

340089

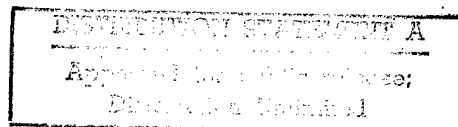
JPRS 84596

24 October 1983

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2464



DTIC QUALITY INSPECTED 2

19980609 118

**FBIS** FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

4  
75  
A04

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

24 October 1983

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2464

### CONTENTS

#### INTERNATIONAL AFFAIRS

Trade Official in USSR on Work Pledges (PRAVDA, 29 Sep 83).....	1
--	---

Briefs Production Cooperatives Meeting	3
---	---

#### CZECHOSLOVAKIA

Discussion on Measuring Worth of Enterprises Continues (Lubomir Cyhelsky; HOSPODARSKE NOVINY, 26 Aug 83).....	4
--	---

Deputy Minister Views National Coal Situation (Josef Benes; HOSPODARSKE NOVINY, 2 Sep 83).....	7
---	---

#### GERMAN DEMOCRATIC REPUBLIC

Role of Strauss Friend in FRG Loan (DIE SPIEGEL, No 39, 26 Sep 83).....	11
--	----

Industrial Technology at Leipzig Trade Exposition (LEIPZIGER VOLKSZEITUNG, 3 Aug 83).....	14
--	----

#### HUNGARY

Utilization of Value-Added Tax Discussed (Imre Vincze; FIGYELO, No 36, 8 Sep 83).....	17
--	----

#### POLAND

Activities of Unitra Foreign Trade Enterprise Discussed (Zygmunt Piotrowski Interview; ZYCIE WARSZAWY, 30-31 Jul 83).....	23
---	----

Jurist Assails Evasion of Existing Economic Reform Laws (Ludwik Bar Interview; ZARZADZANIE, No 7-8, Jul-Aug 83).....	26
Policy Toward Private Farming Discussed (WIES WSPOLCZESNA, No 5, May 83, No 6, Jun 83).....	30
Constitutional Guarantees, by Marian Blazejczyk General Policy, by Czeslaw Farkowski	

#### ROMANIA

Measures To Increase Productivity, Improve Discipline in Mines (MUNCA DE PARTID, Aug 83).....	48
---	----

#### YUGOSLAVIA

Markovic Visits Vranje, Discusses Economy (TANJUG Domestic Service, 10 Oct 83; Belgrade Domestic Service, 10 Oct 83).....	53
Addresses Blagodac Mine Aktiv Price Freeze, Price Hike Speech to Vranje Aktiv	
Planinc Discusses Economic Policy With Business Leaders (TANJUG, 12 Oct 83).....	56
Economic-Financial Policy in Solving Employment Problem (Zarko Ristic; KOMUNA, No 7/8, Jul-Aug 83).....	57
Montenegrin Presidency Discusses Economic Crime (TANJUG Domestic Service, 7 Oct 83).....	69
Briefs Yugoslav-Greek Trade	70

TRADE OFFICIAL IN USSR ON WORK PLEDGES

AU301913 Bratislava PRAVDA in Slovak 29 Sep 83 p 6

[Interview given by "Counsellor-Ambassador" Frantisek Mares, head of the CSSR trade representation in the USSR to PRAVDA. "Contribution to The Further Development of the CSSR-USSR Economic and Trade Cooperation; Great Share of Initiative, Pledges, and Competition"--place and date not given]

[Excerpts] [PRAVDA]--What have you learned from and what experiences have you had with the fulfillment of the international socialist pledges concluded between Czechoslovak and Soviet organizations?

[Mares] From our side, for example, the Kovo, Skodaexport, Strojimport, Technoexport, Investa, Petrimex, Chemapol, Ceskoslovenska Keramika, and Ligna foreign trade enterprises and organizations joined with their pledges the international socialist competition last year. From the Soviet foreign trade organizations, Elektronorgtechnika, Techmashinimport, Avtoeksport, Soyuzpromeksport, Inflat Murmansk, Soyuzchimeksport, Eksportles, and other organizations were partners in these international pledges.

All these pledges were ensured not only in concert with the economic managements of these foreign trade organizations, but also in close cooperation with party and trade union organizations, whose representatives also signed these pledges.

The pledges were oriented, above all, toward fulfilling the quantitative and qualitative plan indexes, interstate tasks, and concluded contracts. They contained, in particular, decisions about the fulfillment of mutual deliveries ahead of deadlines, improving the deliveries of spare parts in the desired assortment and about ensuring in time the deliveries of new products for the Soviet market.

Several other pledges were oriented toward ensuring deliveries in excess of quotas, improving domestic transportation conditions for exports to the USSR, concluding contracts for machinery and equipment with a long production cycle, and flexibly ensuring deliveries needed for putting the installations delivered by Czechoslovakia into operation on time. In these pledges the partners also concentrated on holding seminars on technical issues and problems and on mutual exchange of information acquired from the scientific organization of work.

The international socialist pledges, and the joint socialist pledges linked to them, between foreign trade organizations and production or transportation organizations were a great contribution as regards the fulfillment of the import and export plans with the USSR and achieving savings.

CSO: 2400/24

## INTERNATIONAL AFFAIRS

### BRIEFS

PRODUCTION COOPERATIVES MEETING--The 14th meeting of representatives of production cooperatives associations ended in Prague today. Taking part in it were representatives from Bulgaria, Hungary, Poland, Romania, Vietnam and Czechoslovakia, and also a representative of the Mongolian Ministry of Social Economy and Services. The participants concentrated on the issues of cooperation between individual cooperative associations. [Excerpt] [Prague Domestic Service in Czech and Slovak 1300 GMT 16 Sep 83 LD]

CSO: 2400/24

DISCUSSION ON MEASURING WORTH OF ENTERPRISES CONTINUES

Prague HOSPODARSKE NOVINY in Czech 26 Aug 83 p 5

[Article by Prof Eng Lubomir Cyhelsky, Dr Sc, Advanced School of Economics, Prague: "How to Measure the Worth of Enterprises; Wage Standards Do Not Solve the Problem"]

[Text] I think the discussion by Docent Milan Matejka ("Less Romanticism in the Indicators," HOSPODARSKE NOVINY No 17/1983) brought out important problems of economic evaluation and management of enterprises illustrated with many basic examples. I do not think his attitude toward certain specific problems (planning adjusted value added or sharing as his presentation of the problem complex in its broader economic and quantitative context. The reaction of Eng Vaclav Filip ("The Wage Standard Was Wanting," HN No 24/1983) to this article is a good demonstration of the fact that we are still far from a thorough examination of this problem, although we are acting otherwise. This is also well illustrated by the subject of the controversy.

Most enterprises today have dozens of indicators specified by the state plan. These include also the adjusted value added in its absolute amount.

Nonfulfillment of the plan in any one of the prescribed indicators raises problems for higher economic and party agencies in evaluating the enterprise. This applies all the more in the case of adjusted value added--the indicator that is today considered critical in the opinion of the broad field of economists. Whether value added is or is not included among so-called decisive indicators does not greatly alter the fact.

Furthermore, in many enterprises industrial managers associate fulfilling the value-added plan with the granting of bonuses. If, then, these employees face the decision whether to meet the plan for profit and value added or whether to increase profits at the cost of nonfulfillment of the value added plan, they would probably favor the first alternative. At the same time, they would also regret the possibility of a certain increase in the wage standard--the value added per worker.



Therefore, I do not think the example given by Docent Matejka is as academic and unrealistic as presented by Eng Vaclav Filip. On the contrary. The very possibility of meeting the value added plan even partly with inefficient production is so important that we ought to think about it seriously and not summarily declare that no one, under present conditions, would act that way. Indeed, this possibility may be the reason for retaining inefficient production without any valid reasons.

I also consider immature the defense of any kind of measures by current wage standards--through adjusted value added per worker. The fact is that using this indicator as a base for setting wage levels is in itself indefensible.

We must realize that profit, which is an element of value added, should be commensurate with the size of the total input in the production process, that is, the amount of direct labor and past labor expended. This also applies to the current pricing practice where the profit mark-up incorporated in the price is mostly commensurate with the overall production costs.

Without my even looking into and defending the correctness of precisely this principle of setting prices, even its very existence leads to the fact that products relatively demanding of past labor input (production facilities) and not demanding of direct labor are advantageous from the viewpoint of profit per worker and thus also of adjusted value added and vice versa.

The notion that value added per worker is not dependent on material demands of production--because of the fact that material costs are not part of value added--is erroneous. In addition, write-off is also a component of value added. Thus value added per worker is also influenced by the size of the production facilities and directly--not just through profits.

Claims of the advantage of less labor-intensive products are, moreover, also included in the views of Eng Vaclav Filip. Not, however, in a critical sense but in the interest of defending the present methodology. Adaptation to less labor-intensive products containing a large amount of past labor input cannot, however, be accepted generally and even less so in the present Czechoslovak situation where production is often too demanding of material and where there is great difficulty in obtaining materials. And production of products demanding of direct labor can be highly efficient, much more efficient than production of products less labor-intensive.

As I mentioned in the beginning, I consider the basic problem to be the overall method of enterprise management. The question is whether to retain the current practice of planning with dozens of indicators or whether, especially in the financial plan, to limit ourselves to a minimum of well justified indicators and consider the other indicators qualitatively otherwise.

Socialist enterprising is hard to carry out when the enterprises are fettered with many indicators. If the plan forms clearly unnecessary barriers to the growth of efficiency in production then we ought to seriously think about possibly proceeding some other way.

I am not advocating any hasty solution. On the other hand, however, we also cannot put off the solution of obvious problems, especially in our situation where literally every koruna counts. We must realize that not only are some employees in the theoretical field aware of uneconomical barriers but that many capable industrial managers of enterprises are aware of these barriers and criticize them. For instance, several times I have encountered criticism by enterprise workers of the obstacle which economic cooperation creates in planning the share of overall expenses for output.

We will not gain the confidence of enterprise workers in the rationale of centralized planning by continuing to defend the indefensible. We can gain and reinforce that confidence only by gradually eliminating unnecessary obstacles to economic performance.

Criticizing the planning of certain indicators does not, however, mean that they are insignificant. The problem lies only with the method of working with these indicators, the method of evaluating them. Various partial indicators should not be evaluated in an isolated way but rather in a mutual context. We should take into account that the lower value of one indicator can often be more than compensated for by better values of other indicators and select those solutions which are most effective in the light of general synthetic indicators.

That, however, is an entirely different concept of evaluation than the current status where individual indicators are presented and evaluated as a set of isolated mandates, every one of which must be met, or at least as many as possible.

It is obvious that the present method of evaluation is less demanding. Making complex determinations, weighing partial positives and negatives and determining the optimum call for much higher qualification, not only on the enterprise level but also on the level of higher agencies. It is much easier to figure out how many of the total number of prescribed indicators an enterprise has met than to rate indicators in their mutual context.

Simplicity, however, should not be the reason for retaining the present concept of evaluation.

8491

CSO: 2400/441

DEPUTY MINISTER VIEWS NATIONAL COAL SITUATION

Prague HOSPODARSKE NOVINY in Czech 2 Sep 83 p 1

[Article by Eng Josef Benes, deputy minister, CSSR Ministry of Fuels and Power:  
"Coal is the Name of the Key Fuel"]

[Text] Providing the national economy and the population with a steady supply of fuels and power during the first 2 years of the Seventh 5-Year Plan was accompanied by tension between resources and consumption and by reduced mining preparedness at the North Bohemian underground deposits and surface mines, which led to the necessity of extra shifts on non-work days. In the development of the fuel-energy base, planned volumes of investment work and deliveries were exceeded in this period. With the start-up of new mining, processing, producing, distributing and transporting capacities the fuel-energy potential of the state increased. Nevertheless, there were difficulties in the construction of certain critical projects. This caused slippage in getting these capacities underway (units in the Prunerov II, Melnik III electric power stations and nuclear power stations) or projected parameters were not attained (technological units of TC 2) and their operational reliability is low.

In spite of these problems, the department provided supplies of fuels and power at a level that made it possible, with efficient consumption and the application of energy saving measures, to meet fully the needs of production in all branches of the national economy as well as the needs of the population. Thanks to favorable weather conditions and the workers' initiative, a good basis was also established for entry into the 3rd year of the Seventh 5-Year Plan, particularly in the preparation of production and extracting capacities for the winter and with optimal supplies of solid fuels for consumers, especially in the power industry, and also coal for the population.

In spite of the gradual growth of nuclear power generation, coal continues to have the key role in resources. The specifications of goals for the Seventh 5-Year Plan call for the extraction of 98 to 100 million tons of brown coal and lignite and 27 to 28 million tons of black coal in 1985. The national economic plans for the years 1981 and 1982 set the total extraction of brown coal and lignite in the amount of 192.35 million tons and 54.77 million tons of black coal. These goals were exceeded for brown coal and lignite by 28,000 tons and black coal by 201,000 tons. Planned goals were not met in either of the 2 years by the North Bohemian Brown Coal Mines Concern, Most,

particularly because of low mining preparedness at the Most deposits of Cs. Armada, M. Gorkij and Chabarovice. The shortage was successfully overcome by higher extraction at other basins. The annual plans for extraction of black coal were exceeded in both concerns, that is, the Ostrava-Karvina Mines, Ostrava and the Kladno Coal Mines. However, they were not able to ensure the structure of the extracted coal. The specifications for production of graded coal and the production of coal suitable for coking in the Ostrava-Karvina basin were not met.

At the beginning of this year, mine tremors at the Cs. Armada Mines in the Ostrava-Karvina basin complicated matters because, contrary to the original technical mining plan, extraction of the endangered seams became impossible. Consequently, a change was approved in the plan for the OKD [Ostrava-Karvina Coal Mines] Ostrava concern involving the total mining of coal for sale as well as the production of coal suitable for coking. The results of the mine tremors will also be felt in the remaining years of the Seventh 5-Year Plan.

This year the coal industry is supposed to extract 123.855 million tons of coal and lignite, of which 21.510 million tons of graded coal and briquettes are for the needs of the population and industry. The development of mining in all the coal concerns was wholly successful in the first half-year. The following figures represent percentages of the total year's plan: Ostrava-Karvina Mines, 51.5 percent; Kladno Coal Mines, 52.2 percent; North Bohemian Brown Coal Mines, 51.4 percent; Brown Coal Mines and Briquette Plants, Sokolov, 54.5 percent; and the Coal and Lignite Mines, Prievidza, 50.4 percent. Thus, the conditions indicate that the coal industry will exceed the state plan for marketable extraction of 2.3 million tons.

The goal of the department, however, is not just to meet the plan specifications but particularly to provide the national economy and population with a steady supply of necessary fuels. We want to maintain conditions so that it will not be necessary to regulate the consumption of electricity and gas in the winter of 1983-1984, nor even in the course of next year.

We set ourselves the goal of creating by 30 September 1983 stockpiles of 4.2 million tons of brown coal and lignite and 1.4 million tons of black coal at key electric power stations and thermal plants. This goal is currently being met successfully, even though bad weather conditions at the beginning of August slowed down extraction at surface deposits. So far the production of graded coal and briquettes is also developing favorably. The Ostrava-Karvina Mine Concern is setting up requirements to meet the year's planned production quota of coal suitable for coking.

This year's good mining results in the North Bohemian Brown Coal basin indicates that the greater part of the lag in the first 2 years of the 5-year plan will also be overcome. Likewise, meeting goals in strip mining is proceeding favorably and 177 million cubic meters can be expected. Last year it was only 166.865 cubic meters which made the shortage for 1981 and 1982 grow to about 20 million cubic meters. Almost half of this drop was shared by the TC 3 technological unit at the M. Gorkij Great Deposit in Bilina, which

has long been working on test runs and in the first 2 years of the Seventh 5-Year Plan stripped 9.9 million cubic meters of earth less than the plan quota.

To improve strip mining operations and the reliability of operation of the new technological units at the North Bohemian Brown Coal Mines, Most and the Brown Coal Mines and Briquette Plants, Sokolov, a number of measures were adopted and implemented which will gradually lead to greater time usage, especially of the TC 2 series, so that these units should attain an average of 4,500 operational hours annually in 1984 and 1985.

The majority of giant machines of the TC 1 and TC 2 series are undergoing modifications. Every year arguments are entered into with organizations of the departments of metallurgy and heavy engineering and the electrotechnical industry on remodeling technological units and long-range belt conveyers. Their fulfillment is regularly evaluated and in the final phase is checked out on the level of central agencies. In the last 2 years the agreements made were for the most part fulfilled. A total of Kcs 315 million in capital investment was expended for these remodelings. The improvements are evident in part even this year, with increased time usage of the units involved as well as total annual output. In the first half-year, nine technological units of the TC 2 series monitored at the mines of the North Bohemian Brown Coal Basin showed increased extraction of earth of 5.5 million cubic meters compared with last year's figures. Besides improvement in management and organizational work and the implementation of appropriate material incentives, the increase is also partly attributable to weather conditions which were unusually favorable for strip mining to the very end of July. But certain technological units continue to fall short of the specifications of planned goals. The causes are being ascertained objectively during evaluation and specific measures taken.

All coaling operations, especially in surface mining, are currently preparing for continuous operation of the winter of 1983-1984. The status of these preparations is undergoing a checkup of all operations with the participation of employees of the ministry as well as representatives of the central committee of the Trade Union of Mining and Power Industry Workers and the appropriate division of the CPCZ Central Committee. The review is directed especially to the status of technology, the preparation of workable reserves of coal for mining, the elimination of overburden and coal faces, the maintenance of transportation roads and machinery, the provision of necessary materials and spare parts and, particularly, the formation of good conditions for work under severe weather conditions.

At the same time plans for the fourth year of the Seventh 5-Year Plan are under way at all management levels of the department. The goals for all economic production units continue to be challenging with increased extraction and strip mining, especially in the North Bohemian Brown Coal basin. To cover the fuel and energy balance in 1984 the specifications call for provision of the following volumes of marketable coal and lignite extractions by the individual concerns: The Ostrava-Karvina mines, 23.3 million tons; the Kladno Coal Mines, 3.25 million tons; the North Bohemian Brown Coal Mines, 69 million

tons; the Brown Coal Mines and Briquette Plants, Sokolov, 21.1 million tons; and the Coal and Lignite Mines, Prievidza, 7.8 million tons.

