of 50 percent of the savings could be paid to the work force. The discussion participants emphasized that this solution can play an important role in making work at construction sites more cost-effective, at least during the initial period. Adopting this solution could not be an internal matter of autonomous enterprises because it has to be reflected in the systems-type formula that would release payments from this fund from the burden of the FAZ tax.

A question may be asked if this type of proposal can be incorporated within the allowed limits of exceptions from generally adopted systems-type reform regulations. The discussion about the proposed modifications is still in its initial stage and at this time various viewpoints and opinions concerning the process of strengthening the reform's principles are still being presented. Thus, the point of view of the practitioners seems to be worthy of a thorough analysis.

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'GUS' OFFICERS MAN PHONES IN REACTION TO PUBLIC COMPLAINTS

Warsaw RZECZPOSPOLITA in Polish 22-23 Oct 83 pp 1,4

[Article by Ryszard Bilski: "No Secrecy About GUS"]

[Text] Our readers had an opportunity to discuss the condition and prospects of the economy with GUS officers yesterday (21 October). RZECZPOSPOLITA'S editorial office was visited by GUS Vice Chairman Stanislaw Paradysz and department directors Lech Gradowski, Witold Dziewaltowski, and Jan Kordos.

According to Stanislaw Paradysz, many callers were alarmed by the deteriorating quality of industrial consumer goods and pointed out inadequate coverage of this fact in GUS reports. Some RZECZPOSPOLITA readers questioned the credibility of GUS data on increases in the output of processing industries, and higher rates of growth in sales and consumer market goods. Let us remember that the increase is slight and the market is unbalanced. Products are immediately bought out. Production of many items has not yet reached 1979 levels. Other times are being supplied in greater quantities, e.g., 7 percent more detergents, and 1 percent more footwear.

A higher rate of growth in the processing industry than in the extractive industry is a sign of advantageous structural shifts. This is only a beginning.

W. Dziewaltowski focussed attention on depreciation of fixed assets, a problem raised by one of the callers: "Although GUS monthly reports make no reference to depreciation, it is reflected in statistics. Machinery is becoming worn out.

The modernization rate is not high enough."

"Some callers asked whether this situation would change. It will. Chances are that enterprises will start to pay more attention to the renewal of their machine fleets, because depreciation allowances are to be increased next year. In short, a zloty of depreciation will approximate a zloty of investment.

"Most of the questions concerned wages, cost of living, and volume of consumption. During the past three quarters, the cost of living rose 25

percent over a comparable period last year. In the callers' perception, the increase was much higher. They asked how we at GUS calculated that index. We apply standard world methods, rather than our own more 'convenient' ones. There are 1,300 items in the market basket of goods now, as opposed to the 1,800 there were in the past. In some countries, however, the basket contains only 400 items. We are monitoring prices. Their rates of growth are important, rather than their absolute levels alone.

"Increases in the cost of living have been compensated by growth of nominal wages, rising--unfortunately--more rapidly than labor productivity and output. In consequence, our money supply is increasing. Of course, increases and spending vary from person to person.

"People tend to compare their earnings with the average wage and conclude that what they get is below the average. This problem calls for a separate explanation. In brief, constructive conclusions can be reached only by comparing the uniform components of wages. It is impossible to compare earnings derived from work on all weekdays, including off-work Saturdays, and overtime, with earnings obtained by employees who leave town as early as Friday night for weekend rest."

"I also came under attack, not for the first time, in fact," L. Gradowski adds.

"Statistics lie, according to many callers, who claimed it was untrue that the processing industry increased its production 8.7 percent during the first three quarters of 1983 over a comparable period last year. This is not what one would conclude observing store stocks.

"I am not denying these assertions. Let us not forget, however, that though we have 8.7 percent more, what we have is still 8.2 percent less than what we had in 1979. Nobody is trying to cover this up! Conversely, we are making these comparisons to demonstrate unused capacities.

"The reported data are averaged quantities. The public, however, assesses the market and the economy highly subjectively, seeing them through a filter of individual needs.

"On the one hand, we are criticized for absence of generalizations in our reports, on the other hand, for our insufficient data. Some people want more, others want less. GUS activities are not confined to monthly or quarterly reporting and our fairly widely known yearbooks. We are developing a number of more detailed specialized studies and publications. Interested parties benefit from them.

"I see no obstacles to dissemination of such information, as demonstrated by this very frank exchange with RZECZPOSPOLITA readers."

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