

JPRS-EER-87-161
16 DECEMBER 1987

034062



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

Approved for public release;
Distribution Unlimited

East Europe

19980610 134

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

DTIC QUALITY INSPECTED 6

10
49
A03

East Europe

JPRS-EER-87-161

CONTENTS

16 DECEMBER 1987

POLITICAL

CZECHOSLOVAKIA

- More Initiative for National Front Urged [RUDE PRAVO, 15 Oct 87] 1
Moral Integrity in Handling Party Affairs Extolled [RUDE PRAVO, 24 Oct 87] 2
TVORBA Urges Unprecedented Interpretation of Reform
[Stanislav Vacha; TVORBA, 21 Oct 87] 3
Economist Weighs Structural Reforms in Soviet-Type Economies [LISTY No 5, Oct 87] 4

HUNGARY

- U.S. Plan for Central Europe in 1918 Examined [Magda Adam; HISTORIA, No 4, 1987] 9
Document 14
Formulation, 'Contradictions' of Constitution Described
[Imre Szabo Interview; ELET ES IRODALOM, 9 Oct 87] 18
Exhibit: 'Unusual Trials in Hungarian History' [MAGYAR NEMZET, 27 Oct 87] 20
Soviet Changes, Effect on Hungarian Cultural Life Discussed
[Laszlo N. Sandor; MAGYAR HIRLAP, 5 Oct 87] 20

POLAND

- Hungarian Foreign Ministry Consultations [TRYBUNA LUDU, 16 Oct 87] 21
Soviet-Polish Friendship Society War Commemoration [RZECZPOSPOLITA, 12 Oct 87] 21
Chinese-Polish Friendship Society Anniversary [TRYBUNA LUDU, 16 Oct 87] 22
GDR 'NEUER WEG' Editors Visit [TRYBUNA LUDU, 16 Oct 87] 22
Krakow Cultural Circle Discusses Reform [TRYBUNA LUDU, 16 Oct 87] 22
Liberation Theology Advocate Visits Loranc [TRYBUNA LUDU, 16 Oct 87] 22
Catholic Social Union Supports Reform Efforts [TRYBUNA LUDU, 12 Oct 87] 22
Lawyers Role in Reform Efforts Viewed [RZECZPOSPOLITA, 13 Oct 87] 23
Court Ruling On Press Criticisms Explained [Witold Juchniewicz; TRYBUNA LUDU, 12 Oct 87] .. 23

MILITARY

HUNGARY

- Defense Minister Views Effects of Economic Reform on Military
[Ferenc Karpati Interview; MAGYAR HIRLAP, 18 Sep 87] 24

POLAND

- New Helicopter Model Planned [GLOS POMORZA, 27 Jul 87] 25
Radom Governor Rates Dual Military, Civilian Roles
[Alozy Wojciechowski Interview; ZOLNIERZ WOLNOSCI, 13 Aug 87] 25

ECONOMIC

CZECHOSLOVAKIA

- July 1987 Economic Results Summarized
[Marie Hurmannova, Alena Polakova; HOSPODARSKE NOVINY, 28 Aug 87] 28
August 1987 Economic Results Summarized
[Marie Hurmannova, Alena Polakova; HOSPODARSKE NOVINY, 25 Sep 87] 30

Law of Values Expressed as Price Under Restructuring [Frantisek Vencovsky Interview; RUDE PRAVO, 18 Sep 87]	32
Pricing Flexibility, Restructuring Go Hand in Hand [RUDE PRAVO, 30 Sep 87]	33
Tight Foreign Trade Controls Urged by Jan Garcar [Jan Garcar; RUDE PRAVO, 30 Sep 87]	35
Present, Future CEMA Agricultural Cooperation Viewed [Miroslav Zajic; RUDE PRAVO, 6 Oct 87]	36
Restructuring in Fuels, Energy Branch Discussed [Karel Cadan; HORNÍK-ENERGETIK, 4 Sep 87]	38
Income Tax for 'Other Activities' Published [Jaroslav Sevcik; HALO SOBOTA, 26 Sep 87]	42

HUNGARY

New 'Disclosure of Assets' Requirement Explained [Laszlo Csucs Interview; NEPSZABADSAG, 10 Oct 87]	43
---	----

CZECHOSLOVAKIA

More Initiative for National Front Urged
24000009 Prague RUDE PRAVO in Czech
15 Oct 87 p 1

[Excerpts from editorial: "Participation of Everyone Needed"]

[Excerpts] The National Front has been the long term foundation of our political system. It is the proven political base for the class union of blue collar workers, farmers, the intelligentsia and all other workers. It is an expression of the unity of our peoples and nationalities, a platform that unites the efforts of communists, non-party individuals, and members of other political parties in the area of socialist construction. Through the National Front citizens participate in decisionmaking on local matters as well as matters of national importance. This participation is an important characteristic of the democratism of our political system.

The central committee of the party has designated the further development of socialist democracy, the full activation of the political system, the development of socialist self-administration, the fuller application of our people's creativity, and an increase in public involvement and initiatives as critical areas for social transformation. It has emphasized the need for a more open policy, full access of our people to information, and broad popular participation in the administration and management of public affairs as well as public control activities.

Understandably, the necessity of further developing socialist democracy and restructuring public relationships place high demands on the National Front. We must remember that this is a voluntary association of political parties, social and interest groups, and unions which, under the leadership of the CPCZ, constitutes the broad, national basis of our political system.

Even elements of the National Front must heed the dictum: start with yourself. They must forthrightly and openly analyze shortcomings in agencies and organizations of the National Front. There are plenty of these, including useless projects, bureaucratic attitudes, and excessive paperwork that are substituted for direct contact with the people. It is not uncommon, for instance, for district committees of social organizations to generate for other district and supervisory agencies 60 or more written reports annually. Large amounts of time and energy are spent preparing written position papers for agency meetings. This results in a lack of time and energy within basic organizations for work among the people. Unfortunately, this suits many employees in upper management just fine.

Shortcomings and uneven effectiveness are evident as well in party involvement in the National Front and its affiliated organizations. Some party agencies and organizations approach their work with inadequate information and knowledge concerning the problems at hand. This leads on many occasions to poor decisions, politically untactful dealings, intervention by directive, and the overruling of responsible functionaries. This has nothing in common with Lenin's concept of the leading role of the party.

It must also be stated that the role of the National Front is frequently underestimated in political practice. Many functionaries even consider the National Front to be a burden.

Also undesirable is the practice whereby party and state agencies make decisions on matters with broad political and social implications without even giving the National Front a chance to voice its opinions. The result is that the National Front, other political parties and social organizations become mere recipients of the resolutions of party and state agencies.

National Front functionaries are themselves at fault in this, because they frequently fail to take sufficient initiative with regard to state agencies and their institutions. Numerous social and interest groups could speak from their own experience about how often National Front agencies improperly intervene in their operations, try to manage them, demand an excessive number of reports and statistical bulletins that have no practical significance.

The operation of social and interest organizations is often weakened by the fact that they are frequently engaged in activities other than those they do best. They frequently accept assignments that are not related to their actual mission, character, and most of all their capabilities. In some cases such organizations mechanically adopt the forms and techniques of party work. One frequently sees workplaces that are excessively organized, with the same people participating in many meetings, training sessions, and projects which are of very little use.

The unilateral strengthening of centralized management also caused some deformation in the principles of democratic centralism within the National Front. The main consequence of this was that the center began determining not only the scope of the activities of social and interest organizations, but also the forms and methods of their work. Such regulations as a rule weakened the initiative of basic organizations and their subordinate agencies, and resulted in passivity on the part of members and functionaries.

In a word, there are a lot of things that need to be improved in the interest of making the National Front more of a force in society.

There should be no need to reiterate that this is not a matter of restructuring the political system. There is no need to abandon the class position and to change a system that has proven itself, and is our own. Our social order is dynamic. It has the ability to react creatively to new requirements, to develop and improve continually. It is open to all that is progressive, to the complexity of social and intellectual life, to the broad range of initiative and interests of workers. We are not opening, however, and will not open any doors to antisocialist forces.

We will remain firmly grounded in socialist principles, in the policy of the Party and the National Front. We will instead adapt our methods of work to the demands placed on us by new times. These times demand, among other things, greater assertiveness by and democratization within elements of the National Front, the creative participation of all workers. The participation of everyone. This is a cardinal principle of an open policy.

09276/09599

Moral Integrity in Handling Party Affairs Extolled

*24000011 Prague RUDE PRAVO in Czech
24 Oct 87 p 1*

[Editorial: "Moral Integrity—A Political Matter"]

[Text] The statutes of the Communist Party of Czechoslovakia devote considerable space to the moral profile of Communists. They create an ideal and challenge people to make efforts to realize it: to be an example in action, in relationships with others, with regard to social ownership, with respect to lifestyle. And, in contrast: they reject improper conduct, upstartism, egotism, cronyism, and other negative characteristics which cast unpleasant shadows even over the remaining members of the party, and over the party per se. It is natural—moral integrity is more and more becoming a political matter.

Lenin, in his well-known speech at the Third Congress of the Komsomol, stressed the significance of educating socialist man. He emphasized that to overcome that which capitalism left behind in the conduct of people will not be a simple process. It has transpired that the roots of the unpropitious past survive, regardless of the many years of educational struggles, they continue to be manifest in our society to a lesser or greater extent. Understandably, the roots received from the capitalist world also have an effect.