Thus the coaling industry is faced with a goal of extracting a total of 124.25 million tons of coal and lignite. Of this, 21.3 million tons is for production of graded coal and briquettes and 16.8 million tons of coal suitable for coking.

Next year we will continue to rely on the good cooperation of transportation workers, that is, the regular addition of railroad cars and the smooth movement of loaded cars from the coal fields. This year the railroad workers fully shared in the reliable fulfillment of our production goals. We are likewise counting on even closer cooperation with the engineering and construction branches in helping meet the operational goals as well as capital construction projects.

No less demanding are next year's goals for extraction from surface mines. For the North Bohemian Brown Coal Mine Concern in Most this means stripping a minimum of 180 million cubic meters of overlying earth and for the Brown Coal Mines and Briquette Plants Concern in Sokolov, 37 million cubic meters. The main watchword for meeting these goals remains primarily the dedicated work of the miners.

8491

CSO: 2400/445

GERMAN DEMOCRATIC REPUBLIC

ROLE OF STRAUSS FRIEND IN FRG LOAN

Hamburg DER SPIEGEL in German No 39, 26 Sep 83 pp 21-25

[Unattributed article "The Third Man: Strauss Pal Bait for CSU Chairman's Involvement in Billion DME Credit"]

[Text] Glum and silent, Franz Josef Strauss was trotting alongside Helmut Kohl.

The joint walk in the woods across Bavaria two weeks ago was supposed to have taken no more than five hours. They already had been underway for nine hours, across mountains and valleys, through dark pinetree forests--the federal chancellor and the prime minister had lost their way.

They long ago had run out of things to talk about. Actually, there hadn't been anything important to talk about anyway.

He had been exhausted, "at the limit of his physical endurance," 68-year-old Strauss confessed to confidants in the CSU land leadership. Kohl, on the other hand, 15 years younger, had enjoyed the walk. He was especially amused to see, as he later told his friends, how Franz Josef had almost passed out at his side.

Things have changed now. While formerly Kohl was being disparaged, he was now the one who embarrassed the CSU chairman continuously.

Strauss still hasn't gotten over it that it was Kohl of all people who defended him against the sharp attacks of his own CSU because of the billion deutschmark credit. Kohl loved to show himself off at this summer's CSU party convention as the one who was in charge, for whom Strauss had only done work he asked him to do.

Essentially, Kohl considers the FJS problem as settled; occasional obstructionism from Munich would, of course, still be possible, he said.

The chancellor feels reassured by reports from Bavaria. In Franz Josef's country, he says, it is meanwhile considered chic to call oneself a Strauss opponent. "Betrayal by Strauss of the party principles," according to CSU dissident Franz Handlos, has seriously weakened the chairman's authority. His switch from opposing the FRG's policies vis-a-vis the Eastern bloc to becoming Erich Honecker's partner, who supported the SED regime with a billion mark credit without negotiating anything in return, was too abrupt. CSU Secretary Hermann Hoecherl, "He has lost his instinct. That's bad when it happens as one grows old."

Yet, others have had a hand in this, too. The "shady deals on the black market," as CSU Bundestag Delegate Ekkehardt Voigt denounced the GDR deal, had not been set up by Strauss alone. Kohl owes it to Chancellory Minister Philipp Jenninger that Strauss is doing so badly.

Immediately upon assuming office last October, Jenninger who, within the chancellory, was also responsible for German political issues, had been briefed by his SPD predecessor Hans-Juergen Wischniewski on the secrets of German-German relations. For one entire day, the Social Democrat explained to the CSU politician what he should focus on in this delicate area--including the project of a German-German bank. In such an institution, the FRG was supposed to guarantee credits which the GDR partner would be able to get for himself in international financial markets.

In December, during his first visit to East Berlin, the new chancellory minister asked SED economic specialist Guenter Mittag about the status of the GDR's foreign exchange needs. Wearily, Mittag stopped him--the Polit bureaucrat clearly didn't want to get too much involved with the new government.

However, after March 6th, the East Berliners displayed strong interest; they urged to drop the complicated undertaking of an all-Germany bank and instead obtain loans from FRG financial institutions.

Jenninger said basically "yes." The CDU minister explained to the SED representatives that, overall, the new Bonn government would be easy to get along with. Because in contrast to the Schmidt-Genscher government, it was not subject to pressures to succeed in its German politics. There was, however, one big problem--in Munich.

There, Strauss was at that time still bragging that there was no need for continuity in German politics, that is was now time for a change. After all, it wasn't in vain that he had been fighting the East policies of the Social Liberals for 13 years, only to support them in the end.

Jenninger discussed with SED functionaries how to change the Bavarian's mind. Jenninger suggested to the East Berliners that they themselves make an effort with Strauss. In the past, he said, the man had many a times demonstrated his ability to accept pragmatic policies. The billion mark credit was only possible with, not against Strauss's support.

The GDR leaders had an idea. East-West negotiator Paul Gerlach, a resident of East Berlin, wanted to help. And also a good connection to one of Strauss's



friends offered his services. Who that contact was, Strauss isn't telling to this day. "The third man," as the CSU chairman calls him, had always helped him in matters concerning the loan.

The name of the third man is Josef Maerz. He lives in Rosenheim, Upper Bavaria, owns a meat-product and brewery empire with subsidiaries in Togo, Zaire and Gambia (estimated annual sales of about DM 1 billion) and is one of Franz Josef Strauss's oldest pals.

Maerz is doing also good business with the GDR. Through him, the East Berliners sell, at favorable conditions, slaughter cattle for consumers in the FRG and in other West European countries.

At least at two occasions, GDR emissaries met in strictest secrecy with Bavarian representatives at the elegant guest house owned by the cattle dealer, the Spoeck estate at Rinser See near Rosenheim. Once Strauss was present; once also State Secretary Alexander Schalck-Golodkowski, Honecker's financial agent.

Meanwhile, the chancellory is only speculating how the GDR, through Maerz, had been able to win the CSU chief's support of the billion mark deal. A "good measure of craving for adventure" in Strauss must have played a role, some are speculating; others explain his motives as "the joy of creating something by himself and of showing Kohl how to do it."

In addition, there is the guessing game about alleged commissions which had been in excess of those customary for such transactions. And there are rumors about a procedure which reportedly is customary in other deals: according to some security experts, it is sometimes important to East-West negotiator Paul Gerlach of East Berlin that part of the commissions is discreetly passed on to the KPD.

Even now, the damage for Franz Josef Strauss is big enough: Bonn learned from East Berlin last week, what the GDR will offer in return, would be much more meager than expected; only children, but not retired persons would be exempted from the mandatory money exchange. Thus, has the trade paid off for Strauss?

During their walk in the woods, the CSU chief had to concede to the CDU chancellor that he wouldn't have any great ambitions anymore. Even if there were to be a new man in the federal economics ministry soon--following an accusation that Otto Count Lambsdorff had benefited from the Flick affair--Strauss does not want to serve in Bonn.

That would mean that Jurgen Morlock, FDP chief of Baden-Wuerttemberg, or Ernst Albrecht, minister president of Lower Saxony, would than have a chance. Pressure is growing in the Union to appoint a CDU member to head the economics ministry, since this would be permissible under the coalition agreement.

Strauss is hopeful that he might be able to preserve his influence after all--in return for not getting an appointment in Bonn: In opposition to FDP chief Hans-Dietrich Genscher, he would like to institutionalize the tripartite group of the CDU, CSU and FDP party chairmen--as the supreme directorate of the coalition that would meet on a regular basis.

GERMAN DEMOCRATIC REPUBLIC

INDUSTRIAL TECHNOLOGY AT LEIPZIG TRADE EXPOSITION

Leipzig LEIPZIGER VOLKSZEITUNG in German 3 Aug 83 pp 1-2

[Report of interview with Siegfried Fischer, General Manager of the Leipzig fair office: "Leipzig Autumn Fair Again Impetus for Peaceful World Trade"]

[Text] The 1983 Leipzig Autumn Fair expects from September 4 through 10, under the motto "For World Free Trade and Technical Progress," 6,000 exhibitors and about 300,000 visitors and buyers from all over the world. As the center for peaceful, people bonding trade, renewed impulses will emanate from Leipzig for deepening international economic cooperation, underscored the general manager of the Leipzig Fair Office, Siegfried Fischer in a press interview.

Because of its international recognition, this fair offers the best of conditions for the sale and purchase of goods and services. Siegfried Fischer said that the preceeding Spring Fair has successfully pushed the application of microelectronics to the center of this exposition. At the Leipzig Autumn Fair microelectronic user solutions will be presented by the GDR Industrial Combine and several foreign exhibitors to industrial branches including textile machinery, polygraphic machines, chemical facilities, plastics machines and medical technology under the banner "Programmed Effectivity through Microelectronics."

A special center of focus inside of the 8 technical branches is formed by the product area chemistry, chemical facilities and plastics machines in which about 800 companies from 23 countries are represented. The industries involved, including all European CEMA member countries, chemical companies from Western Europe and overseas plus a group of specialized firms from the nonsocialist economic zone, show their new and advanced export products in 800 product categories. As a contribution of the GDR's chemical facility construction industry to increased effectivity of chemical processes, Siegfried Fischer listed out of the offerings of the VEB Chemical Facilities Construction Combine Leipzig-Grimma a vacuum drum filter equipped with microelectronic processes control. The VEB Combine Conversion Technology "Herbert Warnke," Erfurt, will present for the first time an injection molding machine for plastics with microprocessor control and a utility microcomputer.

In textile machine construction, the application of microelectronics will be demonstrated for functions extending from drive systems to machine and group

controls and on up to automating support and ancillary processes. Among the new products of the GDR textile machine building industry is for instance a Diamond-Jacquard automatic knitting machine with rotating sliders and electronic control which guarantees a reduction of labor by more than 95 percent. The VEB Combine Polygraph "Werner Lamberz," Leipzig, will demonstrate its international-class performance with the presentation of a complete line of microelectronic-equipped cutting machines and the four-color sheet-fed offset printing machine Planeta-Varimat 44 which is the first printing machine to be powered by an almost noiseless and maintenance-free hydraulic drive. Well known firms and exporters from 15 countries will contribute to the attractiveness of the road vehicles branch. Also the 20 consumer goods branches of the Autumn Fair are represented by first class international firms from about 45 countries.

From the socialist economic block all certified foreign trade companies are represented. Siefried Fischer expressed the fair's appreciation for the significantly expanded--compared to last year--exhibits of Bulgaria, Poland, Hungary, Cuba and Yugoslavia. The biggest socialist exhibitor from outside the GDR is again the USSR.

Of the wares exhibited in the Soviet pavillion, 80 percent are being offered in Leipzig for the first time. Special centers of interest are formed by expositions of the Soviet chemical, automobile and electronics industries as well as by the unusual presentations from the SSR Tadshikisch and, for the first time, the Volgograd region through which the visitor is made acquainted with the economic potential of these regions.

In the exhibits of the CEMA member countries, the results of continuous and longterm cooperation within the framework of socialist economic integration are broadly evidenced. In the exhibits of the Soviet collectives alone there are 250 items which were produced in bilateral or multilateral cooperation with the other socialist countries.

For about 30 years, producers and exporters from developing nations have been exhibiting their wares in Leipzig. At the Autumn Fair the booths most in evidence are those of the industrial branches dealing in textiles and clothing, food and beverages, household chemicals, cosmetics and pharmaceuticals. Alongside longtime exhibitors from Brazil, India, Egypt, Syria and Lebanon, Nepal is present exhibiting domestic wares at the Leipzig Fair for the first time.

Well known concerns and firms from the capitalist industrial countries are always represented at the Leipzig Fair. General director Fischer takes this as an expression of the interest this business circle places on stable and mutually advantageous trade relations with the GDR and other socialist countries. Accordingly Belgium, Denmark, Finland, France, Great Britain, Italy, Japan, the Netherlands, Austria and Sweden not only have strong contingents of industrial exhibitors but also have official information booths for supporting the exhibitors and buyers from their countries. Following the FRG, France and Austria are the most strongly represented countries, each with

over 60 exhibitors, at the Leipzig Fair. Once more present are the Japanese trading houses Nichimen, C. Itoh, Mitsui, Mitsubishi, Nissho Iwai, Marubeni, Sumitomo, Toyo Engineering and, for the first time, the firm Konishiroku.

Professionals, scientists and other specialists have a broad interest in the Leipzig Fair. The comprehensive scientific-technical symposium embracing 70 technical papers lends itself to their purposes. The high point is the international symposium "Effective Rationalization and Automation--ERAM 83." Siegfried Fischer continued his recitation by pointing to the Information Center for Applied Microelectronics in exhibit hall 7 which had already proven itself as a comprehensive information source for the lead theme "Micro-electronics" of the Spring Fair just past.

9160

CSO: 2300/387

## HUNGARY

### UTILIZATION OF VALUE-ADDED TAX DISCUSSED

Budapest FIGYELO in Hungarian No 36, 8 Sep 83 p 3

[Article by Dr Imre Vincze: "The Value-Added Tax"; passages enclosed in slantlines are printed in italics]

[Text] The essence of value-added taxation is as follows: A tax calculated on the basis of one or more tax rates must be paid on the total sale price of goods placed on the domestic market--including imported goods--and on services performed, in every phase of circulation. The amount of tax must also be separately identified on every receipt. The enterprises may request the return of the taxes which are imposed on goods bought by them for purposes of production, investment or resale from the tax authorities. Every enterprise pays this tax on its net output, i.e., on the added-value. In the event that this tax is imposed, it is eliminated from the domestic turnover between enterprises, and the total value-added tax is realized only in the final consumption phase, in retail sales and consumer services. However, the value-added tax does not have to be paid on goods destined for exportation. This tax does not modify producers' costs and producers' price levels at the enterprises. In countries which impose a value-added tax on consumer and luxury goods, a separate increased tax is also utilized. (For more detail, see Katalin Nagy: "The Value-Added Tax", FIGYELO No 12, 1982.)

Recently, more and more people are suggesting that the value-added tax should also be introduced in this country. The introduction of this tax system in Western European countries brought about sensible changes in the structure of production costs, in the producers' price ratios; it created impetus for exportation, established an institutional relation between producers' and consumers' prices and favorably influenced tax discipline. Its introduction in the Common Market countries was accompanied by an /improvement in the competitive position of exports/ primarily because exporters were exempted from value-added taxation and further, because the multi-phased gross turnover tax was replaced by the value-added tax in these countries. It eliminated the turnover tax accumulated in the prices during turnover among the producers,

and this resulted in the lowering of the producers' price level.

All this is taken into consideration by those advocating the domestic introduction of the value-added tax. It would be hardly doubtful that a whole series of favorable effects would follow here too, were the value-added tax be applied as consistently as it is abroad. However, in my opinion, the proponents are oversimplifying the matter in several respects: they do not show the /stringent requirements necessary for the introduction and smooth operation of the value-added tax/, nor the political and economic policy difficulties associated with it. At the same time they inaccurately portray the gross income tax, including the sales tax, system which is presently in effect domestically. These are the interrelationships that I wish to deal with in greater detail.

Under the price system which is presently in effect in the country, sales tax is not included in the producers' prices. /The sales tax system consists of one phase/ which burdens only retail, i.e., marketed consumer goods. Consequently, sales tax is not accumulated in several phases within the price system. (This differs significantly from the initial premise on the Common Market countries.)

Furthermore, the /differential producers' turnover tax/ which is in effect should not be considered sales tax in the usual sense, despite the term. Its existence is related to the price system introduced in 1980 and the regulation of the domestic producers' prices for raw materials and energy resources in accordance with capitalist world market prices. Compared to the producers' prices which developed in this way, the income developed in the area of energy resources and certain raw materials had the nature of an annuity--if their procurement occurred on the ruble currency standard, i.e., on the basis of domestic production. The differential producers' turnover tax serves to deduct this. Its preservation in the future is justified even if we introduce the value-added tax. As an alternative to the introduction of the value-added tax domestically, it was suggested that its implementation be coupled with /the preservation of the extent and forms of the present producers' price levels and net income/. The general rate of the value-added tax would be approximately 10 percent--in accordance with the average sales tax in effect at this time for consumer goods. The value-added tax would not be imposed on agricultural and food industry products, consumer services, community services and health care services. The present high sales tax on luxury goods, jewelry made of precious metals, automobiles and gasoline would continue to remain in effect.

This method of introduction would leave the present price levels and price ratios of producers' prices unchanged. Consequently, the regulations governing the financial accounting of exports should be maintained.

However, this manner of introduction imposes difficult demands on consumer price policy and regulation. It follows from the nature of this tax system that in the production sphere, it has a transitory nature, but /its full force/ is felt in the final consumption--in the consumer market.

It is generally known that in Hungary the basic consumer foodstuffs, fuels, passenger transport, drinking water and sewage services receive considerable

and strongly differentiated financial and consumer price subsidies, depending on the goods and types of services.

Consumer Price Subsidies for Some Goods and Services\*  
(in percentages)

---

Pork	23	Solid Fuel	149
Porkfat	13	Railroad Passenger Transport	92
Beef	40	Local Transport	320
Sausages	27	Consumer Laundry	90
Butter	103	Drinking Water	376
White Bread	16	Sewage	494
Crescent Rolls	7	Central Heating and Hot Water	258
		Film Theater	981

---

\*NB: The basis of the price subsidies for the goods is the wholesale price (retail price-retail price reduction), and for services, the consumer rate in effect.

The consumer price subsidies for basic /foodstuffs/ each year exceeds 15 billion, that for fuel reaches 13 billion, and the subsidies for passenger transport and the above-mentioned consumer services approaches 20 billion forints each year. As regards these goods and services, if the consumer price subsidies were to be replaced by a value-added tax of 10 percent, it would result in a greater than 10 percent increase in the consumer price levels.

The implementation of a 10 percent value-added tax on iron and technical goods, household chemicals, detergents, furniture, etc., which today no longer receive consumer price subsidies, would have an effect of leveling off the prices /without changing the price levels/.