Each of us must begin the struggle against the recidivism of the previous society with ourselves, in our environment. We must not be tolerant with respect to that which survives, that which disrupts the relationship of people in our society in its effects—and, if the carrier of such negative characteristics is a member of the CPCZ—the disruptions even affect confidence in the party. This

member of the CPCZ can implement much that is positive and exemplary, despite the fact that the negative frequently has much greater effect. Consequently, strictures against party members who have violated socialist moral integrity must be much stricter than those against other citizens. Even this will assist in strengthening the confidence of our workers in the policies of the party.

Unfortunately, there are examples of unauthorized acquisition of property or personal gain, the abuse of functions and social standing even among party members. The Babinsky case, which was recently closed during court proceedings in Bratislava, the black marketeering involving automobiles at the Pragocar establishment in Prague, or other cases which we have written about in *RUDE PRAVO* are proof of this. The very fact that such examples exist and that it was possible to prevent them from the very onset is a lesson for us.

Antisocial conduct and moral lapses are a fundamental contradiction of socialist moral integrity. That is why, as early as February 1983, the Presidium of the Central Committee of the CPCZ adopted the Letter to Party Organs and Organizations To Deepen the Effectivity of the Struggle Against the Violation of the Principles of Socialist Legality, Moral Integrity, and Discipline.

Thanks to greater attention devoted by party organs and organizations moral integrity has been strengthened since then, party committees have increased the attention devoted to these questions, and it was possible to uncover a number of negative phenomena, to rectify their effects, and to prevent many incorrect approaches. Nevertheless, examples continue to occur whose solutions tend to be benevolent, cases which escape attention or whose solutions are much milder than the actual facts would command.

There are even cases in which economic results are distorted, as pointed out by the Committee of People's Control of the CSSR in its verification examinations, cases involving negligence in the administration of socialist property, efforts to prevent the gathering of correct information in accidents and thus rendering the uncovering of causes and social control more difficult, cases of failure to fulfill basic work duties without drawing the necessary conclusions, cases of abuse of property held in socialist ownership used for various gifts, favors, and advantages, the acquisition of socialist property by individuals on the basis of low estimates of the value of real estate, installations, sales at lower prices, etc.

This also includes the acquisition of unauthorized wages for work not done, ignoring slipshod work and poor working morale. For example, what can be said about a party of brick masons renovating a project in our spas who spend a considerable portion of their working time resting on the scaffolding or in a nearby park? How is their work controlled? Is it moral for them to draw their wages for only half or perhaps only 20 percent of their

output? What should be said with regard to the fact that, for more than 10 years now, a ground-level entrance to the Odra shopping center in the vicinity of the Prague residential quarter of Bohnice, which could be used to gain direct access to the shopping center from several buildings, has not been completed and access to the center continues to be through the basement? Even this is part of the fulfillment of obligations and, thus, ranks as a failure to fulfill the provisions of the letter of the Presidium of the Central Committee of the CPCZ.

Every negative phenomenon is a violation of socialist moral integrity. Acquiescence in it is not acceptable. Excuses with regard to shortcomings, liberalism in evaluating one or another error is, in and of itself, also incorrect. And these phenomena are equal in character to the negative manifestations themselves.

Efforts to excuse this approach by any means constitute opportunism in practice and have nothing in common with "sensitive relationships" toward people. To extend protection, for one or another reason, to those who find themselves in conflict with the principles of socialist morality or even with the socialist legal code is a contradiction of the policies of our party and it is necessary to adopt urgent and effective measures against these processes. The letter of the Presidium of the Central Committee of the CPCZ points the way with respect to the required procedures.

It is necessary to make even more effective use of valid legal standards, to enforce the appropriate passages of the statutes for Communists, to control all sectors of social life, to aim all efforts at overcoming shortcomings which make possible the persistence of antisocial manifestations in production, distribution, and consumption. The cooperation between national committees and security components must be deepened and intensified, as must be work with organs of the public prosecutor, with the goal of preventing the violation of socialist legality. Hand in hand with this it is also necessary to improve the level of control work, to assure the existence of personal responsibility for ascertaining shortcomings, to create a barrier against antisocial conduct on the part of some individuals, and to adopt immediate and effective strictures against those people who violate the principles of socialist morality.

For party organs and organizations this results in a task calling not only for the handling of cases in which state and party discipline has been violated, but requiring them to solve such cases and adopt effective conclusions, to stress attention to political-ideological maturity, industriousness, and efficiency, and, at the same time, paying attention to the moral and character characteristics of people.

05911

TVORBA Urges Unprecedented Interpretation of Reform

24000012 Prague TVORBA in Czech 21 Oct 87 p 5

[Article by Stanislav Vacha: "No One Will Enforce Our Rights for Us"]

[Text] "Somehow you seem to be overly involved," a female colleague snapped at me. "And this is good or bad?" I asked. "Well, you know how such things end up!" she added with an evasive smile.

Yes, I know it well. And I also know that even now there are enough of those who favor restructuring with words but, in the depth of their soul, remain faithful to the old certainties. It would be a miracle if this were not so. After all, can the laborer who thus far has drawn good wages for bad work, the white-collar worker who was satisfied with punching in and punching out from work, the manager whom nobody truly ever made accountable for the performance of the enterprise, the scientist who was satisfied with grinding out old dogmas, all those who had become indolent and sterile—can they honestly favor changes which open opportunities for capable and lively people but which threaten them? And there are also not a few who are careful, who have been disappointed frequently, and who would rather wait to see what develops.

This is also a way in which restructuring must be seen: as a conflict of varying interests which is occurring in each of us. Shall we succumb to our complacency, our cautiousness, are we to give priority to the certainties of that which we have and that which was, or are we to embark on ambitious goals with which we can outdo ourselves and others?

And this is what restructuring is all about—its very own core: give added strength and power to the most demanding, the most industrious, the most capable and take it away from those who are complacent, from the average who would impair the development of our society at their level. This is also the essence and the depth of the revolutionary reversal which is currently involved. To liberate and harness for the benefit of the development of our society that which brings dynamics and movement and to fetter that which hampered and hampers development.

Those who regard restructuring as a temporary move, as a concession to capitalism, are deeply in error. From the historical viewpoint, we are now casting off that which temporarily deformed socialism. And precisely because it is not a pragmatic action but a deep rebuilding of all of society which will mark the development of socialism for many decades to come it is essential to see the seriousness and depth of the changes which are involved.

In first place, it is necessary to comprehend that what is involved is the creation of a different concept of equality and inequality, a consistent connection between rewards

and work performed. For good work results the laborer, technician, manager, and even the entire working collective will receive a good reward; for bad work only that which they deserve. In pursuit of this goal we are restructuring the entire system of managing the economy. The full extent of cost accounting (khozraschet) in enterprises and a demanding environment for their economic management must create the necessary conditions for this. We shall part company with existing practices, regarding which one wise worker said: "We shall be striving for so long to see to it that no one becomes rich until we shall all be poor." The inequality which we shall create in applying the principles of equal pay for equal work results will become the springboard of economic development and the basis for our socialist morality.

The new society will have a different arrangement of superiority in the chain of command and partnership. In place of centralized management from the top down, in which the lower levels were, essentially, only executive links obedient to higher decisions, the new arrangement will depend on unordered proprietary activities from below. He who was accustomed to acting only upon instructions can become unsure of himself; he for whom orders from above represented a clipping of the wings will be able to take flight. Partnerlike cooperation will develop between the center and the enterprises which will supplant elicitation, the concealing of reserves, and the practice of bureaucratically breaking down data.

Along with the abandonment of the concept of a wise center which knows everything and manages everything in the interest of society, and a concept of passive enterprises and people in them who must be compelled by orders to perform work for society, the concept of information at the disposal of society has also changed. Instead of manipulating information, instead of limiting it and allocating it according to various privileges, information will have to be accessible to all.

The right to full information in the new arrangement of socialist society also becomes an important civil right. It is connected with a different concept of the citizen and person in the new arrangement of society. Man can no longer be considered only as the obedient executive unit, compelled to prosecute the interests of society as his own, but, rather, is seen as a fully qualified bearer of a part of the interests of the whole of society. Respect and seriousness toward man, toward his interests and requirements, the respecting of his dignity, is a very serious feature of the new concept of society. Various platforms for the discussion and for the implementation of secret elections are intended to see to it that this feature can actually materialize. In the new arrangement all power in the state must actually originate with the citizen—he is the owner and manager, he elects policies and economic leaders.

Common sense and scientific understanding are assigned a different position in the new society. In the

new arrangement of society dogmas must be opposed by highly sober attitudes and substantive assessments of that which actually benefits the common development and that which hampers it.

A different task also falls to the majority and the minority. Even the majority can be in error, can favor the truth of obsolescence and existing certainties instead of favoring necessary development and change. And general danger lies in unanimity which has, thus far, been virtually proclaimed as being our principal priority. As a Russian poet recently wrote: "Yedinodushiye—eto rovnodushiye." Unanimity is indifference. Why should I not raise my hand when others are raising theirs?

Yes, the concept of the new socialist society which is being borne and which is asserted on the march in restructuring is different from its very core. If we think the deep differences between where we are and where we want to end up through to the end, then there can be no doubt as to which is more and which is less socialist. What would signify a fuller realization of the slogan with which our fathers embarked upon the revolution against capitalism—to each according to his capabilities, to each according to his work. It is necessary to say openly and fully: restructuring is a return to the essence of socialism from its deformations.

The need for a comprehensive restructuring of our society is not a slogan which has suddenly materialized. The plan for the new society contains our experiences, which were verified over a period of 40 years, it includes decades of contemplation and disappointments with halfway measures which did not address the essence of the problems. If we can be grateful for something in our restructuring to the Soviet Union, then it is the support which its example provides for our internal forces of restructuring and the revolutionary example showing how consistently it is necessary to approach it.