However, in the event that a 10 percent value-added tax is imposed on yard goods and outerwear, consumer prices /should be reduced/. The present sales tax rate on these goods is 23 percent.

It is a fact that the introduction of the value-added tax system would reorganize the consumer price system in a favorable way, and would require that the relationship between producers' and consumers' prices become permanent in the future. But the political and economic policy difficulties associated with its introduction lie precisely herein.

In any case, the introduction of the value-added tax /must be adapted to a developmental concept which includes the standard of living, the consumer price system and the individual income tax system./

In addition to the above-outlined conditions, it is not possible to avoid the problems associated with the organization of the consumer prices by proposing to not impose the value-added tax on foodstuffs and consumer services. Aside from the fact that this solution could only be maintained by artificially complex regulations, it would also call into question the financial and

economic practicality of these measures. Thus, under no circumstances should the path of extensive exemptions be chosen.

The other alternative to the domestic introduction of the value-added tax was formulated in such a way that it would occur /simultaneously with the reduction of the present producers' price level./ A certain reduction of the producers' prices would be achieved by reducing or discarding certain net income items. The reduction in the producers' prices which would consequently ensue would provide an opportunity--so say its proponents--to realize a larger value-added tax rate, and the biphasic nature of the producers' and consumers' prices could be strengthened.

If this method of organization were to be used, the reorganization of expenses and price relations in the producers' sphere would actually be brought about not by the introduction of the value-added tax, but rather by the reduction of net income elements and the extent to which they are extant in the producers' prices.

Above all, this alternative for organization requires clarification as to which of the net incomes from the producers' price system it would be expedient to discard or reduce. As I have already mentioned, it is not possible to eliminate the /differential producers' turnover tax/ from the producers' price system because of its annuity-like nature; in addition, its extnet is also determined by the producers' prices for raw materials and energy resources, as well as by their costs of procurement and production.

Today, the proportion of /social security premiums/ calculated on the basis of wages is 30 percent. An increase in this proportion is on the agenda for two reasons. One is that the costs of social security necessitate the increase; the other is that the proportion of human labor costs in production costs could be increased, thereby acting as an incentive to limit human labor. Under these circumstances, the social security premiums could not be considered a component of the net income of the producers' price system which could be reduced.

Next, we must examine the /profit/ contained in the producers' prices from the viewpoint of the extent to which its reduction is possible and practical, and consequently, as to what degree of reduction in the producers' price levels could be achieved.

Of the profit serving as the basis for accounting, the economic organizations, in accordance with the regulatory system in effect, pay an average of 45 percent general profit tax and 12 percent city and community contributions, as well as a wage fund increase tax, following a change in wages. The profit remaining after the payment of the above-mentioned taxes is placed in the interest fund of the enterprise.

In my opinion, during the course of modifying the net profit system, the real value of the enterprises' interest funds must not change in relation to the present situation. Thus, its numerical proportion in the national economy as a whole could only change as a function of the modifications in the producers' price levels.



Profits for 1982 and Taxes Paid on Them  
(in billions of forints)

	Branches of Material Production	Industry
Profit Serving as Accounting Basis	173.3	81.3
Total Taxes	85.6	43.3
Breakdown:		
--General Profit Tax	63.9	32.7
--City and Community Contributions	20.3	10.0
--Wage Fund Increase Taxes	1.2	0.6
Percentage of Net Sales Returns Paid as Profit Tax	2.8	3.2

If the profit tax were to be reduced by half in the branches of material production, it would cause a 1.4 percent reduction in the price level and its cumulative effect would be expected to reach 3-3.5 percent. In industry, a 50 percent reduction in the profit tax would acutely reduce the net producers' price level by 1.6 percent and cumulatively--considering several rounds of reductions in raw material costs--by approximately 3.5-4 percent.

The city and community contributions are earmarked, and are one of the significant financial resources of the local administration. For precisely this reason, its reduction could only occur with the stipulation that the local councils receive the moneys lost as a result of this from the imposition of other taxes (e.g., a certain percentage of the general profit tax) or directly from government budgetary allocations. Considering the specific funding nature of the city and community contributions, one could argue that only the general profit tax should be reduced by about 50 percent. Then, the acute effect of the reduction of price levels in the branches of material production would be 1 percent and the cumulative effect about 2 percent; the corresponding figures for industry would be 1.2 percent and 2-2.5 percent, respectively.

Thus, the figures indicate that /the producers' price levels could not be significantly reduced/ by reducing the profit tax, at least, not so the proportion of the value-added tax could be significantly increased, or without definitively influencing the sphere and extent of the modification of consumer prices. This convinces me that it is not justified to foster grand illusions concerning the reduction of the net income content of the producers' prices.

How the modification of profit taxes could be effected (or "directed") by the reduction of price levels in our national economy should also be carefully examined.

According to the proponents of the introduction of the value-added tax, it would be possible to terminate the separate monetary solutions associated

with exports, i.e., they would be necessary only in limited areas for a transient period.

According to the /first version of the introduction proposals/, already reviewed above, the producers' price levels would remain unchanged; consequently it would not be possible to change the monetary regulations concerning exports. According to the /second/ version, although a certain reduction of the producers' price level would occur, this change would not significantly modify the monetary regulations related to exports. Genuine progress could only be achieved if we simultaneously also changed the /exchange rates/, i.e., by the further devaluation of the forint.

Socialists exports will also require different regulations and connecting monetary bridges in the coming years--considering the particular levels and ratios of socialist foreign trade prices.

The main conclusions of my analysis are as follows:

--The domestic sales tax system consists of one phase. The sales tax is realized in the price of goods brought to market. The producers' prices do not contain sales tax. The differential producers' turnover tax may not be considered the same as a sales tax in the traditional sense.

--The introduction of the value-added tax, in addition to maintaining the current producers' price level and producers' prices, /would not have an effect in the economic sphere/ but would only result in the reorganization of consumer prices.

--The possibility of reducing the net income included in the producers' prices is limited. That is, the differential producers' turnover tax cannot be eliminated. The proportion of social security premiums cannot be reduced; as a matter of fact, their increase may be expected. Also, the profit tax could only be reduced moderately, and even in the event of a significant reduction, the producers' price level would decline only to a small extent.

--Taking into consideration the fact that the domestic introduction of the value-added tax leaves the producers' price levels either unchanged or reduced only to a minimal extent, the introduction of the value-added tax does not terminate the specific monetary regulations related to exports. Therefore, results could only be obtained through exchange rate measures--by further devaluations.

The domestic introduction of the value-added tax requires the significant reorganization of consumer prices. For precisely this reason, /it could only be realized within the framework of the comprehensive reorganization of consumer prices, incomes and income taxation/. Its continuous application requires that producers' and consumers' prices /move in harmony/. The introduction of the value-added tax is /economically worthwhile only/ if we are able to implement the above-mentioned requirements in consumer price policy.

9956  
2500/460

ACTIVITIES OF UNITRA FOREIGN TRADE ENTERPRISE DISCUSSED

Warsaw ZYCIE WARSZAWY in Polish 30-31 Jul 83 pp 1, 2

[Interview with Zygmunt Piotrowski, general director of Unitra Foreign Trade Enterprise by Henryk Chadzynski; date and place not specified]

[Text] [Question] A year ago the enterprise that you manage could have celebrated the tenth anniversary of its existence. There was no celebration, however, probably not only because of martial law, but mainly because of the way your export to western countries was hit. Have you managed to recover from this already?

[Answer] Maybe it would be best to begin by presenting the proportions. The turnover of PHZ [Foreign Trade Enterprise] Unitra was at its peak in 1979, when it reached 26 billion zlotys. However, the export amounted to only 11 billion zlotys then, since we were mainly an enterprise supplying the national economy with electronic systems and elements, as well as with indispensable equipment for capital projects. The turnover was at its lowest in 1980, when it fell to 17.6 billion zlotys. It was mainly the export to capitalist countries that fell, although import also decreased.

[Question] What caused this rapid decrease of export to the West?

[Answer] One can speak of three serious causes, resulting mainly from discriminatory measures. Collaboration with the French firm Thompson-Brandt, which had been developing for years, ended suddenly, when it stopped taking from us loudspeakers and tape recorders produced in Poland in cooperation with them. This was the result of protectionist moves of the French government. We met with another failure in the FRG market, where cooperation with Grundig was interrupted. And we had been the only supplier of tape recorders and radios with tape recorders produced abroad under the trademark of this firm on such a scale. And, thirdly, we were hit by the U.S. government liquidating the most-favored-nation status of Poland, which made the export of loudspeakers to the American market unprofitable. These three factors caused the export to hard currency markets to decrease by 30 percent within a year.

[Question] Have you managed to overcome the problems of these markets already?

[Answer] We manage somehow and I believe that our turnover will approach the level of 1979 this year again. A basic change took place, however. We became

an exporting enterprise, as the value of what we sell abroad now is much higher than that of purchases. At the same time we have tightened cooperation with socialist countries, mainly with the USSR, where we get a considerable part of the supplies of components and materials that we need. We have also increased our export to these countries.

Question Has expansion to western markets stopped, however?

Answer Not at all. We have now undertaken a number of new initiatives, thanks to which our export to these markets has a chance of reaching the level it had in our best times.

Question How is this possible?

Answer The character of our export has changed. Apart from articles for daily use, we have begun selling machines and appliances. The deliveries to Wales may be an example, where the local authorities decided to build a factory of lightbulbs that would employ mainly women, to fight the problem of unemployment. We are delivering the equipment for this factory. And we have a number of such projects: also in Nigeria a lightbulb production plant was built with the help of Polish specialists for a mixed company called Polamp. We have also tried to enter the FRG market again with our exports and we have begun cooperation with another firm in France, though we had been cooperating with Thompson for years.

Also a new product appeared--color picture tubes and glass for picture tubes. It might seem shocking on the background of recent discussions of the future of Polcolor, but we could sell 600,000 picture tubes next year. Unfortunately, the production capacity allows only to produce 450,000. Our picture tubes reach the markets of several West European countries and glass for picture tubes is sold according to an agreement with the U.S. firm Corning Glass, from which licence was bought to produce it. A possibility is also arising of exchanging picture tubes and glass for picture tubes with a Yugoslav partner for so-called "blocks" of several types of modern color TV sets, which will thus appear in our market, enriching the retail offer in this field.

Question And how does cooperation with socialist countries develop?

Answer I may say with satisfaction that this year we will be celebrating a nice occasion of sending the millionth turntable to our Soviet customers. We also supply the socialist countries with a considerable number of technological machines. Apart from this, it is worth noting that, thanks to Czechoslovak credits, means were obtained to end the capital project in Pila and we will repay it by sending bulbs produced in the newly constructed plant. We have also obtained hard currency credit from Hungary, which allowed for the modernization of picture tubes produced by us. And the agreement with this country provides for the participation of the partner in covering the hard currency expenditures indispensable in the production of picture tubes exported to Hungary.

Question How would you generally characterize the situation in the market in your field?

[Answer] The demand for radiotechnical equipment is generally greater than our capacity to sell, despite various types of difficulties, protectionism and lower needs. However, the main problem holding up export--which may seem strange--is not protectionist obstacles or weak demand in the West, but mainly the barrier of costs in our own producers. The world market is simply governed by strict rules of the game and does not take into consideration inflationary processes or the rapid increase of costs of the Polish suppliers. Thus we have reached a situation in which domestic enterprises cooperating with us keep their supplies to the minimum amounts that guarantee them the most indispensable hard currency write-offs, maintaining that they cannot afford financially bigger deliveries. It will be difficult to count on the development of export without settling these systematic problems, probably not only in ours, but also in many other branches of the manufacturing industry. It is significant that such problems do not occur in capital projects exports. We do not have such conversations with the producers of technological lines exported by us.

[Question] How do you see the perspectives of your firm as a supplier in the future?

[Answer] We would like to remain in the circle of important exporters of audiovisual equipment, especially in the market of socialist countries. This is why we see the necessity as well as possibility of developing new areas even now. We are negotiating in order to undertake a cooperative production of a video tape recorder. Another such product would be a modern, so-called touchless, turntable. We have a plant that produces 700,000 turntables yearly, i.e., the greatest producer in our continent and we must bring ourselves to undertake basic modernization of this product. And we cannot lag behind in all of our electronic industry. The perspective of continuing the lag caused by our problems of the last few years is unacceptable.

Anyway, I think that the new principles of management and mainly putting the systematic problems in order will make exports again a factor allowing for the modernization of production directed also at the home market.

[Interviewer] Thank you for the interview.

12417

CSO: 2600/1341

JURIST ASSAILS EVASION OF EXISTING ECONOMIC REFORM LAWS

Warsaw ZARZADZANIE in Polish No 7-8, Jul-Aug 83 pp 37-38

[Interview with Ludwik Bar, chairman of Task Force X of the Economic Reform Commission, by Jerzy Slawomir Mac]

[Text] [Question] Professor, when we were arranging this interview on the topic of the state of control of the legal economic reform process, you said that you would like to discourage me from dealing with this topic. Why?

[Answer] There is so much opposition to normalization through the legal economic reform process, that there exists a danger that we will be driven off that bridgehead of reform onto which we were able to get ourselves.

[Question] In what way is this opposition manifesting itself, from the standpoint of resistance to the reform?

[Answer] I notice manifestations of two types. The first is a disregard of those legal acts which have already been issued and enforced. The second--a lack of published legal regulations.

[Question] You wrote at great length on the subject of disregard of the laws on state enterprises and on self-government by the workforce of an enterprise in the article "A Difficult First Year for the Laws," which appeared in the monthly PRAWO I PANSTWO in November 1982. However, since this magazine does not reach all of the readers of ZARZADZANIE, I would like to ask you, Professor, to repeat in brief the most essential points included in that publication.

[Answer] I will limit myself to the facts--let them speak for themselves. A considerable number of managers were appointed, bypassing competition and, therefore, not in keeping with the law. In one of the industrial ministries, in contradiction of the law, instructions dealing with the composition of the competition boards were issued. The creation of associations, on the whole, took place without compliance with the legal requirement, which states that enterprises may create associations for economically-motivated aims. In their attitude and by their activity, the associations at times call to mind the former unions and, what is worse, managerial powers regarding the enterprises have been written into the statutes of some of the associations. Such statutes, being inconsistent with the law, should be overruled by the courts. Deliberations on the subject of the forms of cooperation by the ministry with

the associations also occurred in one of the ministries, in practice boiling down to this: how to make a functioning intermediate cell out of them.

The next fact: enterprises continue to get from the ministries an excessive number of instructions and directive signals--beyond those written in the law.

[Question] In your article, you also mentioned the unsound procedure of issuing executive acts, hampering the reform process.

[Answer] First of all, attention must be brought to the considerable delay in the preparation of orders, which should be issued at such a time so that they would be enforced simultaneously with the law. Undoubtedly, this hampered the functioning of the new legal institutions. Some of the executive acts also distort the spirit of the acts of higher order, on which they were based.

Equally alarming is the appearance of change or distortions in the intentions of laws defining the correct principles of economic reform through other laws. For example, included in the draft law on national councils and territorial self-government are regulations on regional enterprises, anticipating for the company organs in these enterprises--organs of state administration--authority greater than that which comes from the law on state enterprises. This means a restriction of the principles of self-dependence, self-government and self-financing for the enterprises.

[Question] Let us go on to an analysis of the second manifestation of recalcitrance by opponents of the reform--effected through neglect.

[Answer] Neglect in issuing essential legal acts is easy to establish. It is enough to pick up the booklet "Basic Assumptions and Directives of Economic Reform," make a thorough study of the forecasts contained there, and compare them with the present conditions. And so--we still, until today, do not have a bankruptcy law, a draft of which was made long ago and passed by the Reform Commission. It is in the hands of the administration and, despite repeated assurances, it did not reach the Sejm.

The promised law regulating the issuing of legal acts by ministries is not here and there is not even any work being done on a draft of it. And it, after all, was to put a stop to the problem of duplicating laws. Thus, internal departmental acts continue to flourish and, today, as it is estimated, they are approximately 30 percent of the standard laws in force according to the Justice Ministry register; and these regulations are issued without legal bases and are not made public and, therefore, continue to be outside the reach of inspection.

The promised amendment to the law on state economic arbitrage, passed in 1975, and the conforming with that law by the management system of that time have not materialized. There also continue to be no legal regulations provided by the laws on state enterprises and on self-government by the workforce.

The next areas of neglect in the assurance of lawful instruments concern the matter of investigating disputes between workforce organs and self-government

bodies by means of the law courts. In the acts of 25 September 1981, it was stated that courts of law will investigate disputes, and their decision is final. But which court, in which section, and in what kind of proceedings? This must be met with a statutory regulation, and such a regulation is lacking to this day. As an aside, I will just mention that, in the assumptions of the reform, it was written that the range of responsibility for people acting in managerial functions in economic administration ought to be defined.

[Question] What are the reasons for these areas of neglect in the legal regulations of the reform process?

[Answer] I see reasons of two types. First is the resistance from those opposing the reform, who--as it seems to me--are still strong, to say the least, if not stronger than those supporting the reform. The opposition to the reform were frightened by the acts of 25 September 1981 and began to heap up obstacles to their implementation. They even began to allude to the need to change it, although it is known from experience that at least 2-3 years are needed in order to be able to assess the value of the law. Second--a definite weakening of enthusiasm, a weariness or even discouragement with respect to the matter of the reform. This is especially noticeable since mid-1982. After the acts of July 1982 concerning the financing and the giving of credit for enterprise activities, a definite impasse in the legislative work and, at the same time, a reduction in the public presentation of this works occurred. Before, the Reform Commission met nearly every month, but now...after the session of September 1982, the next one just took place in March 1983.

[Question] The ball has been hit into the professor's court now. According to public feeling, a considerable portion of the responsibility for the assurance of legal instruments of the reform rests with Task Force X of the Economic Reform Commission.

[Answer] Sir, our task force worked out the entire plan for the codification of the reform process, with recommendations as to who should work out what, when to present the draft at the meeting of the commission, and in what manner to bring it up before the Sejm. And, at the beginning, this was being accomplished. However, the draft accepted by the commission must pass through a very long course, during which everyone wants to add or delete something in the draft. As a result, the final form of the law will stray from the original. And when the law finally sees the light of day, it is not adequately implemented, which essentially does not mobilize forces. Furthermore, Task Force X cannot work out the drafts of all essential laws. The departments which administer all of the essential materials and corresponding services should be doing this: for who is more competent to work out a law on the Polish State Railways [PKP], for example, than the transportation minister? Then again, the law on the Polish National Insurance [PZU] is the domain of the finance minister. On the mail the communications minister, and on arbitration the justice minister.

In the context of these areas of neglect, the occurrence of an attitude of little activity on the part of the managers themselves who, in my opinion, are



not adequately taking advantage of these legal instruments--which are already standing at their disposal--is particularly alarming. They are not taking advantage, for example, of the legal right to register opposition toward the decisions of their workforce organs, and there is also nothing heard about bringing up charges before the court. Yet, after all, when speaking with the managers, nearly each one gives examples of ministerial decisions which, in their opinion, are wrong and contradictory to the reform policy. So, then, why are they so little active in its defense? After all, such an attitude of inactivity strengthens only the opponents of the reform.

[Question] Consequently, the issue of control over the accomplishing of the reform process seems very important, all the more since its initiation, which proceeded through social forces to a more considerable degree in the first period, has now become nearly exclusively the domain of the bureaucracy, with the obvious effects of this. In your opinion, Professor, who could wield such effective control?

[Answer] The court, obviously, will exercise certain control. Likewise, from the side of the public prosecutor, we can expect work in defense of the law. But well-founded confidence can be placed in control by the Sejm. It will demonstrate this, in compliance with the law, by placing a stamp of approval on the self-government body by the state enterprise workforce. However, it does not seem advisable and justifiable to burden the Workers' Self-government Commission with this responsibility. I believe that there is a need to create in the Sejm a separate commission, which would exercise control over the working out, implementation of, and compliance with those laws serving to accomplish the economic reform. I also see here a role for the press, that would constantly be reminding and warning of the consequences of neglect and a return to the old ruts. Because, after all, there no unthinking people today in the enterprise workforces. They see all of these manifestations of disregard for the laws that have been passed and are binding.

[Interviewer] Thank you very much for the interview.

9891

CSO: 2600/1293

## POLICY TOWARD PRIVATE FARMING DISCUSSED

## Constitutional Guarantees

Warsaw WIES WSPOLCZESNA in Polish No 5, May 83 pp 20-29

[Article by Marian Blazejczyk]

[Text] I

The resolution<sup>1</sup> of the top organs of two allied political parties, ZSL and PZPR, crowned the efforts of the rural community, which had lasted for over 2 years, to obtain a constitutional confirmation of the permanent character of private farming in the socioeconomic system of our country. By its nature, the resolution contains only a political directive proclaiming (in pt. VI) the permanent character of private farms in the socioeconomic structure of the country and declaring it "appropriate to confirm this permanent character in the Constitution of PRL [Polish People's Republic]," and so it still requires legislative transformation into a constitutional legal norm. If, however, we consider that the resolution expresses a unanimous position of two political parties, which jointly have a decisive majority of votes in the Sejm and that, according to their statutory principles, the content of the undertaken resolution has a binding force on the members of the Sejm that have been designated there by these parties, the matter of constitutional guarantees may be taken for granted.<sup>2</sup>

This does not mean, however, that the problem of constitutional guarantees of the permanent character of private farming can be considered settled and, in a sense, crossed out from the catalogue of problems in the program of political activity of ZSL in the sphere of agriculture and countryside. After all, there remains not only the important question of introducing a normatively precise and semantically univocal amendment in the Constitution, but also the question of pragmatic utilization of the granted constitutional guarantees, so that anxieties about the future of private farming on one's own land, accumulated deeply in peasant minds, are removed and confidence in the government's agriculture policy is restored.

## II

No one questions the fact that the stability of agricultural policy toward private farming and activities undertaken in its implementation--especially

those after 1974, aimed at individual farmers' property<sup>3</sup>--have weakened the confidence of the countryside in the permanent character of private farms. In the export evidence provided by the analytical study of the Polish Academy of Sciences, which among other things illustrates the causes of the hold up in the development of agriculture, it is indicated that the confidence of the countryside in the permanent character of the private sector was undermined by "giving individual farmers the perspective of inevitable socialization of agriculture by means of creating great state enterprises and production cooperatives of the artel type."<sup>4</sup> It is no wonder, then, that the demands for legal guarantees of observing private agricultural ownership and for constitutional confirmation of the permanent character of private farming in the socioeconomic system of PRL, put forth during the political and economic crisis, became a kind of measure of the reliability of agricultural policy and the condition for restoring the confidence of farmers in the state authority. This is why the optimistic view that it would be enough to fulfill only the first of these two demands of the farmers, which was done relatively quickly (in the bill of 26 March 1982), "guaranteeing ownership and full protection of private farms,"<sup>5</sup> bordered on naivete. Members of the ZSL Sejm Caucus were fully aware of this and expressed it publicly in their speeches during the so-called agricultural debate on 25 March 1982. Reporting on the proposed bill that would amend the ruling of article 131 of the civil code, establishing legal guarantee of the inviolability of the farmers' property, member W. Michna said that "it would be appropriate to consider in near future the question of its adequate representation also in the PRL Constitution."<sup>6</sup> With reference to this statement, member M. Jabubczak (Ostroleka) emphasized that "postulates of the farmers demanding permanent developmental guarantees expressed not only in the form of amendments to bills, but also in the form of an adequate amendment in the Constitution are universal today."<sup>7</sup> Similarly, member I. Kolesnik (Zielona Gora), while acknowledging that "proposed bills under discussion constitute the beginning of the road toward stabilizing the agricultural policy," and indicating the social effects of "the feeling of injustice and lack of stability," expressed hope that "an amendment on the permanent character and inviolability of the family farm will be put in the PRL Constitution."<sup>8</sup>

Thus it is not possible to question the fact that the postulate of the countryside to constitutionally guarantee the permanent character of private farming in the socioeconomic reality of the state system originated from the farmers and is undeniably universal. There is no need either to undertake etiological studies of the origins of this postulate in the face of universally known experience of the countryside with the instability of the agricultural policy toward individual farmers.

The position of B. Struzek is an isolated example of the former. After a verbal declaration that he, too, is in favor of the constitutional amendment and not denying the universal character of the postulate of the countryside, he describes it as a "surprising phenomenon," and considers it "thought-provoking that this postulate has never been put forth in the whole history of peasant movement."<sup>9</sup> While declaring his support for the constitutional amendment he does not hide the premises that his attitude is based upon, when he writes: "If we examine the question pragmatically and on the background of

defined conditions and situation, such an amendment in the Constitution would be appropriate." This statement does not require a commentary. Anyway, the author explains what purely pragmatic aims he has in mind in the present conditions and situation, writing that such an amendment "may contribute to an increase of confidence of farmers toward the system of agricultural policy."<sup>10</sup> At the same time he is apparently worried that this constitutional confirmation of the permanent character of private farming might "become a negative factor in shaping the social awareness of the peasant class, in changing the structure of agriculture, in weakening the adaptation processes of private farming to the external socioeconomic conditions," and then he warns against idealizing private farming.<sup>11</sup>

The statement of the head of one of the communes of Opole Province<sup>12</sup> in an interview given to a journalist from RZECZPOSPOLITA on the other hand, is a very curious example of questioning the universal character of the postulate of the countryside. Namely, speaking in the name of the whole of Opole Province, this head of a commune authoritatively assures us that: "Farmers here--as opposed to other provinces--do not raise the question of the constitutional amendment concerning land ownership."<sup>13</sup> It is worth noting here that this statement was exposed in the press over a month after the joint resolution was adopted by the plenary session of CC PZPR and NK Supreme Committee of ZSL, which acknowledged the need to introduce such a constitutional amendment and that it is not explained how this head of a commune investigated the opinions of all the farmers in the territory of the whole province. There is material evidence, however, that the statement is not true; among the 61 anonymous answers obtained in a poll done on 24 February 1983<sup>14</sup> among the country's action group of ZSL activists, all three activists from this province unanimously stated that among their relatives and friends in villages anxieties about the permanent character of private farming are still present and they expressed the conviction that a constitutional confirmation will significantly influence the development of agriculture in Opole Province.<sup>15</sup> If we consider that these are statements from experienced political activists that have been socially active in Opole Province villages for many years, have been members of ZSL for a long time<sup>16</sup> and who are connected with private farming not only by origin and sociopolitical activity (one of them runs a farm of her own with her husband) the reliability of the assurances about the exceptional character of Opole Province, where people "do not raise the question of the constitutional amendment," causes justified doubts.<sup>17</sup>

### III

The explanation of the awaited constitutional amendment will foster its correct implementation, i.e., such that would fulfill the expectations of the countryside. From a number of not very precise, sometimes even terminologically faulty, statements we might conclude that farmers have not been satisfied by the bill guaranteeing the inviolability of private farmers' property, that the rank of bill has not been accepted as sufficient and it is treated as a temporary solution, requiring repetition in the normative act of the highest rank in the system of legal sources. This would mean a kind of depreciation of bill in the social evaluation of the effectiveness of law in the rural community and, as a consequence, reference to the constitutional norms of the basic bill.

This is not the case, however. The farmers have received the bill guaranteeing the inviolability of their property with the feeling of achieved success and they do not, as some seem to believe, question its rank or the correctness of its normative form. But they assumed that it was only one of the two closely related, but separate postulates expressed in the universal demands of the countryside that has been implemented. Hence it was considered that confirmation by a constitutional norm not of the individual agricultural property, but of the permanent character of private farming in the socioeconomic system of the state remains an open matter, awaiting separate settlement. Although the guarantees bill (amending article 131 of the civil code) contains the final phrase, which defines private farms as "a permanent element of the socioeconomic system of Polish People's Republic with equal rights," this legislative proclamation has not been accepted in the rural community as fulfilling the expectations of the farmers. For this community is already aware of the fact that--as opposed to the problems of property, which are in the domain of the regulations of the civil code in our legal system--the questions of the socioeconomic system of the state belong to the sphere of public (state) law, regulated by constitutional norms. This understanding of the legal and civil guarantees of the farmers' property can be found in the position of the ZSL Sejm Members' Caucus mentioned above and expressed in the Sejm debate of 25-26 March 1982 (on the project of the bill adopted on 26 March). In the speeches of the members of this caucus (who spoke for the bill guaranteeing individual farmers' property) the necessity of constitutional confirmation of the permanent character of private farming was indicated and the need for "permanent developmental guarantees" for agriculture was mentioned (member M. Jabubczak) and for a constitutional confirmation of "the permanent character (...) of the family farm" (member I. Kolesnik).

Thus we should not be surprised that activities aiming at satisfying the demands of the countryside with respect to the permanent character of private farming outside the constitution, undertaken after the bill of 26 March 1982 was adopted, have not even led to any social response. Member M. Rog-Swiostek spoke of these attempts during the 26th plenary session of the Sejm (8-9 October 1982), without understanding their futility, when he reminded that the preamble of the bill on the socioprofessional organizations of farmers that was then adopted "states not for the first time that private farms are (...) a permanent element of the socioeconomic system of Polish People's Republic enjoying equal rights."<sup>18</sup> Indeed--not for the first time, for it is a word for word repetition of the final part of the ruling of article 131 of the civil code as it was formulated by the already mentioned bill of 26 March 1982, i.e. one that does not bring any new normative value into our legal system.

#### IV

A unanimous and decisive support for this postulate of the countryside was an undeniable contribution of the leadership of ZSL. Moreover, to put it in the right historical perspective, we should draw attention to the fact that before this postulate assumed (in February 1981) the form of a negotiated promise in the Rzeszow-Ustrzyki social agreements, it had found itself in the

introduction to the statute of ZSL stating its program and modified by the eighth congress already at the end of the previous year (in December 1980). Namely, it proclaimed expressis verbis (on page 9 of the brochure text) that "private farms are a permanent element of the socioeconomic structure of PRL." This program principle of the statute was also preceded by a general declaration stating that: "ZSL, as a permanent party, is especially obliged to represent properly the interests of the development of private agriculture and to represent and defend private farmers, as well as to promise conditions for their general development."

According to these statutory political principles the party has unwaveringly occupied a consistent stand in its resolutions of the subsequent plenary sessions of NK, namely, at the sixth (in November 1981) and seventh (in April 1982) plenums, testifying to its understanding of the anxieties and doubts disturbing the countryside. This was seen especially well during the seventh plenum when--under the influence of the farmers' voices from below, calling for the constitutional confirmation of the permanent character of private farming<sup>19</sup>--the resolution of the plenum reminded the position assumed in this matter by the leadership of ZSL. This was done in the fragment discussing the problem of the permanent character of private farming and in the statement that: "At the same time NK maintains in force the resolution of the sixth plenum of NK on the confirmation of these guarantees in the Constitution."<sup>20</sup>

All the political and social forces whose programs are connected with the problems of the countryside and agriculture have, without exception, expressed the need to treat private farming as a permanent socioeconomic factor of the state system. The clearest and strongest voice was that of PZPR, which in the resolution of its ninth extraordinary congress state that private farms are "a permanent element of our socialist economy."<sup>21</sup> This statement was referred to in the speech of the Politburo of CC PZPR and of the Presidium of NK ZSL, which was delivered during their joint plenum by CC secretary Z. Michalek, who recalled that "...the resolution of the Ninth Party Congress stated that one of the permanent elements of our economy are private, family farms of working peasants, which are totally integrated with it."<sup>22</sup> The truth is, however, that for over two years the only spokesman for the countryside's expectations of a constitutional confirmation of the permanent character of private farms in the socioeconomic system of the state was ZSL, stubbornly attempting to demonstrate more extensively that such confirmation is indispensable and to gain support from PZPR.

The resolution of the joint plenary session of CC PZPR and NK ZSL of 21 January 1983 on their common tasks in the development of the countryside and agriculture and in achieving food self-sufficiency by the country crowned these efforts of ZSL with full success by proclaiming (in pt. VI) the permanent character of private farms in the socioeconomic structure of the state and declaring it "appropriate to confirm this permanent character in the PRL Constitution." One can express justified conviction that the amendment introducing the guarantees of the permanent character of private farming in the Constitution will find universal understanding and support in the Sejm.

However, the optimism that was expressed does not relieve us from concern about proper implementation of these guarantees, about transforming this political directive into the legal form of a constitutional norm of correct substance, about expressing accurately the political thought of the party directive in the content of this legal norm and about proper placing of this norm in the Constitution. The constitutional amendment confirming the permanent character of private farming should not--due to both its language and logical accuracy, as well as legally univocal terminology--cause any doubts about its meaning that would allow for arbitrary interpretations, and the fact that the day after the joint plenum of ZSL and PZPR an article published in one of the newspapers and devoted to the constitutional amendment mentioned in the resolution did not refer it to private farming, but to agricultural policy, by speaking in the title itself of the constitutional confirmation of "the permanent character of agricultural policy," demonstrates that the danger of such arbitrariness is real. It seems that the source of these disturbing deformations of the actual content of the political resolution of the joint plenum was a very arbitrary, journalistic interpretation of the statement of the secretary of CC PZPR, K. Barcikowski, who--definitely in the light of the deformed journalistic interpretation<sup>23</sup>--stated that "...the main political aim of the resolution is to emphasize the permanent character of the joint agricultural policy of PZPR and ZSL and to support its constitutional confirmation." But there is nothing in the content of the resolution about a constitutional confirmation of "joint agricultural policy," it only speaks of the constitutional confirmation of the permanent character of "the private, family, farm." There is no need to comment on the differences between these two statements.

## V

In translating the political directive expressed in the resolution of the joint plenum of ZSL and PZPR into the language of legal categories it is mainly necessary to replace the phrase "in the (socioeconomic) structure" used there by a terminologically unequivocal constitutional phrase "in the (socioeconomic) system" and then there will be no doubt that what is meant is the socioeconomic system of our state regulated in Chapter 2 of the Constitution of PRL<sup>24</sup>, including also (in articles 15-17) the basic principles of the agricultural system. It was this proper phrase that was used in the already adopted bill of 26 March 1982, amending article 131 of the civil code, which actually speaks of "private farms constituting a permanent element, enjoying equal rights, of the socioeconomic system," and not structure. Similarly, it is used in the preamble to the bill of 8 October 1982 on the social and professional organizations of farmers,<sup>25</sup> which also says that private farms are "a permanent element of the socioeconomic system of the Polish People's Republic enjoying equal rights." Also the geographical notion of "country" used in the political directive ("in the socioeconomic structure of the country") requires replacement of the legal and, at the same time, political term "state." These terminological changes make it also easier to place the amendment on the systematic permanence of private farming in the Constitution.

Among the eleven chapters into which the Constitution has been divided only two deal with the regulations of the matters of system, namely: Chapter 1--

regulating (in articles 1-10) the political system and chapter 2--regulating (in articles 11-19) the socioeconomic system.<sup>26</sup> Thus the only chapter of the Constitution where the amendment confirming the permanent character of private farming in the socioeconomic system of the state can and should be placed is Chapter 2, which is devoted to the matters of this system. The normative content of this chapter justifies the conviction that the most appropriate place for this amendment is the multiparagraph ruling of article 15, which defines the relation of the state toward all the sectors of agriculture (private, cooperative, state-owned). Apart from the amendment on the permanent character of private farming also the principle of egalitarianization of the sectors of agriculture, which was confirmed by the joint political directive of ZSL and PZPR, should be put into legal form and included in this extensive ruling consisting of five paragraphs. This is suggested by the fact that it was mentioned jointly with the principle of permanence in the content of the political directive expressed in pt. VI of the resolution of the joint plenum, in which it is said that: "CC PZPR and NK ZSL confirm the equal rights, permanent character and developmental perspectives of all the sectors of agriculture."

The normative statement of these two constitutional systemic principles of our agriculture, i.e. the permanent character of private farming and its equal rights with the socialized sectors of agriculture should obtain univocal form saying that private farms are--equally to RSP [Agricultural Cooperatives] and PGR [State Farms]--a sector of agriculture enjoying equal rights and are a permanent element in the socialist socioeconomic system of Polish People's Republic.