Toward this end I become involved more than some would like. So that we would not mismanage our truly historic opportunity, so that no one and nothing would divert us from this path and spoil it for us. Restructuring—that can only be us and our doing.

05911

Economist Weighs Structural Reforms in Soviet-Type Economies

24000023 Rome LISTY in Czech No 5, Oct 87 pp 22-26

[Article by Radoslav Selucky: "Structural Reforms and Their Limits: (LISTY, subtitled "A periodical of the Czechoslovak Socialist Opposition," is an emigre publication edited in Rome, Italy. It appears six times a year and contains contributions by both emigre and dissident writers.)]

I have always held that the only factor which can produce the necessary pressure for systemic changes in Soviet-type countries is the economics. Nevertheless, I

overestimated the time scope of this pressure. These days I am leaning toward the opinion that Soviet-type systems may be able to get along without fundamental (market oriented) economic reforms for a long time to come; naturally on the assumption that they can succeed in eliminating the advanced western market systems which have, technologically and culturally, reached a completely new post-industrial stage of their development, a fact that causes a persistent feeling of uneasiness in the Soviet-type countries.

However, a potential elimination of the dynamic systems of the advanced West would only be possible at the price of war which, although possible, would mean no solution for anyone concerned. In any case, this alternative applies only to the Soviet Union and it is this country which is attempting a sort of renaissance which would enable it to modernize. For without modernization the Soviet Union can lose its position of military superpower and never become a superpower in the political and economic sense.

Further, the Soviet-type systems have to face three challenges posed by market oriented economic reforms. The first challenge has to do with their anti-market ideological prejudice, the second with the structural-institutional make-up of the systems, and the third, at least in some of the socialist countries, with their political culture

Reform Limits

These three challenges are not equal. As far as the ideological challenge is concerned, the Marxist anti-market prejudice has been refuted not only by conventional economic theory but by the Marxist (Leninist) political economic theory as well. Only the most conservative elements in the ruling Communist parties today share the view that the market is incompatible with socialism. As to the cultural challenge, it is only applicable in certain countries such as, for example, the Soviet Union. That is why the most important challenge is the structural-institutional one, or, if you will, the question of power: the leading role of the party-vanguard, the principle of democratic socialism, and the nomenklatura. As a result of this challenge, all Soviet-type systems are living with a dilemma: to survive, *they have to* reform and change; to survive, *they must not* permit any reform or change.

Before I start discussing this systemic challenge, I would like to anticipate any possible misunderstanding as far as the potential of reforms to create a good system. *A good system cannot be created.* That, obviously, is the reason why it does not exist anywhere in the world and has not existed in the past. The only systems possible are the bad ones and the worse ones. I hate to say that because, in the last analysis, it is a basic antisocialist argument, since only socialists believe in the possibility of creating a good system. The problem is that good (desirable) things are mutually exclusive while things undesirable can exist

side by side. By way of an example: there are countries with low wages and high prices, but no country can exist where wages are high and prices low. There are countries with high taxes and poor social and cultural services but one cannot find a country with low taxes and developed social and cultural services. There are countries which have neither freedom nor equality, but a country with both equality and freedom simply does not exist.

That is the reason why a positive convergence of systems cannot be achieved. The only conceivable convergence is a negative one: capitalism assimilates the the negative features of socialism, and socialism the negative features of capitalism.

From my argument it follows that the market systems are bad while the nonmarket systems are worse. The market oriented economic systems thus can, under the best circumstances, only create bad systems. Whoever expects more is bound to be repeatedly disappointed. The bad features of the market follow primarily from the creation of social inequality, from the competition, including enterprise bankruptcies, from the inability to ensure full employment, from inflationary pressures, from structural changes in management that result in constant mobility and retraining of the work force, from the lack of individual work and social stability, etc. These negative phenomena can be moderated but they cannot be eliminated. Social programs moderate these negative features of the market through unemployment compensation, paid retraining of individuals, and social transfers (possibly a guaranteed minimum income). To make these programs effective, there is the need to have independent trade unions and other autonomous public institutions which provide social services or work for greater social equality within the varied community groups. These *nonmarket* mechanisms work through political channels which limit, regulate, and tame the market; by the same token, they also curb its positive strivings which provide motivation for better performance, innovation, and growth of wealth. This tension between the laws of market and those of government are what causes conflict in advanced market societies. But in order for a society to provide social services and carry out an effective social policy, an effective market economy which provides the necessary surplus is required. It can be said that there exists a certain leeway, both for market as well as for social measures, that makes it possible to achieve an adequate level of effectiveness and an adequate level of social stability. That "adequate level" is flexible and depends on the political and ideological priorities of each country. The flexibility of adequate levels depends on economic and political pluralism and on a democratic form of government: the pendulum moves right and left from the middle, but it cannot extend either too far to the right or to the left as, in the end, many western socialist as well as conservative parties came to realize.

That is why the market system is bad. The nonmarket system, command economy planning of the Soviet type, is worse. It is actually a form of war economy. It is an

“economy of shortages” (Kornai) or, as expressed by another economist, a war modification of capitalism. The problem then is that a good system does not exist and, evidently, cannot exist.

That is the reason why we *should not* expect too much from any systemic (structural) economic reform. Of course, in a model anything can be rationalized, but only on the condition that we abstract many of the intangible elements and influences (culture, psychology, irrational behavior, ideological prejudices etc.) which are always present in actual life. Man is a rational as well as an emotional being: that is why he behaves rationally and irrationally at the same time. Because systems operations are maintained by people who are trying to achieve mutually exclusive goals and values, they cannot be good.

Economics and Politics

As noted before, as far as the economic side of the Soviet type systems is concerned, it is a war economy. It operates on command and not according to economic criteria (such as supply and demand, resource limits, alternatives, or efficiency) but according to political and ideological ones. The plan issues from the center, orders go from the top to the bottom. The majority in society is condemned to carrying out orders: initiative, risk, individual approach, experimentation, choice—these things have no room in the command economy. The intellectual potential of society remains unused, the only natural economic law—the market law, the law of value—is silenced and replaced by bureaucratic control, by the only social alternative to market management. It is an artificial, fictitious system which is contrary both to human and social nature. It is an anti-efficiency, anti-productivity, anti-innovation, anti-enterprise system. It can only be kept in place by dictatorial methods which, however, cannot endow it with the ability to function smoothly, and to satisfy human needs consistently. It is an unnatural system, in which the economy is managed, planned, evaluated, and controlled by means which are outside the economic field, i.e., by bureaucratic, political, and ideological measures and instruments.

This system has been created by ideology and politics. Only a different ideology and different politics can change it.

All Marxist-Leninist systems are based on the unity and monopoly of power (political, economic, ideological and coercive), resting in the hands of the state, a state which is dominated, managed, and controlled by the Leninist party relying on democratic centralism which is, at the same time, the organizational and control instrument of the entire system. This is a monistic system: one party assumes the right to govern, control, and manage the state and the society, to interpret Marxist-Leninist ideology, and to control the activities of collectives and individuals. Because the leading role of the party is the source of the system's legitimacy and at the same time its

most characteristic feature, the system and its ideology legitimize each other. Democratic centralism, which applies not only within the party but in the entire society as well, is based on the principle that the decisions of the higher ups are binding for the lower levels of officials: that once the higher official level has made a decision, everybody must submit, identify with it, give up any reservations and objections, and loyally carry it out. That is the reason why this system can never have at hand a legitimate alternative policy, approaches, alternatives, or goals. Anything which deviates from the official policy is considered to be anti-party, anti-government, and anti-social.

Assumptions on which these systemic principles are based and from which they are derived are, in their majority, either false, formal, or fictitious. It is assumed, for example, that every party official is democratically elected. In reality, each candidate is preselected (approved) by a higher party official. It is further assumed that every decision is based on an objective scientific analysis of all data, and that all opinions for and against had been heard in a prior discussion before the decision was accepted. It is assumed that the parliament is the highest legislative body and the government the highest executive body of the land. In reality, the parliament cannot pass any laws which has not been approved by the highest party officials, the government cannot carry out a policy which has not been formulated by the highest party officials.

Thus the system is based on principles about which everyone knows that they are not valid. Equally nonexistent are such things as the freedom to criticize (from below) and the freedom to propose alternative programs, issue different proposals, use different methods, etc.

Let us imagine that someone would want to introduce market principles into such an economy without changing the pillars of its political system. Such a step would have to be based on the assumption that enterprises (economic units) are independent of the government and the party, that they can decide according to the changing market conditions, that they will select the most effective employees for all positions, that they will manage business, risk, innovation, and experimentation. What then would be left for the party and government apparatus to do?

The reply is obvious: probably only that which the governing parties, governments, and government agencies do in every market economy, that is, to intervene only when it is necessary to protect society against undesirable social effects of the free play of market forces, evaluate the alternatives of economic policy, be concerned with indirect (indicative) planning, and regulate the rules of the (market) economic interplay.

Obstacle to Effective Reform: The Leading Role of the Party

If the party were to accept these consequences, it would have to give up its leading role in the economy, the technology, and the sciences. No political party, much

less the Leninist one, is competent to control, through everyday interference, the economy, the technology, and the sciences, to manage business, to innovate in sectors which are subject to criteria different from those applicable to a political party. Of course, it is possible to make the effort to introduce marketing principles into command economy *without the party resigning its leading role*, without dropping the business managers from the nomenklatura, and without taking the market reality into consideration or allowing the enterprises to behave pragmatically according to market principles. But *such* market reform will not be successful. It is confirmed by all socialist market systems of today, primarily by the Yugoslav one, but by the tentative Chinese and Hungarian reform systems as well.