## VI

The problem of constitutional confirmation of the permanent character of private farming in the socioeconomic reality of the state system, which has reached the stage of politically guaranteed implementation, leads to at least several more general reflections. For, even though the problem, in its essence, concerns one subject and a specific solution, it also has a wider social and political aspect worth our attention. Mainly, its authentically peasant origins should be emphasized as well as the social correctness of its ontogenetic development through stages in all the echelons of ZSL. It is an undeniable fact that the idea to achieve constitutional guarantees of genuinely permanent character of private farming was born in village debates at the time of a nationwide protest against the deformations of socialism and faulty functioning of the state apparatus, which did not omit the countryside. This idea became a universal postulate of the countryside after it had experienced numerous cases of illegal violations of peasant agricultural property, which--as it has been described in a state document<sup>27</sup>--used to be compulsorily taken over by the state, in violation of law or with great injustice to the farmers.

For over 2 years this postulate constantly appeared among the resolutions and desiderata of all the local echelons of ZSL and found full and univocal support of the leadership of the party. This consistent position of the peasant party with respect to the problem of establishing constitutional guarantees of the permanent character of private farming has not changed after 13 December



1981, although at that time it had no support outside the ranks of ZSL; but there was no lack of skeptical opinions about the actual chances for its implementation then. Hence there is full basis to state that the already politically settled matter of the constitutional amendment is an undeniable achievement of ZSL, which was capable of demonstrating its indispensability and gain the support of PZPR for it and thus provided evidence of its own identity and partnerlike independence in the alliance within the political system of executing authority. This has given ZSL the moral right, which counts in the political crisis we are going through, and which fully entitles it to consider itself the representative of the actual aims and interests of the countryside and agriculture; it has become undeniable evidence of the reliability of its leadership among the masses of its members and among all farmers. Final implementation of the postulate of constitutional guarantees of the permanent character of private farming removes the psychological barriers of its growth and development that have accumulated over the years and, at the same time, it fills the alliance between workers and farmers with new and live content, especially in its concretization and practical demonstrations in the lower layers. After all, the joint political directive adopted by the two leading organs of the peasant and workers' parties had been preceded by agreed postulates of joint meetings of the village circles of ZSL and village PZPR organizations, as well as of joint sessions of the presidiums of commune committees of ZSL and executive boards of commune committees of PZPR in the whole territory of the country. The drama of our times justifies the optimism that this was not an isolated demonstration of allied political activity in the countryside.

## VII

Finally, raising the principle of the permanent character of private farming to the constitutional rank cannot go without at least general ideological explications, the lack of which creates now an ideological void that is already felt and may suggest a kind of "conspiracy of ideological silence" around the politically proclaimed constitutional amendment. After all, universal consent for this amendment must be accompanied by a universal consensus that it cannot be made absolute, that its implementation will be determined by the leading principles of the socialist socioeconomic system in which this private farm is to last. Keeping silence about these matters today may be the source of future political trouble in the countryside.

Without waiting for a tactically better time we should already now openly say that the constitutional ideogram of the permanent character of private farming must not be identified with the idea of its eternal character and lead to political problems whenever ideas and intentions appear, which go beyond the traditional framework of a family farm. This kind of interpretation of the constitutional amendment would mean political obscurantism, closing the way toward social progress in agriculture. For, also in West Europe there is no modern agriculture today that would not have acknowledged and state supported collective forms of cooperative production of farmers in the form of, e.g., agricultural productive teams (*groupements agricoles d'exploitations en commun*) in French agriculture, agricultural cooperatives of joint land cultivation (*cooperativas de explotacion comunitaria de tierras*) in Spanish

agriculture, associations of agricultural producers (associazioni di produttori agricoli) in Italian agriculture, and others. This is why already in the first document correcting agricultural policies, namely, in the directives of the Politburo of CC PZPR and Presidium of NK ZSL of January 1981 on the main problems of the agricultural policy, farming and food distribution, in which private farming was for the first time acknowledged as a "permanent element of our national economy" it was also stated that: "Agricultural policy, while standing on the grounds of just and equal support for all the sectors of agriculture, will promote socialist changes in the villages." Similarly, in the already mentioned resolution of the ninth congress of PZPR, the sentence describing private farms as a "permanent element of our socialist economy" is immediately followed by a sentence stating that: "The state will support strengthening of state farms and the development of cooperative farms."<sup>28</sup>

The constitutional amendment on the permanent character of private farming should, however, free peasants from the subconscious anxiety that they may find themselves in a situation which, by its reality, denotes the end of private farming, and which they had experienced after 1974, despite the leading principle of agricultural policy proclaimed then as "developing agriculture in all its sectors."

#### FOOTNOTES

1. Resolution of the joint plenum of CC PZPR and NK ZSL on the development of agriculture and achieving food self-sufficiency in the country of 21 January 1983, published in the daily press of 24 January 1983. The text used in this article was published in DZIENNIK LUDOWY no 19, 1983.
2. If we consider the constitutional requirement of a qualified majority of votes when such an amendment is introduced in the Constitution; for such an entry will have to be considered an amendment according to the ruling of article 106, which says that this can be done: "by means of a bill adopted by the Sejm of Polish People's Republic by the majority of at least two-thirds of votes while at least half of all the members are present."
3. Empirical, documented cases of violating the law of private agricultural property are discussed more extensively by M. Blazejczyk: "Prawne gwarancje indywidualnej wlasnosci rolniczej" [Legal guarantees of private agricultural property], PANSTWO I PRAWO of Oct 1982.
4. See: Materials prepared by the Secretariat of the Fifth Department of Agricultural and Forestry Sciences of the Polish Academy of Sciences for the session of the General Assembly, which was to have taken place on 18 December 1981 in Warsaw, under the joint title: "Rolnictwo polskie--wczoraj, dzis i jutro" [Polish agriculture--yesterday, today and tomorrow], NAUKA POLSKA no I-2, 1982.

5. Bill on the change of bill--civil code--and on lifting the bill on regulating the ownership of private farms. DZIENNIK USTAW no II, position 81.
6. Speech published in RZECZPOSPOLITA no 6, 26 Mar 1982.
7. Speech published in RZECZPOSPOLITA no 6, 26 Mar 1982.
8. Speech published in RZECZPOSPOLITA no 6, 26 Mar 1982, where also speeches of two other members who do not belong to any party were published; they are similar in content, though they emphasize the rights of agricultural ownership rather than the permanent character of private farms as the subject of the postulated constitutional guarantees. This can be found in the speech of member M. Stachura (PAX) who, while expressing approbation for the "confirmation of the permanent ownership of private farms" in the form of a bill, also expressed the view that "appropriate formulations should be introduced also in the Constitution." This was emphasized even more clearly by member W. Auleytner (PZKS): "The village communities are expecting, however, that the guarantees of ownership of private farms will be introduced also in the Constitution of PRL."
9. B. Struzek: "Kwestia agrarna (2), Powszechny chlopski postulat" [The agrarian question (2), The universal farmers' postulate], ZIELONY SZTANDAR no 58 of 28 Aug 1982, p 3.
10. Ibid, p 3
11. Ibid, pp 3-4
12. Of the town and commune Strzelce Opolskie.
13. An interview with the head of the commune Rudolf Bomba, M.A.: "Z rolnikami dla rolnikow" [With the farmers--for the farmers], by Z. Wojnowski, RZECZPOSPOLITA no 45, 23 Feb 1983.
14. Central course for women activists of ZSL in Warsaw.
15. The documentation of this poll is at the Section of Agricultural Law and System of the Institute of State and Law of the Polish Academy of Sciences.
16. 5, 10 and even 33 years.
17. I have omitted here the reaction of the polled activists from Opole Province to the press revelations of R. Bomba, M.A., published a day earlier.
18. Report from the 26th session of the Sejm of PRL, Warsaw 1982, p 20.
19. We should note especially the speeches of M. Markiewicz, farmer from the Rzeszow province, who stated that: "The social feeling is that the most important is the bill on introducing an amendment in the Constitution that

would be a legal guarantee for private farming," and of F. Klonczyski, vice president of the ZSL circle from Slupsk Province, who reminded that the farmers are waiting for constitutional guarantees. DZIENNIK LUDOWY no 77, 1 Apr 1982 and no 79, 3-4 Apr 1982.

20. DZIENNIK LUDOWY no 77, 1 Apr 1982.
21. Resolution of 20 Jul 1981, entitled: "Program rozwoju socjalistycznej demokracji, umacniania przewodniej roli PZPR w budownictwie socjalistycznym i stabilizacji społeczno-gospodarczej kraju" [Program for the development of socialist democracy, strengthening the leading role of PZPR in socialist construction and socioeconomic stabilization of the country]. In: IX Nadzwyczajny Zjazd Polskiej Zjednoczonej Partii Robotniczej, Podstawowe materiały i dokumenty [Ninth Extraordinary Congress of PZPR, basic materials and documents] KiW, Warsaw 1981, pp 101-158.
22. TRYBUNA LUDU no 17, 21 Jan 1983.
23. TRYBUNA LUDU no 18, 22-23 Jan 1983, p 3.
24. The title of the chapter: "Socioeconomic System."
25. DZIENNIK USTAW no 32, 1982, position 217.
26. Among the remaining chapters five regulate the matters of head and local organs of authority and administration, control, courts and prosecution; two--basic rights and duties of the citizens and the principles of election law; one--symbols of the state; and one--the procedure of amending the constitution.
27. Directives of the minister of agriculture and food distribution of 18 Sep 1981 on the revindicative return of their farms to the farmers sent to governors.
28. See: IX Nadzwyczajny Zjazd... [Ninth Extraordinary Congress...] as above, p 136.

#### General Policy

Warsaw WIES WSPOLCZESNA in Polish No 6, Jun 83 pp 30-36

[Article by Czesław Farkowski]

[Text] Two Aspects of Private Farming and Agricultural Policy

Private farming as a productive-social system has two aspects: technological-organizational and socioeconomic. The former concerns the technology and organization of agricultural production, i.e. everything that is connected with the functioning of the productive forces, while the latter concerns mainly the relations connected with the ownership of production means and

relations of distribution defined by them, the material conditions and social status of the population living in private farms.

As is known, there are close ties between the technological-organizational and socioeconomic aspects, which influence each other and hence, if we aim at transforming private farming we should act on both aspects simultaneously; a one-sided approach cannot be effective. The existence of these two spheres causes the necessity of a two-sided approach to agricultural policy: it must influence both, the development of productive forces and the socioeconomic structure of private farming. The former direction of influence may be called activity in the productive sphere, while the latter is systemic. In influencing the production such means are used as, among others, credit, prices, state capital projects, scientific and technological information, etc. Changes in the system, on the other hand, are influenced with the help of such activities as the agricultural reform, agricultural settlements, integration and exchange of land, legal regulation of inheriting land, as well as by socializing the land and means of production.

The effectiveness of every agricultural policy depends on whether the convergence of interests of the subjects and objects of its influence--in this case--of the interests of the state and those of private farmers, can be guaranteed. If this convergence of interests does not exist, then every action is, sooner or later, bound to fail. In general, this convergence takes place in the sphere of production policy, mainly because the state is interested in the growth of agricultural production and hence tries to observe the requirements of profit making. The farmers (maintaining purely agricultural farms), in turn, try to increase the production, for this is the main way to increase their income. The shortcomings and difficulties appearing every now and then cannot undermine the thesis about the compatibility of the general social and individual interests.

The matter looks different in the field of the influence of the state in the socioeconomic sphere of the farms, which are the foundation of the material well being of the families maintaining them.

The family and the farm are connected with each other in an organic way and hence any interference in this sphere meets with great distrust of the farmers. It may be accepted by them only, if it does not violate the basic principles of functioning of private farms or their interests (current and long-range); otherwise it is rejected by them. This rejection may be deepened when the suggested conceptions of changes are economically irrational or against the principles of common sense. This attitude reflects the social point of view of farmers--their sensitiveness to adequate utilization of the means of production and mainly of the land. Threats to ownership cause various negative effects--as a rule they cause a decrease of interest in capital projects in farmers as well as slow down their current productive activity.

## Meanders of Systemic Policy in the 25 Years 1957-1982

Generally speaking, during the whole of this period the same principles of systemic policy were obligatory. The first of them consisted in freedom of the farmer to choose the type of socioeconomic status and the second in preference for socialized forms of production. The freedom of choice was understood as lack of pressure on the farmers by administrative methods in the field of socialized reconstruction of agriculture. It must be said that this pressure was not exerted in the period under discussion. Preference for socialized agriculture was reflected mainly in productive and capital supplies, financial subsidies and transfer of land left over by private farmers.

In the systemic policy of this period also the need to improve the size structure of private farms was emphasized. Activities in this direction were initiated by the bill on restricting the divisions of farms of 1963; they were slowed down in the second half of the 1960's and can again be found in the agricultural policy of the 1970's. There were many causes of these changes, among others, difficulties in the food market, relatively low production costs in private farms, the tendency among farmers to increase their farms and the position of scientific circles.

The effects of the policy of improving the size structure of farms were slight. It could not have been otherwise, since the policy of priority for socialized agriculture was clearly contrary to it: it was not possible to improve this structure, if practically all the land from PFZ [State Land Fund] was passed to the socialized sector. Consequently, the size structure did not change during the period under discussion; at the same time over 1.4 million hectares of land was lost by private farming in the years 1970-1980, of which two-thirds were taken over by socialized agriculture. This was not a spontaneous process. Such situation was the result of the position of the political and administrative authorities, which was expressed in allowances for PGR [State Farms] and RSP [Agricultural Cooperatives] for the utilization of land, as well as in administrative interference in their transfers.

The systemic policy was reflected in socioeconomic journalism. It attempted to subordinate itself to the current policy of the authorities by justifying the promoted conceptions. Thus it did not play a creative role of objectively evaluating the intentions and activities of the authorities. In spite of all this, differences of opinion can be found in the publications from this period. The division line was the attitude toward the advantages and disadvantages of private and socialized farms. Some emphasized the negative productive and social features of private farms; in their writings they appeared to be units incapable of extended reproduction and only slightly receptive to progress, thus giving no perspectives for an increase of production and adequate living standard of the population employed in them. The consequence of this attitude was a more or less open support for the development of state and cooperative farms. The adherents of this trend evaluated many social and systemic aspects of the countryside and agriculture, including the speed of reconstruction, its conditions, costs, etc. The only problem beyond discussion was the assumption about the need for a socialist reconstruction of

agriculture. Other authors, and there were quite a number of them, emphasized the advantages of private farming and they treated socialized reconstruction as the necessary evil, contradictory to the interests of the society.

Despite their opposition, both tendencies mentioned above had the same origins. It was the inconsistency of the systemic policy, which emphasized the need for the social reconstruction of agriculture as a strategic goal while, at the same time, it declared protection for private farming. Hence the adherents of both points of view had a chance to present their position. These tendencies still exist. The view has already gained recognition that private farming, which has great developmental capacity, is not incompatible with the socialist economy and is susceptible to planning influences and thus may coexist with the socialist economy not only temporarily, but also permanently. The guarantee of the compatibility of private farming with the basic assumptions of socialism is the fact that there is no exploitation of the working force in it and the existence of state monopoly in the sphere of purchasing basic agricultural products and supplying the agriculture with the means of production.

#### Socioeconomic Changes of Private Farming

Changes in private farming--their directions and dynamics--are determined by various factors, both internal and external. Among the latter, apart from the general socioeconomic changes and the policy of influencing agricultural production, also the influence of the systemic policy plays a significant role. Systemic policy influences both the productive and the socioeconomic aspects of private farming. This, after all, is its aim--direct or indirect influencing of the systemic relations, whose aim, in turn, is the increase of the production capacity of agriculture. In the final analysis, activities aiming at systemic changes should be subordinated to the increase of production as the main goal of agricultural policy. Their effectiveness should thus be evaluated from this point of view.

Despite periodical failures and developmental restrictions, private farming demonstrates tendencies to increase the production capacity, to improve production technology and economic efficiency. This is reflected in the growth of all the production results: crops, number of raised animals and the amounts of total and merchandise production (in the years 1960-1979 the total production of private farms increased by 30 percent and the production of merchandise by 32 percent), as well as in the amounts of production means of industrial origin utilized by farmers. Expenditures on materials and services per hectare (in comparable prices) increased from 11,000 to 20,000 zlotys in this period (under the conditions of better supplies the dynamics of their utilization would have been much higher). At the same time equipment in permanent means of production per employee grew from 90,000 to approximately 218,000 zlotys and per hectare--from 25,000 to 54,000 zlotys.

On the other hand, it is known that a number of negative phenomena exist in private farming--stagnation of their size structure, the existence of a considerable number of economically declining farms, the growing age of the farming population, feminization of the profession of farmer, etc. These

phenomena lead to the conclusion that the base upon which the existence of private farms rests has been disturbed, for they provide evidence about the difficulties in the implementation of two basic developmental processes--of the restoration of labor force and reproduction of ownership relations.

The problems with land transfers are especially significant, for they indicate the existence of a deformation of the mechanism which automatically regulates the turnover of land. If this mechanism had been working efficiently, lands left over from some farms would have been taken over by others through leases or purchases. And this is the main way in which concentration of land and improvement of the size structure of farms took place in a number of presently developed countries. Naturally, this did not happen fully automatically. The state authorities of these countries influenced the speed of the processes of concentration, i.e. they acted in accord with the tendencies in this field.

One of the important effects of the lack of fluent land turnover is the existence of economically declining farms, the number of which--depending on the method of counting--is estimated at 10 to 15 percent of the total number of farms (they occupy roughly the same percentage of arable land). The existence of these farms does not have a temporary character, they are a permanent element of our agriculture. It is worth noting here that in the years 1960-1980 a number of measures were taken in the agricultural policy with the aim of economic strengthening of these farms and increasing their production capacity. But this did not bring the expected results. The appearance of these farms on a scale like this is the result of external causes, mainly resulting from the intensive industrialization of the country and from the systemic policy of the state. Industrialization has created an absorbent labor market, as a result of which agriculture in some regions has felt a lack of available labor force. In other regions this labor force shortage is felt by some farms, mainly the bigger ones. Also professional activity of the users of farms decreases in some farms, because of their age. Earnings outside the farm become competitive in relation to increases of income from agricultural activity; farmers do not have to consider the farm as the only chance of providing a living for the family and future for their children; as it used to be in the past.