The Yugoslav reform, which combines the market system with self-government in enterprises, has been introduced in 1952. At that time, the Communist Party of Yugoslavia changed its name to Communist League, after the 19th century model of the international party whose members were Marx and Engels and which neither espoused democratic centralism nor assumed the right to play the role of a vanguard and lead the entire society. Nevertheless, *in practice*, even the new Communist League of Yugoslavia retained its leading role but tried to implement it, particularly in the economy, in a somewhat restrained and more flexible manner until the seventies, when the idea was restored in its Leninist form, together with democratic centralism and the nomenklatura. The only substantial difference between the Yugoslav party and the other ruling Communist parties is that key decision making, control, and economic management have been decentralized into six union republics (and two autonomous regions) where the leading role, democratic centralism, and the nomenklatura persist. Such a political system makes it impossible for the market and for enterprise self-government to function as they should. That is to say, in 1952 Yugoslavia did not carry out a structural reform of its entire system, but just added to a Soviet type political system the principle of self-governance and of market economy. The result was a systemic contradiction: monistic politics combined with pluralist economics.

As the Yugoslav practice has shown, the first stage of this kind of market reform (roughly up to the beginning of the seventies) was successful: by the end of the fifties and the beginning of the sixties, Yugoslavia was achieving the highest growth rates of any economy in the entire world. However, economic modernization, in contrast to a mere industrialization, requires *intensive* economic growth to be accomplished by means of different tools of economic and social regulatory policy than the dictatorship imposed by a Leninist party. Because Yugoslavia did not carry out this sort of systemic change, it has been all downhill with its economy since the beginning of the seventies: it now finds itself in a similar economic crisis as does Poland.

In Yugoslavia it was not only ideology and politics which contributed to this situation, but also the traditional

culture of the country, particularly in the regions not characterized by strong traditions of modern society. That applies particularly to the South (Macedonia, Monte Negro, Bosnia-Herzegovina, and Kosovo), to some extent to the northern region of Serbia and also Voivodina, to a lesser extent to Croatia and still less to Slovenia. I do not really want to make any definite judgements about cultural influences and traditions, since it is not something that can be weighed, measured, captured, or quantified. What is more important is that the future of the Yugoslav reform depends on Yugoslavia alone.

Another example of a partial (tentative) market reform is Hungary. The Hungarian reform has from the start been aimed only at economic changes. And since the Hungarian Communist party is enforcing its leading role (along with democratic centralism and nomenklatura) more pragmatically than the other Communist parties in the Bloc, it had retained it. I do not think that this fact can be explained away by external factors (pressure from the Soviet Union) alone. The behavior of the Hungarian party leadership is not consistent. Whenever economic dislocations become obvious, and economic instability worsens, the liberal market reformers receive support. But the moment the economic situation improves, party leadership reverts to centralizing the economy and reimposing direct economic controls. The reform was interrupted (although not cancelled completely) in 1972, then, in 1976, party leadership resorted again to loosening the reins: the second economy was legalized, some sixteen new kinds of business enterprise were permitted, and individual economic activity was legally recognised as socialist activity. Since the Hungarian reform continues today *without* any tangible systemic political changes, it has not been very effective: economic growth is minimal, innovations in large enterprises insufficient, more and more people are living under the poverty level. It is necessary to have two to three jobs and social polarization is widening. Obviously, Hungary has gone past the limits at which a market reform can bring improvement without being accompanied by systemic political changes. Just as in Yugoslavia and in China, the most successful has been the individual sector is the *genuinely* cooperative sector.

China is the third example of a tentative (inconsistent) market reform. In the late seventies, Deng Xiaoping brought to life the policy of "four modernizations" (agriculture, industry, science and technology, and defense). Quite logically, he started with agriculture, which was in fact decollectivized by a transition to contractual type operations involving families or voluntary cooperatives made of farmers, to independent cooperative enterprises (including industrial activities and services), or, occasionally, to a combination of cooperative, individual, and state enterprises. In seven years, the results were almost miraculous; today China has become self-sufficient in agriculture, the villages are modernizing, not only in terms of production but also but also culturally, without a penny of government investments, all thanks primarily to the farmers' initiative.

The industrial reform has fared much worse. Although the first steps toward industrial reform were undertaken at the end of 1984, the move was not very extensive. Rather, in the style of a command planned economy, the Chinese reapplied the model which was used in agriculture: enterprises were obliged to deliver to the state 80 percent of their production at predetermined prices. What they produced above this quota, they were permitted to sell at any price the purchaser was willing to pay. The role of party organizations in enterprises was weakened, the standing of managers strengthened, and selection criteria changed (qualification and education, age and the ability to achieve good results became the decisive factors in the selection of managers). By the spring of 1986, some leading party officials started to talk about the necessity of separating the party and the state, the party and the economy. When the economic institute of the Academy of Sciences analyzed the Chinese economy as being basically of the supply and demand type, party leadership added to this definition the word "planned" as if any economy could *by its nature* be planned. Not only high party officials but the Academy economists as well were uncertain, whether one can add a labor and capital market to a market of production and services - as if one could be possible or functional without the other.

But progress was visible not only in the retail and individual sectors, but also in industrial enterprises, more in the South than in the North, in special economic zones and open coastal cities more markedly than in the interior.

The opposition to reform was, of course, preparing a counterstrike. Millions of party officials in the villages had lost their *raison d'être*. Furthermore, compared to the successful farmers they became poor. Enterprises have started to value more enterprising capabilities than party loyalty, and expertise over ideological enthusiasm. By the end of 1986, the conservative faction of the party took advantage of student demonstrations to mount a frontal attack on the reform. Party organizations in the enterprises were again given the right to control management, particularly from the viewpoint of promoting "ideals of building socialism." This fall it will transpire whether the power stalemate will continue or whether one or the other faction (reformers of traditionalists) will gain the upper hand.

Although, personally, I am convinced that those leading Chinese politicians who have the modernization of their country on their minds, will have to continue to press for the reforms, nothing is certain; reversals in either direction. the alternative is obvious: either equality in poverty or stratification in along with fast economic growth.

I have introduced these three examples only because I wanted to point out the major obstacle to the reform: the ability or inability of the party to give up its leading role in its traditional Leninist formulation.

Are the Soviet-Type Systems Capable of Reform?

Even Gorbachev will necessarily have to face the same problem. On the one hand, the only one who can implement the reform is the party. On the other hand, the party cannot implement the reform without changing its concepts of leading role, democratic socialism, and the nomenklatura. It is not a simple problem. It involves the difference between a totalitarian and an authoritarian conception. Soviet-type systems are, in the sense of politics and power politics, totalitarian *in principle*: the party asserts the right to total power. The more power is taken away by the market, decentralization, self-government, and the resurgent society its autonomous or at least (in the beginning) semiautonomous organizations, the less totalitarian will this power be. For the first few steps in economic modernization democracy is not needed, but a withdrawal of economy, science, and technology from totalitarian power is. In other words, an authority-exerting system, optimally an enlightened democracy, is the minimal condition for the first stage of economic reforms. That, by the way, has been proven to be so by autocratic (nondemocratic) governments in South Korea, Taiwan, Singapore, Hongkong, Malasia, and everywhere where economic modernization has already brought tangible results. Further stages will, of course, also need democracy; social and economic pluralism must be politically tolerated during the first stage, but the first stage can take place even under an autocratic government.

Thus economic modernization does not require that the Communist party lose its power, but only that it relinquish part of its total power, that it give up its economic power. However, to expect anything like that from a Communist party which has in its hand complete power over a society is not very promising.

Before I address the Gorbachev reforms, I would like to turn to an experience with gradual "dissolution" of the party's total power. Yes, I am referring to Czechoslovakia in 1968.

At that time, the reform wing of the party was willing not to give up its leading role, but reinterpret it thoroughly, not only in the sphere of economy but in other sectors of society as well. The party was to implement its control of the economy *after* consultations with semiautonomous business and political groups and organizations. In the economic sphere: as long as economic units were following legal standards and rules of the market game (a regulated market combined with more or less indirect planning), they could implement their own economic and social interests and priorities. In a similar sense, the party accepted freedom of press and expression without feeling obligated to consider public criticism of its policy or to introduce alternate programs. Even reform leaders were not ready to allow opposition, but they were willing to accept the existence of opposing views, that is, the existence of officially recognized citizens' rights, particularly those of social organizations, associations, and

pressure groups—which included marginal noncommunist parties of the National Front—to debate, criticize, and influence the party's decisions, and to have an influence on decision-making and on control of the state and society.

This exceptional attitude of the reform Communists toward the leading role of the party was obviously possible as a result of long traditions of the Czech society, in regard to autonomy, to economic, social and political pluralism, and to plebeian democratic culture. Both the Czechs and the Slovaks lacked their own national state for centuries. Moreover, the state represented something alien to them. Their national interest, survival, development, and self-assertion could only be accomplished through a civil society. People in 1968 felt like citizens, not like serfs, and this feeling was not alien to the reform party leaders either. That is why the party was ready to democratize its own rules, give preference to indirect regulation over direct control, and reserve direct control for those instances in which the public would refuse to agree with the party leadership on basic political and ideological questions.

I do not know whether the reform leaders of the Prague 1968 reform would have been able to come to grips with the leading role of the party and ruled in favor of a successful reform in case there were no outside pressures and, in the end, no military intervention. We will simply never have a reliable answer to this question.

Therefore, we have no choice but to place a question mark also over Michail Gorbachev's reforms. Judging by his speeches, there is a *hint* that he is aware of the necessity of structural and systemic changes. In his speech in Khabarovsk in July 1986, Gorbachev stated that his "prerestroyka amounts to a revolution." Since, in the Marxist-Leninist terminology, revolution means a systemic (structural) change, some observers believe that what Gorbachev has on his mind is a basic structural reform. As far as we can judge from his other speeches and from the laws accepted under his leadership, we cannot get rid of the impression that Gorbachev wants to combine a market reform with command planning, leading role of the party, and democratic centralism. To anybody who has read the new Soviet law on enterprise in detail, it is obvious, that that is not a law for market economy but an ideological declaration in the old spirit. Nor does *glasnost* and the so-called democratization break out of the old mold. More of interest is Gorbachev's remark in his speech at the last CPSU plenum in June of 1987 that the principle "what the law does not forbid is permitted" could be widely implemented in Soviet life. For this principle is not totalitarian but only autocratic; in the same vein, Kadar's slogan from the early sixties "who is not against us, is with us" which was also autocratic rather than totalitarian.

In the last Gorbachev speech, there are indications that he might want to do something with the cooperative farms—the contractual system known from China is to

be widely implemented in industry and agriculture. Greater use is to be made of individual and cooperative (that means not state) farm economic activity. However, I fear that from the viewpoint of structural systemic reform this is too little. Furthermore, I am not familiar with anything inherent in traditional Russian political culture which would favor a structural reform. I do not think that, any time soon, Gorbachev will be overthrown—at this moment there is no power in the Soviet Union which could accomplish that. I rather think that without structural changes Gorbachev will not be able to achieve measurably better results in either economy or in other areas of public life. He does not have an ideology which could mobilize. He either cannot, or does not want to open the basic questions of raised by systemic ability to modernize—and it is difficult to pose such questions in the year of the 70th anniversary of the October Revolution. What surprises me is, that Gorbachev did not grasp any of the three handles offered by Lenin for getting hold by a justification for structural systemic reforms. The first handle is NEP—if one can publish in Hungary theoretical books describing Lenin as a theoretician of market socialism, why could it not be tried in the Soviet Union? The second handle is in the other aspect of the Leninist justification of the Soviet system: as long as the system does not achieve greater productivity, higher living standards, and greater dynamism than capitalism, it cannot consider its battle with capitalism as being won. And third, why not invoke Lenin when it is necessary to revise ideology in such a way as to make it capable of reacting to new conditions in the world—is it not what Lenin did with Marxism ninety years ago?

However, I hesitate to give advice to anybody as to what is to be done. I only know one thing: with its current ideology, its political and economic system, Communism is but a blind alley in history. Since I am not sure that it can be reformed within the framework of its own model in order to demonstrate its economic and political vitality and to afford men an opportunity to improve their lot, I cannot end this account but with the statement that the question remains open.

HUNGARY

U.S. Plan for Central Europe in 1918 Examined
25000003 Budapest HISTORIA in Hungarian
No 4, 1987 pp 16-20

[Article by Magda Adam, former Wilson Center fellow: "An American Plan for Central Europe, 1918." Research for this paper was conducted at the Library of Congress, U.S. Department of State, and the National Archives in Washington, D.C. First paragraph is HISTORIA introduction]

[Text] The Hungarian public has shown in recent years a keen interest in the question of the bourgeois states' formation. Parts of the century-old process from 1848 to 1946 were the emergence of Austro-Hungary as a dual

monarchy, of the Kingdom of Romania, followed by Serbia; and then, after World War I, the creation of a system of small states in our region. In the development of the region's states, therefore, our journal strives to present a realistic picture of the conflicts of interest that existed between the great powers and international forces on the one hand, and the region's various bourgeoisies and ruling classes on the other. We thereby wish to achieve the formation of a realistic public opinion within Hungarian society, based on facts. (G.)

The literature now available on the life, work and policies of Woodrow Wilson, the 28th President of the United States, fills an entire library. But we know little about his ideas, plans and activities that had a direct bearing on our history (Footnote 1) (I devoted most of my research at the Wilson Center to clarifying this question. I studied the special literature, the manuscripts of Woodrow Wilson and Robert Lansing (Collections of the Manuscript Division, Library of Congress), the material at the State Department, and the records of the Committee of Inquiry and of the Paris Peace Conference (National Archives, Washington, D.C.). I wish to take this opportunity to thank the Wilson Center for enabling me to work under the best possible conditions.)

New Research Results

The views up to now have generally tended to polarize about two extremes. One greatly exaggerates, and the other belittles, Wilson's role in the successor states' birth. The former view gained ground mainly in the successor states' historiography between the two world wars. But while Wilson was regarded as an idealized liberator in the victorious states, the likewise exaggerated view of his role was unambiguously negative in the vanquished states.

The victors attributed to Wilson their liberation and the realization of their aspirations to national unification. The vanquished states attributed to him the dismembering of the monarchy, and the drawing of frontiers without regard for the ethnic principle. But, as we shall see, neither view reflects the actual situation. The victors' view fails to take into account that Wilson, until the end of May 1918, had not supported the national movements and had refused to receive their representatives then lobbying in Washington. (Even Masaryk gained admission to the White House for the first time only in June 1918.) And the vanquished in their complaint judge Wilson solely on the basis of the Paris Peace Conference's outcome, but fail to take into account the following facts:

1. Even after the United States entered the war, the President pursued a policy favoring Austro-Hungary; he did not declare war on Austro-Hungary. (The declaration of war came, under foreign and domestic pressure, only in December 1917.)

2. Wilson wanted to preserve the economic and political unity of the Austro-Hungarian Monarchy. Within its then existing frontiers, he planned to transform the monarchy into a federation of nations enjoying autonomy founded on democratic principles, on the model of the United States. (He would have assigned both Austria and Hungary—the latter in particular—very prominent roles in the proposed federation.) It was not Wilson's fault that this did not come about.

3. If Wilson did depart from the ethnographic principle at the time under consideration, he did so specifically to Hungary's advantage, rather than to its detriment. Slovakia, as he envisaged it, would have been a part of a Hungarian federal state.

4. At the Paris Peace Conference, where the actual territorial decisions were made, Wilson no longer played a role, although the American delegation—after Wilson left for home—did attempt to oppose the victorious successor states' excessive territorial demands that had Clemenceau's support. (Footnote 2) (Mamatey's book, "The United States and East Central Europe, 1914-1918" (Port Washington, New York, London, 1956) is an exception. However, I do not agree with many of the author's findings and conclusions.)

The other extreme view spread in Marxist historiography. In the 1950's, historians in the successor states resorted to simplification in the opposite direction: they questioned Wilson's role in creating the successor states and attributed their independent statehood solely to their own domestic revolutionary movements. For there can be no doubt that the President's great international prestige, when he finally was forced to abandon his plan for a federation that would have preserved the monarchy's territorial integrity, and to accept—albeit ambiguously—the program of the national movements, lent considerable support to these movements.

Many Small Nations Made No Sense

Thus Wilson did not want to dismember the Austro-Hungarian Monarchy. Why? Not only because he wanted to keep the monarchy whole and separate it from Germany, but also because he believed—and this was his main reason—that it would be economically and politically irrational to create many small states. He feared that the many small states would not be economically viable and would prove unable to replace the monarchy and to counter the German threat.

One month before the United States entered the war, Wilson clearly outlined his standpoint on saving the Austro-Hungarian Monarchy, by converting it into a federation. Shortly after the United States entered the war, he set up a committee of experts—the so-called Committee of Inquiry—to formulate guidelines and plans for a postwar world order which would ensure permanent peace. House, Wilson's friend and advisor, directed the committee's work. His views on European

questions and the Austro-Hungarian Monarchy were similar to those of the President, and this conception served as the basis for drafting the plans. Wilson reconciled his own standpoint with the recommendations that the Committee of Inquiry made. The committee also helped to draft Wilson's famous Fourteen Points, with the State Department's exclusion. The plan that Charles Seymour (a member of the Committee of Inquiry, and subsequently of the American delegation to the Peace Conference) prepared for transforming Austro-Hungary into a federation, and which we are presenting here, likewise reflects the President's conception. Charles Seymour signed the explanatory text to the map on 25 May 1918, five months before the war's end.

The Plan

The plan, as evident from the attached map, called for establishing a federation comprising six member states on the territory of the Austro-Hungarian Monarchy. Before outlining the reasons why the plan was shelved shortly after its drafting, we should briefly review the history of its birth.

Wilson, as we have noted earlier, supported only the Polish independence movement. He recognized only the Polish Committee, but not the Czechoslovak, Yugoslav and Romanian efforts to achieve respectively independence and unification. He did not receive the Czechoslovak, Yugoslav and Romanian leaders, although they did everything possible to get to see him in the White House. Thus Wilson refused to receive, among others, also Stefanik, the deputy chairman of the Czechoslovak Committee [National Council], who in August 1917 had arrived in Washington to gain the Wilson administration's recognition of the committee that had been formed in Paris, and to recruit volunteers among the Czech and Slovak emigres.

Stefanik wanted to form a separate Czechoslovak Legion as a part of the French Army, rather than of the American Army. Only Polk, Lansing's deputy, received Stefanik. Polk told Stefanik that the political and military leadership did not support either plan. The deputy chairman of the Czechoslovak Committee left the United States with extremely unfavorable impressions. He came to hate Wilson bitterly, calling him Satan and never changing his opinion of Wilson. Stefanik's hatred only intensified when he subsequently learned that Wilson, in the summer of 1918, nevertheless switched to supporting the Czech independence movement. But Wilson did not want to see Slovakia annexed to the new state. Instead, he wished to retain Slovakia within Hungary's frontiers, but with wide autonomy.