The lack of means of production, mainly technological, worsens the situation, which makes it impossible to replace the labor force that leaves the farms. It is not the lack of means, however, that is the main source of the above-mentioned negative phenomena in private farming. This cannot be explained either just by the processes of industrialization of the country and their effects in the form of migration of the population from agriculture to the sources of income outside farming. These factors could only cause the negative effects as a result of the implementation of a defined systemic policy toward agriculture, which was designed to socialize it. In the past years 1949-1956 this goal was implemented with the help of methods of administrative compulsion, which caused a real threat to the farmers' ownership. Anxieties resulting from the experiences of these years have remained in the consciousness of a part of farmers from older generations; according to the principle that prejudices live longer than their causes.



Indeed, the causes of the farmers' anxieties about the permanent character of their ownership were maintained also after 1956, which was reflected in the political, economical and administrative preference for socialized agriculture. These preferences not only caused private farmers to feel that their way of farming was being discriminated, but also demonstrated that the state was stubbornly eager to develop the socialized sector irrespective of its low effectiveness. The farmers' demands for guarantees of the permanent character of private farms in the system of socialist economy, among others, in the form of an amendment to the PRL Constitution and to acknowledge the equal rights of all the sectors in agriculture confirm that they are still anxious. These demands are not accidental; they are the result of threats to private farming resulting from the systemic policies, which are perceived by the farmers.

Individual ownership defines the professional activity of the owners or users of farms, among others, the endeavors to increase their income. This goal can mainly be achieved by them by increasing the intensity of production, or by increasing the size of the farms, or both. Generally speaking, there were no obstacles in achieving this goal within the last 15-20 years, but they knew, on the basis of past experience, that barriers may be set on the way to increasing the production capacity, e.g., in the form of progression of contributions or other actions. Also the widely propagated thesis that the land is the property of the whole nation and hence each bit of it should be utilized, followed by attempts at administrative interference in land utilization, has had a negative influence on the feeling of permanence. Such policy brings no economic effects--on the contrary--it mainly leads to negative consequences.

It follows from the above discussion that there are two opposing tendencies in private farming. On the one hand, it is characterized by a certain developmental dynamics and by some negative phenomena in the socioeconomic sphere, on the other. The scale of the negative phenomena is significant enough to put forth a thesis about the systemic crisis of private farming. The divergence of developmental directions in the two spheres of private farming mentioned above is clearly visible; I believe that it is getting deeper. It is the result of, among other things, unwillingness of young farmers to take the risk of full commitment in the development of these farms in the conditions of the growing capital consumption of production methods. And the source of this attitude is this uncertainty about the fate of private farming. If private farming is to function normally, both its aspects, i.e. the technological-organizational and socioeconomic must be developing simultaneously. Disturbing this balance causes negative consequences, especially over longer periods of time. They have not revealed themselves fully yet and, despite long-lasting developmental difficulties, they have not caused stagnation in the material foundation and production of private farms as a whole. Such danger exists, however, and it must be taken into consideration as part of the reality. Significant role will be played by agricultural policy here, including also the systemic policy.

Individual private farms are always in the state of tottering balance, which is the result of their small reserves and hence small capacity to compensate for

losses that occur very often. They may be caused by changing climatic conditions, sickness of the owner or members of his family, natural disasters, etc. in spite of this, private farming as a whole is known for its great durability, which in the past was the result of the lack of income alternatives for the farming population. It is different today. The development and growth of production capacity of farms may be achieved in the new situation, if they are guaranteed a permanent place in the socioeconomic system and possibilities of structural transformations characteristic of this form of production. Economic relations which are disadvantageous for agriculture may be corrected and it will not cause structural dangers for it. It is different with the socioeconomic sphere--errors cannot be corrected easily here and it happens that it is not possible at all.

#### On the Need of a Reliable Systemic Policy

I have so far pointed out two groups of causes of the weaknesses of the foundations of private farming. The first one--the socioeconomic development of the country--has an objective character and hence it can be the object of influence of agricultural policy only in a small degree. The other group of causes has its source in the faulty method of implementing the assumptions of the agricultural policy, especially of the systemic policy. These methods can and should be corrected. A lot was done already in the years 1981 and 1982--the creation of equal economic conditions for the development of all the sectors of agriculture was proclaimed officially, the norms for the size of farms were increased and the principles of land turnover and inheritance were relaxed. All this contributes jointly to the stabilization of private farming and strengthening its position in the structure of the economy as a whole. It should be remembered, however, that there were periods of emphasizing the significance of private farming in the past. This was done mainly when there was an increase of problems in the market of food products; reminders about the necessity of a socialist reconstruction of agriculture were held up then. Conceptions or strategies of structural changes that had been temporarily put aside were quickly reinstated, however. Will this be the case again?

It seems that, in spite of the changes carried out in the years 1981 and 1982, the farmers have not ceased to evaluate the systemic policy negatively. Naturally, the problem requires research, but there exist certain premises that allow for a thesis like this. First of all, it should be mentioned that the concessions to private farmers have mainly been achieved by extortion. At any rate, the authority presented itself as the side restraining the farmers' demands during negotiations on these and other subjects. This is very significant in the context of solutions presented here. Also the attitude toward various sectors of agriculture, which was shaped in the past, has not changed. It was characterized by reticence, discord between words and deeds, presupposed priority of ideological over economic considerations, etc. All of this is still present (although maybe in subdued form), for it is not easy to eliminate from the activities of the authorities of all levels things they have been doing for several dozen years and which have become habitual.

The fact that official goals of agricultural policy have not been modified yet is an important source of continued atmosphere of uncertainty. Socialist reconstruction of agriculture is still considered one of the goals. It is formulated in various ways. Even a certain evolution can be seen here: from a clear statement of the matter--that what is meant is reconstruction of the socialist type--towards hiding the actual content in terminological ambiguities; but the goal itself still remains in official documents. I believe that the main task of the agricultural policy should be to achieve lasting increases of the production capacity of agriculture. Everything should be subordinated to this task, including the systemic policy and structural changes in agriculture carried out according to it. If the changes mentioned above do not serve this aim, they should not be preferred. Thus social reconstruction of the agriculture should not be considered the aim, but the means of agricultural policy. There was no and still is not a clear and univocal stand in these matters. Open and full reevaluation of the systemic policy is an absolute necessity. This is the only way to make it reliable. If this is not done, then the farmers will be left with the conviction that, whatever was done in the systemic policy, was extorted and is not permanent and thus it does not give good perspectives to the private form of farming.

12417

CSO: 2600/1340

MEASURES TO INCREASE PRODUCTIVITY, IMPROVE DISCIPLINE IN MINES

Bucharest MUNCA DE PARTID in Romanian Aug 83 pp 17-19

[Unsigned article: "Full Validity of the Continuous Operation Work Schedule in Mining"]

[Text] In the great battle that is being carried out in all the mining basins in the country for the more rapid development of our own base of raw and energy materials, the implementation of the continuous operation work schedule has vital significance for the better use of the technical and material potential of each mine and the use of manpower and for the increase of production. Representing an important moment in carrying out the directives issued by comrade Nicolae Ceausescu at the January 1983 Working Conference With Leadership Cadres, Specialists and Workers of the Mining and Geology Industry, the introduction of the new schedule has required the party organs and organizations to adopt certain political, organizational and educational measures that will ensure a thorough and adequate preparation for moving to the 8-hour work schedule, with 40 hours per week underground, and for having an atmosphere of high order and discipline and worker responsibility that are designed to bring about higher production.

The meetings of the members of the bureaus of the county party committees in Hunedoara, Gorj, Maramures and Alba counties with the party activists brought about discussions of the tasks of the communists and all workers under the new conditions and an understanding of the reasons and significance of the continuous operation work schedule, as well as a broad consultation regarding the measures that must be taken and the resources that must get priority attention. Involving themselves in the entire activity for preparing to move to a generalization of the continuous operation work schedule, the members of the bureau of the Hunedoara County Party Committee, for example, assigned to the mines in the Jiu Valley together with the party organs and organizations and workers councils, continued the dialogue underground during the shifts and with the miner brigades, which allowed them to understand in detail the existing possibilities and the problems that must be solved, thus establishing new directions for action. Along this line, measures were taken to resize the work groups, to reduce the number of auxiliary surface workers by over 1,300 workers, to reorganize the placement of miner brigades at the coal fronts and to redistribute party members among the new groups and shifts.

So that each member of the miner brigades working underground would know his tasks and attributes, modular work plans were drawn up and completed separately for technical cadres in the mining units and the combine, thus ensuring an increase in the number of positions at the coal fronts.

Similarly, an optimum formula was also found, in the wake of these consultations, so that on Sundays they could organize a shift for closing and opening the production cycles and the rest of the time could be spent on carrying out overhauls and repairs on the underground installations and equipment, as well as maintenance work on transportation means and ventilation equipment. Not representing a purpose unto itself, all these measures ensured the everyday use of the equipment and installations and the increase of the degree of use of the workforce and the strengthening of order and discipline. Thus, at the Lupeni Mining Enterprise the constant concern of the party organizations and technical managers so that each coal front would extract the maximum production each day resulted in overfulfilling the planned labor productivity per post by two tons of coal, with 10,000 extra tons of coal being extracted since the beginning of the year and forwarded to the steel combines. This is the most convincing argument of the efficiency for which they have moved to the implementation of the continuous operation work schedule.

A large number of measures was directly circumscribed to the training of the workers on the most diverse levels, calling upon those means of political work that were best able to help in convincing the workers of the advantages and in more exactly understanding the implications and tasks stemming from the new work schedule. The Bureau of the Maramures County Party Committee organized separate instruction sessions for the secretaries of the new created party organizations, the sector chiefs, the specialists and the rate setters, placing stress on the content and methodology of work and on the need to continue the efforts dedicated to improving the organization of work and production and strengthening discipline, and understanding that the new work schedule does not automatically lead to an increase in production and does not in itself resolve all the problems that influence obtaining certain daily increases.

Parallel with this, in the mining units they posted on special displays comparative calculations by type of work, both with regards to standards and salaries under current conditions and pamphlets were published containing the norms and wages by type of operation and the possible means of achieving them, with the miner brigades which experimentally started the new schedule sharing their experiences over public address systems and in meeting halls. At the Ilba Mine, the first unit in the county where the 8-hour per shift schedule was introduced, the bureau of the county party committee initiated an exchange of experiences with the presidents and first vice presidents of the workers councils from all the mining units and the geological research and transportation institutes where it showed a film that covered step-by-step the organization and management of production based on the principles of continuous operation, pointing out certain irregularities that cropped up due to the fact that in some places they did foresee and cover from the beginning the solution to all the problems that fall under the authority of the party committee and the mining units' management. Thus, they arrived at the conclusion that the new work schedule requires greater stress on future activities and the creation of certain supplementary work groups. In this regard, there was a mobilization of personnel who work in administration and transportation in order to help in creating them in the shortest possible time. Thus, they were able to achieve nearly 3,000 meters of preparation and opening work. During the same period of

experimentation, three model mine galleries were organized with the help of certain outstanding miners, miner brigade chiefs and communists who, showing their responsibility and courage, involved themselves and used a new technology that had been especially drawn up for this which permitted an increase in the speed of advance by 80-100 meters each month.

The fact that it was established that the secretariat of the county party committee would monthly examine the status of implementing these measures favored new efforts to correct certain inappropriate aspects and to complete the program of measures with new provisions, bringing about the finalization of all the established objectives.

Beginning with the specific nature of mining, which is permanently dynamic, as well as with the requirements of the new program, the party organs and organizations and the workers councils conceived and adopted such measures and actions that are to bring about regularity and continuity in the entire production process and the smallest possible negative effects, ensuring obtaining maximum production. This has required a greater mobility in the use of the workforce. To this end, the county party committees have adopted programs regarding the recruitment, training and enlargement of the number of personnel needed for underground work, providing over 10,000 persons, with 7,000 of these being placed in on-the-job training courses, especially for the professions of miner and miner-helper. Working from this perspective, the party organs and organizations have extended the multiple training courses, closely helping the mine management in establishing and promoting miner jobs by eliminating the seniority requirement for an important number of miner-helpers who have proven that they know the profession well and for other workers as miner-helpers.

Feeling that this measure does not represent the path for the final solution to the problem of providing a workforce, the bureaus of the Gorj, Covasna and Bacau county party committees intensified their efforts to recruit the necessary number of workers from the counties, as well as from other regions of the country, and to employ them. Systematically following the requirements of production, which are constantly changing, the Bureau of the Cluj County Party Committee moved a number of miners from other units of the mining combine and concentrated them at the Baisoara Mine, where the work fronts were manned and where they had to maintain the planned rate of work under the conditions of the new program.

Along this line of efforts, the party committee and the workers council at the Cimpulung Mining Enterprise reached the conclusion of asking for the creation of reserve coalfaces in order to be able to prevent or eliminate promptly any type of disruption that might appear because of the particular circumstances in which the activities are carried out.

In order to bring about an increase in productivity and work efficiency, the specialists at the Baia de Aries Mining Enterprise in Alba County have been tasked to study the possibilities of simultaneously carrying out certain work and operations. Not long ago, they proposed a measure to the party committee

and the enterprise management that was very simple and efficient for the more rational use of the workforce and equipment on-hand. The measure was for providing in stages two work fronts for each miner brigade.

Clever actions and actions of high efficiency were also initiated by the Gorj County Party Committee for the purpose of putting certain equipment back into operation and carrying out their maintenance and repair, requiring the initiative of the communists at the Girla pit to start with the sectioning of the main conveyor belts, a solution that reduces the number of breaks in the transporter belts, to use the system of direct dumping into the waste heaps and to spread the use of the overall contract program, with this program also being introduced into the activities of the management cadres.

The establishment of certain systems for the daily following of the achievement of physical production and the adherence to the schedules for repairs and overhauls brings about an exact understanding of the manner in which the scheduled measures are implemented. On this basis, the secretariat of the Bacau County Party Committee instituted a command which meets weekly in the Comanesti coal basin with the mission of resolving certain problems which are raising by stabilizing the workforce, homogenizing the miner brigades, providing spare parts and so forth. Such a measure stemmed from an analysis conducted on the status of implementing the program of measures for increasing production. It showed the extent and the consequences of fluctuations and the fact that the training of newly-employed persons consumed approximately 6,000 man/hours over a 5 month period, a period of time during which they produced nothing. And, this situation, which also illustrated serious shortcomings in political-educational work, can no longer be permitted.

Offering an appropriate framework for carrying out one of the priority objectives of the national economy - the constant growth of the production of coal and ores, the new program has become a viable reality in many economic units, confirming the justness of its adoption, with substantial plan overfulfillment recorded at the Motru, Rovinari, Valea Jiului and Ploiesti mining combines and the Horezu and Mehedinti mining enterprises representing clear proof in this regard.

This occurs beginning with the truth that, once the program is introduced, the work carried out by the party organs and organizations for guidance, support and review must not decrease in its intensity, but, on the contrary, it must be amplified so as to bring about a final solution to problems, to finalize actions and to adopt other measures. This is especially so in some of the mining enterprises in Arges, Bistrita-Nasaud, Covasna, Dimbovita and Suceava counties where they have not taken actions to fully achieve the worker training program for the purpose of providing the necessary supplementary workforce for the direct production fronts and for the organization of certain vigorous actions to strengthen order and discipline and to improve professional awareness and worker responsibility. At the Rodna Mine in Bistrita-Nasaud County, the delays incurred in finalizing the program of measures have had repercussions upon all the activities for preparing to institute the continuous operation work schedule. This shows that

assistance and review were not sufficient during the course of carrying out these actions. Sometimes, stemming from the desire to report that they are working according to the new program, all of the measures that are required by going to this new program were not taken, which generated difficulties in the organization of work and production in the coal mines, with consequences for the fulfillment of the plan. This was the case of the Anina Mining Enterprise in Caras-Severin County.

By cultivating a greater consistency with regards to carrying out their own measures and a continuity in discovering certain new possibilities for improving the organization of work and increasing efficiency on each job, the party organs and organizations will ensure the full validity of the newly created framework, increasing the contribution of the miner groups to the steadfast carrying out of the special programs adopted by the National Conference of the RCP calling for the more accelerated development of the country's raw material and energy base, with the call "Romania, as much coal as possible!" becoming a reality day by day.

8724

CSO: 2700/310



MARKOVIC VISITS VRANJE, DISCUSSES ECONOMY

Addresses Blagodat Mine Aktiv

LD101855 Belgrade TANJUG Domestic Service in Serbo-Croatian 1625 GMT 10 Oct 83

[Excerpts] Vranje, 10 Oct (TANJUG)--Dragoslav Markovic, president of the LCY Central Committee Presidium, who is staying in Vranje today, has visited the Blagodat lead and zinc ore mine in Kriva Feja on Besna Kobila near Vranje.

Dragoslav Markovic spoke at a meeting of the economic and political aktiv of the Blagodat mine, stressing that the restructuring of our economy, within the framework of the realization of the long-term program of economic stabilization, is one of the most important tasks. So far processing capacities have been developed in our country whose technology, equipment and reproduction material is on the whole imported. A big turnabout is needed in order to avoid the high level of this kind of dependence.

Conduct will have to be changed in the field of investment policy too in order to bring about a reorientation of investment, Markovic went on to say. However, small-scale investments will still be possible, for instance when these are the plants from which we will export, or when capacities are involved which are necessary to complete a technological process.

Dragoslav Markovic devoted part of his speech to the need to overcome the difficulties, stressing that in this respect further avenues should be sought in the economy by working closely together. In the nonferrous industrial group this would probably suit Sevojno, the Sabac Zorka, Blagodat and other work organizations which should launch such an initiative.