The situation was similar regarding the Yugoslav movement. Wilson denied the request of Pasic, the Serbian prime minister, and refused to receive the Yugoslav Committee that would be visiting the United States. Wilson did not want to have talks with a committee made up of Austro-Hungarian citizens whose primary

objective was to gain support for the annexation to Serbia of the monarchy's territories inhabited by South Slavs. In the end the Yugoslav Committee did come to the United States. But its members, Hinkovic and Vosnyak, acted merely in their capacity as private individuals. They attempted to recruit supporters and volunteers in the South Slav settlements, without much success. One reason for their failure was that the Yugoslav movement in America, just as the one inside the monarchy, was sharply divided. The movement's leading circles did not want to see the monarchy's territories inhabited by South Slavs annexed to Serbia. Another important reason was that Wilson did not recognize the territorial promises the Entente had made to Serbia during the war; and, through his administration, he attempted to curb the Yugoslav propaganda. It is typical that Wilson refused for a long time to take cognizance of the Corfu Pact, which Pasic and Trumbic, the chairman of the Yugoslav Committee in London, had signed in 1917. The pact called for the establishment of a Yugoslav state under the Karageorgevic dynasty, and hence also for the annexation to Serbia of the monarchy's territories inhabited by South Slavs. It is typical that the text of the Corfu Declaration was on Lansing's desk shortly after being signed, and then on Wilson's desk, but the text was not released to the press. It was long shrouded in silence. The Italian question, too, compelled the President to proceed with caution. Because the Corfu Pact countered Italy's aspirations in the Adriatic.

Rome, understandably, followed with close attention the development of Yugoslav-American relations. The fact that Wilson received also privately Milenko Vesnic, the head of the Serbian military delegation (the members of this delegation were Serbians, rather than Austro-Hungarian citizens), only served to intensify Italy's concern. The delegation originally intended to present the Corfu program to the President and the American government. But Vesnic correctly assessed the situation, realized that Wilson was not supporting the secession of the South Slavs from the monarchy, and felt it more expedient not to bring the issue up at all.

Romania's attempts fared no better. The Romanian government and royal court spared no effort to gain Wilson's support for their unification aspirations, i.e., for the annexation of Transylvania. They were accurately informed that the American President did not recognize the secret Bucharest agreement and Romania's territorial claims against the Austro-Hungarian Monarchy. And that Wilson and Lansing were in agreement on this question. Washington felt that Romania's claim to Transylvania was groundless. Andrew [Vopicka], the American charge d'affaires who could not be accused of sympathizing with the Austro-Hungarian Monarchy, played a role in this to some extent. He had stated in a confidential report that the Romanian government's unification efforts were unfounded because "...Romanians account for 60 to 65 percent of Transylvania's population, but only half or a quarter of them want

unification with Romania. Merely a small fraction of the population welcomed the Romanian invasion of Transylvania."

Bratianu, the prime minister, and the royal court wanted to win over the American official circles as soon as possible, and also the Romanians living in the United States, particularly the ones who had emigrated from Transylvania. (A majority of the latter likewise opposed unification with Romania.) The ambitious Queen Marie decided to go in person to the United States but was forced to abandon her plans, because Wilson and Lansing were opposed to her visit. Then a Romanian delegation arrived in the United States on 27 June 1917, without any prior notice. This took Washington by surprise. The members of the delegation were the Reverend Lucacin, Ion Mota, and Lieutenant Vasil Stoica—all emigres from Transylvania. They had traveled from Iasi through Siberia and Japan. Their mission was respectively to agitate for unification among the Romanians living in the United States, and to recruit volunteers for a Transylvanian Legion that would fight on America's side on the Western Front. (The members of the Romanian delegation took no notice of their initial failure and, unlike Stefanik, did not depart deeply offended.) Although they never got to see Wilson, they were received by Lansing, and then by Secretary of War Baker. But they gained no support for Romania's unification efforts or for the formation of a Transylvanian Legion.

The leaders of the independence and unification movements felt very bitter and disappointed. They knew that the reason behind the series of rejections was not the one the Americans gave, i.e., that formally the United States was not at war with the monarchy. They nevertheless expected a favorable change after the declaration of war sent Vienna in December 1917.

Wilson's Fourteen Points

They were soon doomed to disappointment once again. Shortly after the declaration of war, on 8 January 1918, Wilson outlined to Congress his famous Fourteen Points. Among them, the much-debated Point 10 deserves special attention from the viewpoint of our topic. Why did Wilson include it among the fourteen? Why did this point evoke such great alarm among the Czechoslovak, Romanian and Yugoslav circles fighting for independence and unification, and satisfaction in Vienna and Budapest?

The Allies did not abandon their plan to detach Austro-Hungary from Germany and to conclude a separate peace treaty with the monarchy. This explains why the Allies did not recognize the independence and unification efforts directed against the monarchy, as long as there was hope of concluding a separate peace treaty with it. At the time in question, this was true even of France, and particularly of the United States and Great Britain. In a speech on 5 January 1918, Lloyd George, the British

prime minister, expressed agreement with Wilson in that the dismemberment of Austro-Hungary was not one of the war's objectives, and that the nations of the Austro-Hungarian Monarchy were to be granted autonomy based on democratic principles. Unlike Wilson, however, he wanted to honor the secret agreements that had been signed in London and Bucharest, i.e., the transfer of the promised territories to Italy and Romania. But he made no mention of Serbia's claim to the monarchy's territories inhabited by South Slavs.

On 5 January 1918, when Lloyd George was making his speech about which they had not yet been informed, Wilson and House began drafting the famous Fourteen Points. According to Point 10, the peoples of the Austro-Hungarian Monarchy were to be given autonomy. Self-government. In relation to the monarchy, in other words, Wilson's principles of self-determination did not mean secession.

Wilson briefed Lansing the day before the Fourteen Points were made public. The secretary of state concurred with everything except Point 10, the monarchy's territorial integrity. This is clearly evident from the entry he made in his diary.

Wilson's Fourteen Points and Lloyd George's speech caused profound dismay in Italian, Romanian and Serbian government circles, and bitterness among the leaders of the independence movements. Their response was a sharp attack against Wilson's policy. The independence movements within the monarchy encountered a slight setback.

Fighting, Blackmail for Territories

The Italian government's demand that Wilson change Point 9, about Italy's frontiers, was rejected.

Wilson's Fourteen Points caused the greatest alarm in Romania. In a cable on 12 January 1918, Vopicka reported to Washington that the President's peace program had created a critical situation. The Romanian government's standpoint was: "If Romania will not get Transylvania, it is meaningless to continue to fight." There were demands from all quarters for an immediate peace with Germany. France and Great Britain feared that Romania would conclude a separate treaty with the Central Powers. Therefore Paris and London assured Bratianu that Romania, if it did not withdraw from the war and continued to fight on the side of the Allies, would get Transylvania once victory was achieved. But these assurances were not enough for the Romanians because the United States, which was playing an ever greater role in the war, held different views. In a joint cable sent to Washington on 12 February 1918, France, Great Britain and Italy advised the American government that Romania would conclude a separate peace unless the Allies—including the United States—immediately sent the Romanian king a declaration pledging to honor all the promises they had made to Romania.

Lansing was inclined to accept the Allied proposal, and he saw the President on 17 February. But Wilson forcefully denied the Allies' request. He continued in his refusal to recognize Romania's claim to Transylvania.

Romania carried out its threats and signed a provisional peace treaty with Germany on 7 March 1918. The cable sent by Vopicka, the American charge d'affaires, read: "Prime Minister Bratianu and General Averescu, who has been appointed Bratianu's successor yesterday, feel that it is not in Romania's interest to continue the war, because Romania, according to the statements made by President Wilson and Lloyd George, would not get any additional territories even in the event of an Allied victory." Today we know that Romania was in a very difficult situation, both militarily and economically, and this too played a role in that Romania was thinking of withdrawing from the war. However, its decision cannot be attributed to this fact alone. Hoping to secure lenient terms, the Romanian government withdrew from the war, with the intention of re-entering it again before it was over, on the side the more likely to win the war. (In the last days of the war, it will be remembered, Romania did re-enter it, on the Allied side.)

Thereafter the Romanian operations to occupy Transylvania subsided, but the activity of the Romanian emigres continued unabated. Take Ionescu in France, and Stoica in the United States, continued the fight for Transylvania. President Wilson ignored them, as before. He likewise took no notice of the Rome Congress (in March 1918), where the "oppressed nations of the monarchy" met for consultations on how to gain independence. France and Great Britain were also represented, of course, and their newspapers provided detailed coverage of the proceedings. But that was not the case in the United States. "There can no longer be any doubt that Wilson is not in favor of liquidating the Austro-Hungarian Monarchy, and that his plan for liberating the peoples of the monarchy does not aim to establish independent states, only autonomy or some kind of confederation," wrote Benes in a memorandum.

Plan for Federation Abandoned

At the end of May 1918, however, Wilson was forced to abandon his federalization plan, presented below. Why did this shift come about, and in what way did it manifest itself?

In May 1918, Clemanceau disclosed that [Austria's] Emperor/[Hungary's] King Charles had written letters to Prince Sixtus, expressing willingness to conclude a separate peace treaty with the Allies. Naturally, Clemanceau's disclosure immediately brought the secret negotiations to a halt. Wilson was outraged when informed of the French prime minister's "stupidity" that brought to a dead end the negotiations in which the United States had also been taking part. The plan to separate the monarchy from Germany went up in smoke. All this created a new situation. Secretary of State Lansing and

the circles desiring the dismemberment of the monarchy considered the time ripe for action. "Up to now I have hesitated to raise the question of independence for the Czechs, Ruthenians and South Slavs, because the President's aim is to preserve the dual monarchy's integrity. I think the President has to abandon that principle," wrote Lansing at that time.

On May 10, Lansing requested a clear and unambiguous answer from Wilson. Lansing could count on support from the President's domestic political opposition: the Republicans and particularly Theodore Roosevelt, Wilson's great opponent, were strongly advocating the monarchy's dismemberment. But Great Britain and France had also been for dismemberment all along. When these two powers recognized the Czechoslovak and the Yugoslav Committees (in June 1918), the fate of the monarchy was sealed.

Wilson's plan for a federation thus became unrealistic. Step by step, the President was obliged to make concessions. This step-by-step retreat from the course Wilson had been pursuing up to then meant that he still remained long unwilling to recognize the committees, and this understandably caused concern among the leaders of the Czechoslovak and Yugoslav independence movements. Masaryk, the chairman of the Czechoslovak Committee, admitted that he had no influence over Wilson, and that their talks in June 1918 dealt mainly with the Czechoslovak Legion, and not yet with establishing an independent state.

This continuing reluctance was reflected in Lansing's circular telegram of 29 May to the American diplomatic missions, although in it he informed them that the U.S. Government had followed with close attention the Rome Congress of the Austro-Hungarian Monarchy's oppressed peoples and sympathized with the Czechoslovak and Yugoslav national aspirations. (This was the first official mention of the congress that had been held in March.) But the wording of the telegram was not yet a definite standpoint supporting the efforts to dismember the monarchy, and it indicated that the shift taking place in American foreign policy was not yet clear-cut. There was also a difference in the American attitude toward the Czechoslovak, Yugoslav, and Polish national aspirations: America merely "sympathized" with the first two, but "supported" the third. Indeed, this dichotomy is reflected even in Wilson's letter of 18 October 1918, to Vienna: the President still hoped that Emperor/King Charles could perhaps reach an agreement with the leaders of his nations and form some sort of federation. But time for Vienna had run out. The nations, which had been wishfully dreaming of a federation not so long ago, did not even consider one now that they felt the support of the Entente behind them. And as we know very well also from history, the small nations living the golden age of nationalism can never again be united.

Although Washington's reluctance to create small states remained, it gradually weakened. This vacillation is partially evident in Wilson's support for Masaryk's plan.

According to Masaryk's concept, the small nations of the monarchy would first become independent, and then would democratically form a Central European Democratic Union. Wilson's irresolution in a certain sense was evident also when, one by one in late October and early December 1918, the various national councils and national assemblies announced their secession from the monarchy. Wilson responded with congratulations to some of the announcement, to the proclamation of the Czechoslovak state, for example. (He had recognized the Czechoslovak National Committee already in September.) We have no record of Wilson's reaction to the resolutions of the Croatian diet, and of the Zagreb National Council, to join Serbia. He probably took no notice of them. (At that time, Wilson had not yet recognized the Yugoslav Committee.) Regarding the resolution of the Alba Julia national assembly, we are able to refer only to Lansing's letter to Wilson. In it Lansing called Wilson's attention to the fact that the delegates had represented merely certain strata and therefore, from a legal viewpoint, the validity of the resolution was questionable. Romania, in Lansing's opinion, was not qualified to settle the question, since it was a matter reserved for the Peace Conference. Wilson presumably agreed. For he questioned the validity of the Kishinev national assembly's resolution (regarding Bessarabia's joining Romania) on the basis of the same reasoning.

In Paris

We can speak only briefly of Wilson's activity in Paris. During his stay there, he concentrated primarily on establishing the League of Nations, and also on the German question, devoting little attention to the successor states. During the Trianon peace talks, he was not even in France. And then in Paris no one, not even Wilson, ever thought of federalization again. Wilson in most cases accepted the accomplished facts the victorious successor states presented. This included Clemenceau's abuse of the principle of self-determination, which Wilson had espoused, to achieve France's imperialist designs. As to why the American President made a series of concessions in Paris, that is still the subject of our further research. The answer probably lies partially in the domestic political struggles in America. The Congressional elections in November 1918 gave the Republicans a majority in both the Senate and the House of Representatives. The Republicans advocated isolationism, i.e., they felt that it was not in the interest of the United States to interfere in European politics. They opposed the President's foreign policy, including his plan to go to Paris. At the Peace Conference, on the other hand, Wilson found himself face to face with two intransigent politicians, each with a very strong political base in his own country: Clemenceau the "Tiger," and Lloyd George. Wilson's personality also explains in part his passivity. Wilson was a scholar not very familiar with Europe, and debate had never been his strong point anyhow. Therefore he ended up a loser in his disputes. A

contributing factor was that the members of the American delegation to the Peace Conference did not always help their President: they themselves were not sufficiently familiar with the region. We are presenting in their entirety the map and its accompanying explanatory text.

The charge that Wilson's critics usually bring against him is that his utopian ideas were "unrealistic" and "irrational." There is some truth in this. In our opinion, however, this does not apply to the plan for Central Europe presented below. The plan had been rational and realistic, until the summer of 1918. By the end of the war, however, the new international and military situation made the plan unworkable.

Document

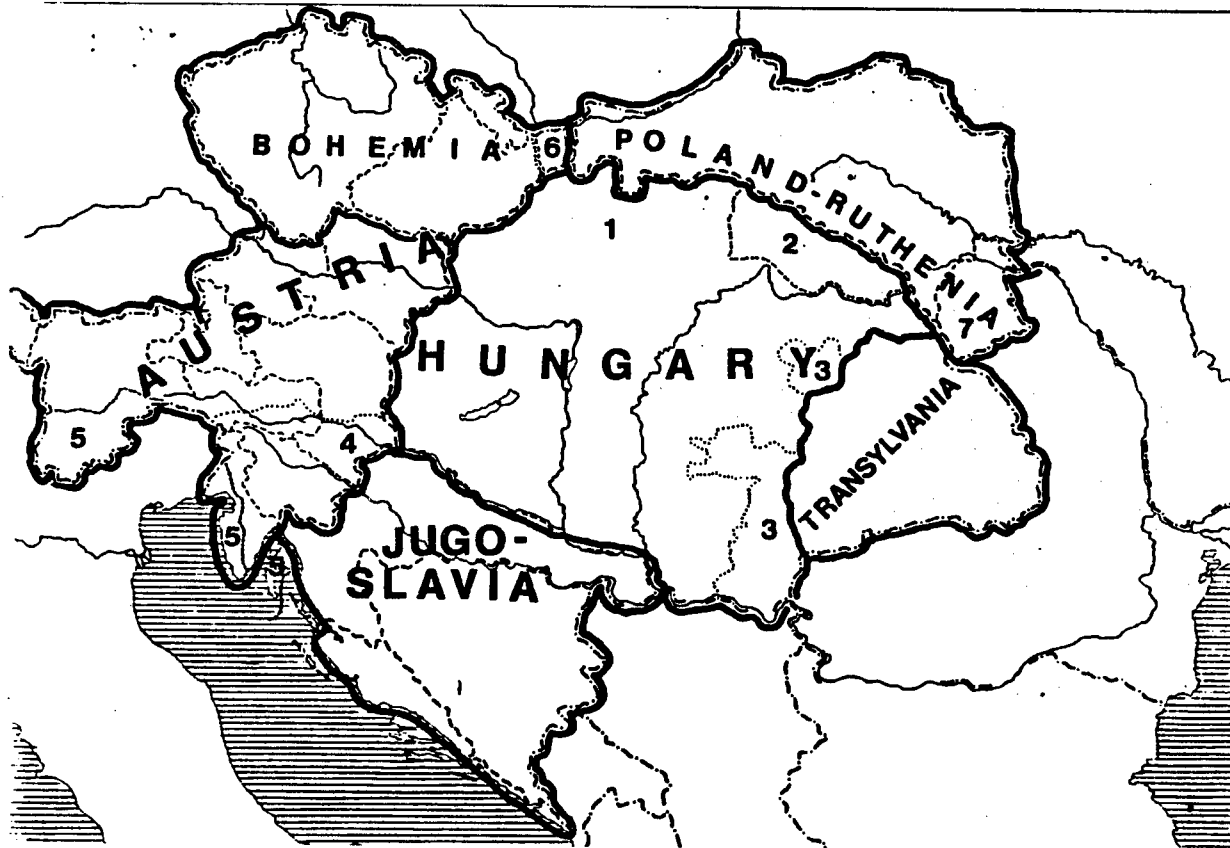
Federalization of Austro-Hungary Within Its Present Frontiers

Explanatory Text to the Map, 25 May 1918

Introduction

The attached map shows Austro-Hungary as a federation divided, within its present frontiers, into six member states. The division is based on the existing administrative and political boundaries, which are predominantly historical ones. The six member states would each gain a distinctive national character, although there would be national minorities—occasionally considerable ones—everywhere. Hungary, the largest member state, would be predominantly Hungarian, with Slavic, German and Romanian minorities. Austria would be mostly German, with Italian and Slovenian minorities. Yugoslavia would be practically homogeneous in its composition, if we assume that the Croats, Serbians, and the Muslims of Bosnia share a common ethnic background. Transylvania would be mostly Romanian, with considerable German (Saxon) and Hungarian (Szekler) minorities. Bohemia would be Czech, but with a 30 percent German population and a small Polish minority. Poland-Ruthenia would be mixed, but almost entirely Slavic: Poles would constitute a majority of the population, and about 40 percent would be Ruthenians, with small but rather compact German and Romanian groups

This division would hardly satisfy the dual monarchy's ethnic and political groups. The Hungarians and Germans will oppose any plan for federalization that would end their domination over the Slavs. The proposals of A. von Seydler extend as far as national autonomy within the existing regional boundaries. Nor would the division outlined on the map satisfy the demands of the Czechs and South Slavs. Even if they were to approve and accept this division, they would not regard it as final.