Price Freeze, Price Hike

AU102136 Belgrade Domestic Service in Serbo-Croatian 1800 GMT 10 Oct 83

[Text] Dragoslav Markovic, president of the LCY Central Committee Presidium, visited Vranje this afternoon. From the speech by Dragoslav Markovic to the political and economic aktiv of the town, we have selected a portion on the situation in the price field:

[Begin recording] Look what [words indistinct] prices. We all (?reacted very critically) to this price explosion which occurred in July and August, in the months of July and August, after the freeze (Markovic corrects himself) after the unfreezing of prices. Before that, all of us in our country were against the freeze, against the price freeze, and we demanded that prices be unfrozen. We were right on both scores.

However, what is at stake? The criticism of the explosion that happened is justified only because we entered the relations of unfreezing and a freer formation of prices without being sufficiently prepared and we did not respect the envisaged procedure--which was rather complicated, self-managing, (?indeed) anti-market, but consciously introduced--through which price increases could be achieved. Since those in the price communities and the protagonists of the self-managing agreements were those who wanted to ensure their price rises, this complicated self-managing procedure was carried out in a very simplified way, certain limits were not respected, and the explosion occurred.

However, our objective situation is that, on the one hand, we must move toward the market, toward a market regulation of value, and on the other hand, we cannot move toward such a market because, on the one hand, we do not possess material reserves, and we do not possess sufficient foreign exchange with which we could influence the unfavorable tendencies as regard price policy.

During the discussions on the policy for next year, this question of price policy will be one of the most difficult, most complicated ones. [end recording]

#### Speech to Vranje Aktiv

LD102126 Belgrade TANJUG Domestic Service in Serbo-Croatian 1903 GMT 10 Oct 83

[Text] Vranje, 10 Oct (TANJUG)--Dragoslav Markovic, president of the LCY Central Committee Presidium, took part tonight in the work of the Vranje political-economic aktiv during which Rista Mladenovic, president of the Municipal Assembly, spoke of successful economic operations during the first half of this year.

Dragoslav Markovic stressed that the Vranje economy is registering above average results with regard to increased production, overall income, exports and the allocation of resources into the funds.

In conditions when the country is registering stagnation and when in Yugoslavia, inclusive of August, production has been rising by a mere 0.3 percent, and just under 2 percent in Serbia, this percentage has been exceptionally high in Vranje because it amounts to 1.1 percent, which represents a very good result, Dragoslav Markovic stressed. However, agricultural production is the weak point, which has been felt specially south of Nis. There are several reasons for it, one of the most important is no doubt the fact that the level of organization in agriculture is very low.

After a period of dynamic development our country has come face to face with serious problems, Markovic went on to say. Growth rates have begun to drop, a

situation contributed to also by a shortage of reproduction material. For the first time we became confronted with the shortage of certain consumer goods, and the social and personal standard of living has begun to fall too. Internal developments influenced the fact that we came across these upheavals with many shortcomings and unprepared. Problems multiplied also because extensive imports did not simultaneously make possible higher exports, while on the other hand manifestations of the weakening of the Yugoslav market and encapsulation into republica, provincial and regional borders occurred.

Markovic spoke about aspects of the slow development of socialist self-management society, weaknesses in the self-management system, the functioning of the self-management interest communities and the inadequate exchange of labor. The transformation of the banking system is also too small in scale, and the organizations of associated labor, as a pooling factor, has become a factor of disintegration.

"We are all unhappy about the price explosion," Dragoslav Markovic went on to say. "Before the freezing of prices everyone was against this. However, the lifting of the freeze caught us unawares and the defined limits were not adhered to with the result that a real price explosion came about. As there were not enough goods or foreign currency, we were unable to intervene and halt the price leap of July and August, or at least mitigate it."

Markovic particularly stressed in his report the reduction of general, joint and investment expenditure and the need to make a start at last on rationalizing the education and health services. He also pointed to the foreign currency and dinar indebtedness and the widespread phenomenon of living on the results of someone else's labor.

President Markovic stressed the need for restructuring the economy. Hitherto processing capacities for which semifinished goods, technology, equipment, and so on are imported have been built. This dependence should be reduced with a reorientation toward basic industry plants. In this connection, it should also be borne in mind that the production of energy, raw materials and food, including exports, is at the center of our attention. We are faced with complex tasks which can be accomplished with maximum effort by the League of Communists; in this way we will also win the battle at the ideological level. For this reason the League of Communists needs fighters who will be able to find the right solutions to and best ways out of this difficult but not hopeless situation.

CSO: 2800/38

YUGOSLAVIA

PLANINC DISCUSSES ECONOMIC POLICY WITH BUSINESS LEADERS

LD131232 Belgrade TANJUG in English 1819 GMT 12 Oct 83

[Text] Belgrade, 12 Oct (TANJUG)--Representatives of all branches of the Yugoslav economy upheld a government demand for the fewest state intervention measures and for the greatest respect of economic laws in 1984.

This was pointed out by Prime Minister Milka Planinc at her meeting with representatives of Yugoslavia's 30 largest firms here today, Wednesday.

The government had called for a greater reliance upon the country's own forces so as to improve the balance of payments situation which was specified as the first-rate objective in the stabilization of the Yugoslav economy. The representatives stressed that, for a stabler production, it was necessary to step up the development of the basic branches and improve their economic position.

Several economic representatives especially indicated that the economic policy measures should also generate more favourable conditions for exporters, principally in credits to the sales of equipment and to the construction of capital projects abroad.

For Yugoslavia, export trade is of paramount significance because of its firm resolve to pay 1ff 19 billion dollars in foreign debt without (?rescheduling).

To the end of stabilizing the operations of work organizations, Yugoslavia's leading economic representatives emphasized that it was necessary on time to specify the basic terms for the 1984 overall economic activity. This would allow the economy to [word indistinct] still more [word indistinct] and efficiently. The desire is still further to develop the process of self-management on which Yugoslavia relies economically as well as socio-politically.

CSO: 2800/38

## ECONOMIC-FINANCIAL POLICY IN SOLVING EMPLOYMENT PROBLEM

Belgrade KOMUNA in Serbo-Croatian No 7/8, Jul-Aug 83 pp 34-39

[Article by Dr Zarko Ristic: "Increasing Employment and Reducing the Number of Unemployed Through Economic Policy and Financial Policy"]

[Text] Over the period from 1965 to 1982 the total number of persons employed in the SFRY increased from 3,662,000 to 6,107,000,<sup>1</sup> or 66.78 percent. Accordingly, there was an increase to 433 persons employed for every 1,000 able-bodied inhabitants (in 1981), though, to be sure, this was accompanied by a very rapid increase in the number of dependents (136) per 100 members of the labor force and with the unemployment rate at 11.9 percent in 1981 (6.1 percent in 1965). The largest cumulative growth of the employed labor force occurred in noneconomic activities, that is, cultural and social welfare activities. The average growth rate of employment in the noneconomic sector was 3.6 percent over this period, which is 33.3 percent more than the average growth rate of employment in economic activities. As a consequence there was a drop in the share of persons employed in economic activities from 84.3 percent to 82.2 percent of total employment, and this share in noneconomic activities increased from 15.7 percent to 17.8 percent.

Table 1. Employment and Unemployment and the Need for New Jobs, in thousands

<u>Annual Average</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>
Total	3,662	3,850	4,758	5,793
Economy	3,088	3,215	3,967	4,826
Noneconomic sector	574	635	791	972
Unemployed (total)	237	290	584	789
Unemployed between the ages of 19 and 24	76	108	279	384
Unemployed between the ages of 25 and 39	105	113	194	262
Unemployed with secondary and junior and senior postsecondary schooling	11	42	93	205
Unemployed skilled and highly skilled workers	28	41	104	135

Source: "SGJ--81" [Statistical Yearbook of Yugoslavia for 1981], pp 125-141.

In the period from 1965 to 1970 unemployment increased more slowly. However, in the period from 1971 to 1981 the number of unemployed doubled over the previous period.<sup>2</sup> In spite of the higher growth rate of employment, which was 4.08 percent (4.06 percent in economic activities and 5.0 percent in the noneconomic sector) over the period from 1972 to 1982, the average growth rate of unemployment was 17 percent. There were numerous causes of the increased unemployment: a) reduction of the number departing to work abroad and increased return of workers from temporary employment abroad; b) reduced hiring of trainees and an increase in the number of secondary school graduates whose educational background did not meet the needs of the economy; c) increased pressure from transfer of the farm population; d) higher natural population growth of both the able-bodied and dependent population; e) an increase in the number of parttime students, treated as unemployed, though they are not; f) an increase in the number of persons registering with SIZ's [self-managing communities of interest] for employment security in order to obtain social welfare; and g) an increase in the number of persons applying to go abroad for temporary employment.

The growth of employment in noneconomic activities over the period from 1965 to 1980 ranged from 31 percent in administrative agencies,<sup>3</sup> by way of 35 percent in the health service, to 39 percent in the schools. A strikingly modest 21-percent growth of employment was recorded in science. A very rapid rise in the growth rate of employment was by contrast achieved in culture and education (68 percent), art and entertainment (52 percent) and social welfare (89 percent).

The persistent growth of employment in the noneconomic activities (sociopolitical communities, SIZ's, the Social Accounting Service, economic chambers, the banks, insurance, etc.)<sup>4</sup> reduced the pressure of the unemployed. Solidarity and reciprocity was thereby socially verified in the policy of creating new jobs. At the same time the growth of the labor force in the sector of sociopolitical communities and SIZ's is a factor justifying higher personal expenditures for government and social services and on that basis for higher taxes and contributions paid from personal incomes and from income. After all, if by some chance employment in sociopolitical communities and SIZ's has not increased at an above-average rate compared to the economy, it is quite certain that total employment would have considerably exceeded its present dimensions in society as a whole.<sup>5</sup>

#### The Differing Share of the Unemployed in the Total Population and Labor Force From One Republic and Province to Another

The share of the unemployed in the total population increased from 1.2 percent in 1966 to 3.6 percent in 1981. The share of the unemployed in the labor force increased from 2.67 percent in 1966 to 17.5 percent in 1981 on the basis of the 1981 Census. The share of the unemployed in the labor force in the republics and provinces ranged from 1.6 percent in SR [Socialist Republic] Slovenia to 16.3 percent in SR Macedonia.<sup>6</sup> The so-called rate of unemployment (ratio of registered unemployment to employment in the socialized sector) was 11.6 percent in 1980 for the SFRY, 9 percent in the advanced areas and 19 percent in the underdeveloped regions.<sup>7</sup> At the same time the

pressure of unemployment for every job vacancy in the republics and provinces ranged from 1.4 persons in SR Slovenia to 32.5 persons in SAP [Socialist Autonomous Province] Kosovo.<sup>8</sup>

The beginning of large-scale unemployment in our country is associated with the 1965 economic reform, which inaugurated a new model of economic activity which, aiming at intensification of production, gave preference to intensive methods of conducting economic activity, to higher productivity, to the competitiveness of enterprises, to market criteria and to the standard of living. The model of behavior of employed persons was modified with the rapid rise of personal incomes. That is, by doing a larger amount of work as a consequence of the higher earnings, employed persons virtually shut off the opportunity for hiring new workers. As a consequence, in the breakdown of the unemployed persons between the ages of 19 and 49 numbered 227,000 in 1966 and 646,000 in 1980, which is 90-95 percent of able-bodied unemployed persons.

Unemployment has relieved the pressure on personal incomes and reduced total personal consumption.<sup>9</sup> This has reduced the revenues for government and the social services based on taxes and contributions made from personal incomes and the turnover tax. By contrast with these "constructive" results, increased unemployment has brought about an increase in the costs of SIZ's for employment security, which has been offset by an increase in the relevant contributions. Thus the social inequality between the employed and the unemployed appears to have been reduced.

The growth of unemployment has brought about an increase in the number of persons receiving money assistance from the resources of SIZ's for employment security from 6,986 persons in 1966 to 22,394 persons in 1980, which, along with the increase in the average benefit to support one person from 221 dinars in 1966 to 2,450 dinars in 1980, has put a considerable burden on the expenditures for the social services for the support and social security of the unemployed and on the contributions of SIZ's for employment security for the purposes of medical insurance, retraining and advanced training of the unemployed.<sup>10</sup>

#### Opportunity Missed for Faster Development of the Productive Forces of Society

The number of persons with secondary and junior and senior postsecondary schooling, including also skilled and highly skilled workers, increased from 52,000 in 1966 to 339,000 in 1980, which is an index number of 652. Considerable resources from the national income were spent on the education of these personnel, since the total outlays of education communities ranged from 3,444 million in 1966 to 83,306 million in 1980, representing 4.68 percent and 6.74 percent of the national income in the respective year. The growth of trained personnel from 25.7 percent of total unemployment in 1966 to 37.3 percent in 1980 means that an expensive resource of knowledge has gone unused as "dead capital" and an opportunity missed for development of society's productive forces. Which is why the associated economy has become dependent on foreign technology, inventions and efficiency expertise.<sup>11</sup>

Given the relatively high share of social expenditures in the national income (secondary education 2.38 percent, and junior and senior postsecondary education 0.86 percent), the declining number of trainees hired (since 1968 the number of trainees has dropped from 137 per 10,000 workers to 118 in 1980) and the underutilization of the time of employed specialists (ranging from 59 to 71 percent), the problem of a shortage of highly trained personnel arose once again (in 1975 the shortage of these personnel was all of 19 percent of all the workers needed) and a problem of geographic mobility (about 63 percent of unemployed specialists are concentrated in urban communities).

At the same time, because of the low graduation coefficient [percentage of university students graduating on schedule], ranging from 15.1 to 17.4 percent,<sup>12</sup> and the pronounced need for further education of personnel (and also because of the young generations coming up and the impossibility of immediately finding them jobs), young people have exerted greater pressure on junior and senior postsecondary schools and universities (from 184,923 in 1966 to 411,175 in 1980), increasing the pressure on a further rise of the costs of education because of the opening of new schools, universities and academies and because of the hiring of instructors and associates.<sup>13</sup> On a cumulative basis education costs have increased from 3.75 percent of the national income in 1966 to 6.74 percent in 1980, or, from 21.09 percent of total social service expenditure in 1966 to 28.95 percent in 1980.

Against the background of large-scale unemployment the amount of sick leave increased from 62,098,000 man-days in 1965 to 92,479,000 man-days in 1980,<sup>14</sup> the number of pensioners increased from 848,770 to 1,835,343,<sup>15</sup> and the number of workers doing jobs for a fee increased from 65,000 to 460,000 in 1981.<sup>16</sup> Because of sick leave and absenteeism funds for compensation of personal incomes increased their burden on the national income from 1.25 percent to 1.82 percent over the period 1965-1980. Funds for paying benefits to the population on the basis of old-age, disability and survivor pensions with supplements, grants in aid and other compensation ranged from 4,386 million in 1966 to 89,533 million in 1980, that is, from 4.78 percent to 8.34 percent of the national income (or from 26.86 percent to 35.15 percent of total social service expenditure). Of course, personal incomes paid out for overtime and work done for a fee amounted to 0.81 percent of the national income, which is approximately equal to the share of total expenditures of junior and senior postsecondary education in the newly created value (0.86 percent).

#### The Short-Term and Long-Range Character of the Problems of Creating New Jobs and of Solving Them

In the context of latent, frictional, seasonal and technological unemployment, the question arises: How is the problem of creating new jobs to be solved? Since economic growth is the resultant of the growth of employment and the rise of labor productivity (assuming their differing and variable influence and changes) and since economic stability is the result of a stable level of employment and prices, the problems of creating new jobs are both short-term and long-range in nature.<sup>17</sup> In that context emphasis should be put on bringing the addition to the able-bodied population into the work force, on transforming the socioeconomic composition of the population, on reduction of



external migration, on reduction of the dependent portion of the population, on the optimum sectoral and regional distribution of the employed labor force, on the geographic mobility of specialized and qualified personnel, and especially on utilization of production capacities, labor productivity, accumulation, investment and economical distribution of the national income.

But the abundance of manpower (unemployed), the scarcity of accumulation, low productivity, the low coefficient of utilization of production capacity, the uneconomical distribution of income and inadequate work of the labor force in shifts are often mutually contradictory factors in the process of economic stabilization and economic development.

Until [original reads "so long as"] economic growth affords full utilization of previously unutilized production capacity and the employed labor force, we cannot expect a drop in unemployment, since a growth of output can be achieved without adding new workers.

Only an additional growth of the national income through a growth of accumulation and investments can afford an increase of new jobs. However, investments in efficiency proposals and innovations are not creating new jobs. After all, the new technology economizes on live labor. A growth of employment in the context of more lively economic activity can be achieved only if there is a change in the organic composition of capital. Then production and employment are two processes moving in the same direction.

The problem of constant unemployment should be associated with the problem of distribution aimed at expanding the base for new job creation. Expanding the capacity for creating new jobs should therefore be based on the following: first, on the rise of labor productivity and potential for accumulation; second, on optimum guidance of investment of associated labor and of personal savings;<sup>18</sup> third, on stabilization of the level of personal incomes; and fourth, on appropriate selection of engineering and technology.

A growth of employment is ultimately a function of the growth rate of investments and of accelerated economic growth. The role of long-range development policy is manifested in this context in the correct measurement of the volume and pattern of investment and in appropriate adaptation of investment to the conditions for formation of manpower supply and demand. Long-range distribution policy would have an anti-inflationary function toward correcting inflation generated by personal incomes and a development function aimed at ensuring an adequate level of accumulation relative to consumption, as a precondition for greater technical adequacy, technological progress and labor productivity.

Since the development of priority sectors, including the export economy, should be based on qualitatively new equipment and technology, in the capital-intensive sectors there is a practical limit on the possibility for increased employment. The future, then, lies in stimulation of labor-intensive sectors and industries, above all construction, agriculture, the crafts and trades and what we call small business. As the economic capacity of these sectors expands, a possibility is opened up for additional output and additional employment with multiplier effects.

For example, merely by intensifying agricultural production an opportunity is opened up for increased hiring, for slowing down the outflow of manpower from agriculture, and for covering the return of our workers from abroad. At the same time, the real prerequisites are created for increased production of food and raw materials for the food processing industry and surpluses of agricultural production for export, which would help to stabilize domestic prices and reduce the external imbalance. But still we are aware of the fact that the existence of redundant employed manpower in our country causes a time lag in new job creation relative to the upward [original reads "input"] movements of economic activity.

#### Shortening the Workweek and Increasing the Number of Shifts Are Expanding the Potential for Creating New Jobs

The economically funded system and policy of higher employment with short-term and long-range content, aside from what we have said, should encompass a reduction of the workweek, of overtime, and of work by retired persons on behalf of an ongoing redistribution of work among those who are employed and an expansion of the base for employing the unemployed surpluses of the labor supply.

Shortening the workweek can, but need not, be a formula against unemployment in the context of limited mobility of manpower. After all, the principal means of shortening the workweek can only be an increase in labor productivity. Shortening the workweek without a rise of labor productivity can result in a rise of employment only by increasing the number of shifts worked by workers and machines. But increasing the number of shifts need not always signify a simultaneous increase in the number of new workers, but might also mean a more optimum distribution of the already employed labor force among shifts in order to increase the coefficient of utilization of production capacity. This means that reducing the workday from 7 hours to 6 does not at the same time mean that introducing a fourth shift would automatically increase the number of new workers by the number of workers needed by that shift. But in any case shortening the workweek and increasing the number of shifts do expand the potential for creating new jobs.

Eliminating overtime and work for fees, earlier retirement, prohibiting the employment of retired people and expanding preferential longevity also contribute to increasing employment. In this context efforts toward earlier retirement and to expand preferential longevity do not contribute to solving the problem. Given the high number of retired persons (four retired persons for every insured in the work force in 1980),<sup>19</sup> an expansion of these possibilities would signify an accelerated growth of the number of retired people and pension benefits, with emphasized pressure on income and accumulation<sup>20</sup> or on the already outsized social service expenditure.

Since the unemployed are not involved in increasing the national income, but in its redistribution, unemployment has a doubly negative impact on income and accumulation. First, because of the increased unemployment a valuable factor of production in creation of newly created value is lost, thereby augmenting losses because of income which has not been produced. And second,

because of the increased unemployment there is a greater burden on the income produced in providing material subsistence and social security for the unemployed. Contributions for employment security, as a source of the social solidarity of the employed work force, are valuable as a built-in social stabilizer and reducer of social conflicts. But the system of material and social support (props) cannot be turned into a factor working against full employment with manifold adverse effects which as a rule collide with the value principles of a socialist society.

Opportunities Exist for Programmed New Job Creation in the Social Services,  
But This Is Not an Alternative That Is Acceptable in the Long Run

Sociopolitical communities and SIZ's are factors that can act as complementary factors in the policy of new job creation. As the functions of sociopolitical communities and SIZ's expand, new jobs are opened up with a specified set of transactional operations and work duties. Prospects do exist for programmed new job creation in development of the social services, primarily in the domains of education, science and health, which are a direct function of social productivity of labor and income. As capacity expands in education, science and health, opportunities are opened up for employing new workers (i.e., for reducing the unemployed). In addition, expansion of educational capacities makes it possible to increase the number of specialists for economic activities. Enlargement of scientific capacity increases the possibility for the transfer of scientific research results and innovations into the physical sphere of reproduction. A growth of health capacities brings about an improvement of the psychophysical condition of the subjective factor of the productive forces and a reduction of sick leave and expenditures for that purpose.

However, sociopolitical communities should not be regarded as a prospect for new job creation, since overemployment already prevails in this sector. The prospects, then, lie in the domain of the SIZ's, that is, basic organizations of associated labor in the social services. But here again we must be wary about uncontrolled opening of new jobs. We favor, then, programmed new job creation in the social services in line with the agreed programs of their development verified by the associated economy and workers in the physical sphere of reproduction. The criterion for hiring in the social services, let us recall, should be their real contribution to raising the social productivity of labor and augmenting the social income, and not imaginary jobs and a fictitious set of work duties in education, culture, science, physical education and other social services. The question of performance of a set of work duties can be resolved more optimally through integration of disassociated SIZ's by sectors, activities and groupings on a regional-functional basis. Possible employment in the social services as well as in sociopolitical communities would be jointly programmed through social compacts and self-management accords. But here the problem arises of the correlation between production work and nonproduction work, that is, the quantitative relation between production workers and nonproduction workers.

Broadening opportunities for creating new jobs in noneconomic activities (sociopolitical communities and SIZ's) is not an acceptable alternative in the

long run, since every newly employed worker in the sectors of the sociopolitical communities and social services implies a growth of the fiscal burden on the basis of contributions and taxes in order to finance personal expenditures for government and the social services. Consequently, a higher rate of hiring in the sociopolitical communities and social services can only be short-term in nature. There is an exception, of course, in other sectors of noneconomic activities: business communities, work communities, communities of interest in physical production, banks (basic, complex and internal), insurance organizations, newsgathering, business services, the Social Accounting Service, economic chambers, associations, etc., although employment may not be exaggerated in these sectors either.

#### Measures and Instruments of the System of Social Financing Is a Function of Larger and Faster New Job Creation

What is referred to as the system of social financing of sociopolitical communities and SIZ's certainly can help to improve performances in the domain of new job creation through its institutions, measures and instruments. New job creation in the underdeveloped regions can be stimulated by pooling the resources of republic funds for stimulating the faster development of the economically underdeveloped regions, republic funds of joint reserves and republic employment security communities. If employment security communities participate in providing funds for the personal incomes of specialists hired for the first time in the economy of the underdeveloped regions, this could have an impact on the regional allocation and sectoral distribution of newly hired workers.<sup>21</sup> If OOUR's [basic organization of associated labor] are exempted from taxes and contributions on every newly hired person for 1 year, this would encourage faster hiring of trainees and young workers and specialists. Fiscal benefits in what is referred to in small business and in the self-employment sector could work toward reduction of the unemployed and toward offering prospects for work to those returning from abroad.

Raising taxes and contributions on the personal incomes of employed pensioners and on personal incomes based on overtime and work for fees could provide additional resources of SIZ's for employment security, that is, for opening up these jobs (or, to use the new terminology, to increase the number of performers of a set of jobs and tasks).

If a sharp tax bite (taxes and contributions) is put on personal incomes exceeding the level of labor productivity, this could also provide additional resources for SIZ's for employment security, that is, to expand the base for creation of new jobs.

Aside from that, reduction of taxes and contributions paid from personal incomes and of taxes and contributions paid from corporate income could have a stimulative effect on new and additional hiring of workers, but on the assumption that the increased part of income (because of reduction of the fiscal burden) is used for growth of accumulation rather than for increasing the personal incomes of those employed.

With a growth of accumulation it is realistic to expect a growth of investments in the propulsive sectors; additional output in this chain as a rule has a multiplier effect toward additional employment. After the primary effects there are secondary effects accomplished by means of the initial impact of the personal income of the additional employment on global demand. The additional personal demand generates a growth of effective demand and puts pressure on the production of consumer goods. The growth of production of consumer goods initiates new acquisitions and purchases of instruments of labor from producers of the means of production, bringing about a new expansion of their output and creation of demand for additional manpower. The additional demand for new workers can be especially beneficial in stimulating real supply in those sectors which are generating cost inflation or structural inflation because of their dependence on imports or because of their shortage of production supplies.<sup>22</sup>

#### The Social Principle of Solidarity and Reciprocity Must Be Manifested to a Great Extent in the Economic Policy of New Job Creation

There is no question whatsoever that a growth of employment can be increased by building urban and suburban settlements, parks and gardens, pipelines and transmission lines, main transportation routes and highways, by regulating river watersheds, through electrification, reclamation projects, construction of water management facilities, afforestation projects, construction of silos and refrigerated storage, and also construction of accessory structures, athletic and recreation centers, culture centers and libraries, playgrounds and nursery schools, student dormitories and dormitories for apprentices, schools, health institutions and hospitals, and so on.<sup>23</sup> This would be a more consistent empirical verification of the social principle of solidarity and reciprocity in the economic policy of creating new jobs. The sectors of the sociopolitical communities and SIZ's, accordingly, are not the only domain for creating jobs on the basis of solidarity, nor can they objectively be so. After all, excessive "administrative" employment in the sectors of the sociopolitical communities and SIZ's, although it contributes to reducing unemployment and to increasing the number of new workers employed on the basis of solidarity, it essentially represents an additional financial burden on the newly created value, which means a further narrowing of the space for hiring productive workers in the physical sphere of social reproduction.

Pooling the resources of OOUR's, sociopolitical communities and SIZ's to build housing and municipal service facilities, the economic and social infrastructure, the tourist industry, to expand the production of energy, raw materials and food, would in future open up new roads to the policy of creating new jobs.

Financing projects representing the social standard of living through optional contributions and public loans could also represent an additional possibility for increasing the size and rate of employment.

It has been calculated that the total value of the net product which our workers are creating abroad represents about one-fourth of the net product of Yugoslavia as a whole. But only one-fifth of that flows into our country's

foreign exchange holdings in the form of what we call worker remittances.<sup>24</sup> At the same time this means that if our banking organizations in the country and abroad were organized more effectively to obtain and attract worker remittances, additional capital resources could be furnished for financing and to open up new jobs.

Of course, selective credit and monetary policy and preferential credit financing (short-term and investment financing) could operate to eliminate bottlenecks in production, to correct structural disproportions, to mitigate the dependence on imports and to stimulate the production of products which are scarce. Real prerequisites are created thereby for increased employment and/or for reducing unemployment.

#### FOOTNOTES

1. "Statisticki kalendar Jugoslavije za 1983" [Statistical Calendar of Yugoslavia for 1983], Federal Bureau for Statistics, p 45.
2. Over the period 1965-1982 the number of unemployed increased to 809,000 in 1981 and to 861,000 in 1982 (source: "Statisticki kalendar Jugoslavije za 1983," p 45). At the same time, the gap has widened between the number of workers seeking jobs and the need for new workers to approximately 10:1, which means that there are 10 applicants competing for every job ("Foundations and Framework of Long-Range Social Welfare Policy," in the book: "Dokumenti" [Documents], NISRO "Oslobodjenje," Sarajevo, 1983, pp 37-96).
3. The growth of employment in federal bodies and agencies was 37 percent, since the total number of employed persons increased from 10,103 workers in 1965 to 23,869 workers in 1980 (source: "Privredni bilansi Jugoslavije 1966-71, 1975 i 1980" [Economic Balances of Yugoslavia 1966-71, 1975 and 1980], p 157).
4. Parkinson's Law in the ironical sociological study of administration is truly verified in our case, since in the SFRY there is one officeworker for every 3.56 production workers, by contrast with the United States, where this ratio is 1:2.43.
5. But we should note in this connection that unemployment has stayed at the same level since 1975 since the growth rate of unemployment, which stood at 20.4 percent in 1975, first dropped to 17.6 percent in 1976 and then to 10.3 percent in 1977, and finally to 8.9 percent in 1978, at which point it began to suddenly increase to all of 12.3 percent, or an absolute figure of 860,000 unemployed in 1981. At the same time, and this is strange, there has been a drop in the rate of filling job vacancies: for example, from 77.7 percent in 1976 to 64.0 percent in 1980. Of the 63,000 job vacancies offered, only 22,000 were filled in 1980. We are moreover struck by the low rate of filling job vacancies for highly specialized personnel, since this rate is only 34.6 percent. This very low rate of filling job vacancies for highly specialized

personnel is the result of the relatively large discrepancy between the educational system and the personnel requirements of the economy (since approximately 50 percent of the unemployment results from the discrepancy between educational services and educational needs), but it also results from tactical juggling and calculations involving new jobs in the economy and noneconomic activities.

6. According to the 1981 Census, 7.2 percent of the able-bodied farm population and 0.6 percent of the dependent farm population, 4.9 percent of the able-bodied nonfarm population and 0.9 percent of the dependent nonfarm population were abroad because of temporary employment. The total number of workers abroad was 3.29 percent of the entire able-bodied and dependent population.
7. The labor force participation rate (ratio of registered employment to the total population) increased from 21.8 percent in 1970 to 25.6 percent in 1980 in the advanced regions and from 13.5 percent in 1970 to 16.7 percent in 1980 in the underdeveloped regions.
8. In 1981 about 6 percent of the able-bodied population was employed abroad; which means that 10 persons were employed outside the country for every 100 persons employed in the country. The unemployed in the country and those employed temporarily abroad make up about one-fifth of the total employed labor force in Yugoslavia, since for every 100 persons employed in the country there were 23 unemployed or employed abroad. This means that about 1.5 million workers are not involved in the creation of income. ("Problems of Employment and Lines of Activity To Resolve Them," in "Dokumenti," p 41).
9. Spending deferred because of unemployment has operated as a built-in stabilizer in the direction of creation of personal demand.
10. Total resources based on the contribution for employment security increased from 261 million in 1966 to 3,116 million in 1980, or by 1,194 index points.
11. Over the period 1965-1980 the number of R&D institutions within economic and other organizations of associated labor climbed to 196 institutions with 4,738 scientists, which is 50 percent lower than the number of scientific institutions and the number of scientists outside the economy ("SGJ--81" [Statistical Yearbook of Yugoslavia for 1981], p 370).
12. A total of 30,091 students graduated from the university in 1980 alone: 4,309 of them on schedule, or 17.4 percent, and 25,782 behind schedule, or 82.6 percent.
13. In the 1980/81 academic year a total of 356 schools and universities and a total of 24,237 instructors and associates incurred total expenditures of 6,313.4 million on the basis of personal expenditures and material costs.

14. Compensation for personal incomes as a result of illness, injury, absence from work, pregnancy and childbirth increased under those conditions from 1,395 million in 1966 to 16,583 million in 1980 (source: "SGJ--81," p 180).
15. Given that number of pensioners, total contributions paid for old-age and disability insurance increased from 4,913 million in 1966 to 101,289 million in 1980. At the same time contributions for pensions (undistributed contributions) increased from 675 million in 1966 to 16,746 million in 1980. Contributions for old-age and disability insurance represented 5.36 percent of the national income in 1966 and 9.08 percent in 1981.
16. According to figures of the Social Accounting Service, over the period 1976-1980 an average of 460,000 workers worked overtime every month, and 3.7 billion dinars were paid for this "exceptional" work. That money, say the people in the Federation of Yugoslav Trade Unions, could have been used to pay 88,000 new workers.
17. Dr N. Cobeljic, "The Short-Term and Long-Range View of Employment," EKONOMSKI PREGLED, No 9-10, 1976, pp 719-733.
18. We are including in the sector of personal savings the savings of workers employed abroad temporarily.
19. The ratio between the number of pensioners and the total number of insured members of the labor force increased from 20 percent in 1965 to 31 percent in 1980.
20. The share of contributions for old-age and disability insurance increased from 5.36 percent in 1966 to 15.08 percent in 1981.
21. Opstina joint reserve funds, opstina and interopstina SIZ's for employment security and supplemental funds of sociopolitical communities and SIZ's for education, health insurance, and old-age and disability insurance, as well as solidarity funds could provide additional resources to open new jobs, for specialized training, retraining and additional training of the unemployed in accordance with the needs of associated labor for personnel in particular specialties and occupations.
22. Dr Branislav Soskic, professor and member of the academy, "The Economic Policy of Employment and Stabilization," SOCIJALIZAM, No 6, 1976, pp 962-984, and "The Economic Policy of Creating New Jobs," EKONOMIST, No 1, 1977, pp 60-65.
23. Dr B. Soskic, "Economic Policy and New Job Creation in Yugoslavia," EKONOMSKI PREGLED, No 9-10, 1976, pp 625-650.
24. Dr D. Zarkovic, "Current Problems in the Creation, Realization and Distribution of Income," SAVREMENOST, No 4, 1975, pp 91-101.

7045

CSO: 2800/8



YUGOSLAVIA

MONTENEGRIN PRESIDENCY DISCUSSES ECONOMIC CRIME

LDO71933 Belgrade TANJUG Domestic Service in Serbo-Croatian 1415 GMT 7 Oct 83

[Excerpt] Titograd, 7 Oct (TANJUG)--Social property and social interests are being increasingly threatened by various impermissible actions and types of behavior, particularly by thefts and abuses. This was stated at today's session of the Presidency of the Socialist Republic of Montenegro, along with the appraisal that inefficiency in eradicating economic crime is giving rise to justifiable dissatisfaction among working people and citizens. According to the statement made at today's session, the relevant organs are slow in detecting and ineffective in prosecuting perpetrators of economic crime. Criminal proceedings sometimes last for an unacceptably long time. The penalty policy is also not sufficiently in keeping with the social danger presented by economic crime.

While assessing as positive the fact that a more favorable climate is being created in society in the struggle against economic crime, the Presidency attached particular importance to the striving and efforts by the League of Communists and other sociopolitical organizations toward developing social awareness and mobilizing working people and citizens. This is the most essential prerequisite for a successful struggle against violations of the law in the area of the economy.

In order to remove the causes of economic crime, more effective social action of a lasting character is necessary, the Presidency said in its assessment. It is necessary, first of all, to develop self-managing relations and social self-protection, particularly in organizations of associated labor, to strengthen laws and accountability and to increase social control over the implementation of legal regulations. Self-managing organs must be activated, above all the organs of self-managing workers' control. It was emphasized that control of the work of management organs, the judiciary and the Social Accountancy Service should also be strengthened.

The Presidency called for a more rapid processing of legal matters in the area of economic crime, since it noted weaknesses in this respect in the municipalities and in republican organs.

CSO: 2800/38

## YUGOSLAVIA

### BRIEFS

YUGOSLAV-GREEK TRADE--Belgrade, 7 Oct (TANJUG)--Yugoslav exports to Greece totalled 65 million dollars and imports from it 61 million in the first eight months of this year. This positive ratio of purchases to sales, achieved after a number of years, was unfortunately the result of a 37-percent cut in overall trade compared with the same period last year. This was stated here today (Friday) by a spokesman of the Yugoslav Chamber of Commerce, who also said that prospects for an expansion of mutual trade exist. The spokesman noted the possibilities of supplementing the existing economic cooperation between Yugoslavia and Greece with advanced forms of cooperation. [Text]  
[LD071810 Belgrade TANJUG in English 1715 GMT 7 Oct 83]

CSO: 2800/38

END