Plan for the Austro-Hungarian Monarchy's Transformation, May 1918. (Arabic numerals replace color-coding in this black-and-white version of the map. The boundaries of the nationality territories designated as Nos 1 and 7 are not visible in this reproduction.)

However, this division has the practical advantage of linking together existing administrative units, without erasing their boundaries, and of creating a federation of member states that have a historical foundation to some extent, and a distinctly or, we might say, purely national character.

Area (A, km², Population (P), Ethnic Composition (E)

Austria - A: 45,917; P: 8,494,354; E: 75

German, 14

Slovene, 9

Italian

Hungary - A: 86,898; P: 16,086,166; E: 62

Hungarian, 12

German, 11

Slovak, 9

Romanian, 2

Ruthenian, 2

Serbian

Yugoslavia - A: 41,083; P: 5,215,470; E: 94

Serbo-Croatian, 3

German, 2

Italian, 1

Hungarian

Bohemia - A: 30,622; P: 10,059,257; E: 62

Czech, 35

German, 2

Polish

Poland-Ruthenia - A: 34,338; P: 8,775,406; E: 53

Polish, 40

Ruthenian, 4

Romanian, 3

German

Transylvania - A: 22,318; P: 2,678,367; E: 55

Romanian, 34

Hungarian, 8

German

Note: The original discrepancies between the document's text and the table have not been corrected. (Editor.)

Hungary

Within the new federation, Hungary would be the most important member state in terms of both area and population: it would correspond to present-day Hungary, without Croatia-Slavonia and Transylvania. Its area would be reduced from 109,216 to 86,898 km²; and instead of 20,885,000, its population would be 16,000,000 (based on the census of 1910, but we have not taken into account the natural population growth since 1910, and the population losses as a result of the war). It would include the central Alföld [Great Plain], Little Alföld [Great and Little Schutt] and the industrialized Slovak territories to the north, without losing anything of its essentially Hungarian character.

Hungary's ethnic character would be Hungarian, with Hungarians accounting for 65 percent of the entire population. The only truly compact Hungarian ethnic group outside Hungary would be the Szeklers, in southeast Transylvania. Hungary would have about 1,800,000 Slovaks in the north, and about 400,000 Ruthenians in the northeast. Along the southeast border there would be a few counties where Romanians would be dominant. In the Banat and Bachka to the south, Slavs, Hungarians, Romanians and Germans would be intermixed.

The green dotted line (No 1) shows the probable consequences of splitting off the Slovak territories claimed by the Czechs; and the purple dotted line (No 2) indicates the Ruthenian territories that could be annexed to Poland-Ruthenia. If the division is based on the ethnic

principle, the red dotted line (No 3) shows the territories that could be passed to Transylvania because of their predominantly Romanian character.

Economically, Hungary would lose the mining regions in Transylvania. But it would retain the northern industrial territories, and practically all of its valuable farmland.

Austria

According to the map, Austria would lose Galicia, Bucovina, Bohemia, Moravia, Silesia and Dalmatia. Its area would be reduced from 115,831 to 45,917 km²; and its population, from about 28,000,000 to approximately 8,500,000 (based on the census of 1910). Austria's advantage would be a more homogeneous population. Its territory would include the Austrian provinces (Lower and Upper Austria), Salzburg and Voralberg, Tirol, Styria, Carinthia, Carniola and the maritime crownlands (Gorz and Gradisca, and Istria). About 75 percent of the population would be German, in contrast to 35 percent at present.

About 3.5 million Germans would remain outside Austria's new borders. Inside the new borders there would be a million or slightly more Slovenes in Carniola and Carinthia; about 750,000 Italians in Tirol and the maritime crownlands; 170,000 Serbo-Croatians in Istria; and more than 125,000 Czechs (according to official statistics) mainly in Upper Austria. The red dotted line (No 4) shows what would happen if the Slovene and Serbo-Croatian territories were detached from Austria and passed to Yugoslavia, in accordance with the demands of the South Slavs. The green dotted line (No 5) shows the Austrian territories that would have to be split off to create an Italy based on the ethnic principle.

According to the map, Austria would retain its seaport in Trieste, and its mining regions in Styria and Carniola. But it would lose the present dual monarchy's most important industrial regions, in Bohemia.

Yugoslavia

Because the Slovenes of Carniola, Styria and Carinthia, and the Serbo-Croatians of Istria, would be excluded, this new member state within the federation would not satisfy entirely the demands that the South Slavs presented, through their representatives, in their declaration of 30 May 1917. But it goes a long way toward satisfying the demands of the more moderate South Slavs, for the unification of the South Slavs living on Hapsburg territory. They would have enthusiastically welcomed such a state before the war. To some extent, this would be a state built on a historical foundation. It would include the old tripartite kingdom of Croatia-Slavonia-Dalmatia, and also Bosnia-Herzegovina. The state's area would be 41,096 km², and it would have a population of 5,215,000 (based on the census of 1910).

Ethnically such a Yugoslav state would be practically homogeneous, with South Slavs accounting for 94 percent of its population. The Croatians, Serbians and the Muslims of Bosnia are closely related, practically brothers. Admittedly, some Croatians are wary of a union with Serbia, fearing the loss of their independence. They feel that Serbia would play the role of Prussia, rather than that of Piedmonte, in a complete union of all South Slavs. But they have no objections to forming a union with the Serbs of Slavonia and Bosnia. The minorities would include about 160,000 Germans, 110,000 Italians, and 107,000 Hungarians. In terms of religion, Yugoslavia would not be homogeneous: more than half of the populations (2,870,000) would be Roman Catholic; a third (1,580,000) would belong to the Greek Orthodox Church; and there would be over 600,000 Muslims.

This member state would be the most underdeveloped within the entire federation. The population is uneducated, transport and communication are in a very poor state, and there is no developed industry anywhere. However, the state would have valuable natural resources: mineral deposits, good farmland, a long coastline and excellent harbors.

Bohemia

Bohemia, the federation's new member state shown on the map, would be the second largest state within the federation in terms of population (about 10,000,000). Its area would be relatively small, 30,622 km². It would be built on a historical foundation in that it would comprise the old Bohemian crownlands: Bohemia, Moravia and Silesia. Thus it would meet the demands of those Czechs who have indicated that they would be satisfied with Bohemia's "historical rights." But it would not satisfy the expectations of the extremists who are insisting that to historical Bohemia it is necessary to annex Hungary's Slovak-inhabited territories which ethnically, they claim, are a part of Bohemian territory. Nor would the Germans be satisfied, because they constitute a considerable minority in Bohemia, Moravia and Silesia, and they are not willing to become integrated into a Bohemia controlled by Czechs.

Ethnically the new Bohemia would perhaps be the least satisfactory among the federation's member states. Czechs (about 6,200,000) would be in a majority, accounting for 62 percent of the population. The 3,500,000 Germans would be a minority accounting for about 35 percent of the population, and the 250,000 Poles would account for about 2.5 percent. If the Tesin Principality were to belong to Poland-Ruthenia, rather than to Bohemia, the Polish minority would disappear into the Polish state. The red dotted line (No 6) shows the consequences of such a change.

Bohemia would be the most developed of the federation's member states, with the lowest illiteracy rate and most advanced industrialization. Thanks to its transit routes and natural resources, it would probably be the richest member state.

Poland-Ruthenia

Incorporating also Galicia and Bukovina, Poland-Ruthenia would rank fourth within the federation in terms of area, and third on the basis of population. Its area, 34,338 km², would be slightly larger than that of Bohemia, and its population of 8,775,406 would be slightly larger than that of Austria. Its historical foundation would not be ideal, but neither would it be lacking entirely. Galicia is an old historical unit but has never before been joined with Bucovina, which in its turn had been a part of Moldavia, and hence a Turkish vassal, until 1777.

Ethnically Poland-Ruthenia would be shared by two peoples: the Poles mainly in the western part, and the Ruthenians in the eastern part. The Poles are the more numerous (4,700,000 as opposed to 3,500,000 Ruthenians). A Romanian minority of 273,000 is to be found in south Bucovina which, on the basis of the ethnic principle, should be a part of Transylvania. The red dotted line (No 7) shows the consequences of such a change. There is also a German group numbering 250,000, most of them living in Bucovina. From the ethnic point of view, Poland-Ruthenia would not be satisfactory because it does not constitute an ethnic unit. Furthermore, the two dominant peoples are merely parts of the larger masses of Poles and Ruthenians now living beyond the present frontiers of Austro-Hungary.

On the basis of religion, the state would be divided: the Poles are Roman Catholics, while the Ruthenians are Greek Catholics who recognize the pope but foster the rites and language of the Eastern Church.

Poland-Ruthenia would be essentially an agricultural state, but with good prospects for the growing importance of its transit routes.

Transylvania

Transylvania would be the federation's smallest member state, both in terms of area and population. Its area would be 22,318 km², a quarter the size of Hungary and half the size of the federation's new Austria. Its population would be about 2,600,000, approximately half the population of the Yugoslavia shown on the map. The historical arguments for an independent Transylvania are well-founded. For 175 years after Hungary called the Hapsburgs to the throne, Transylvania was independent of Hungary. In the middle of the 19th century, it briefly enjoyed autonomy as an Austrian province. Since 1876, it has been one of Hungary's seven administrative subdivisions.

From the ethnic viewpoint, Transylvania's claim to becoming a member state of the federation are not well-founded. The Romanians are the most numerous, accounting for about 60 percent of the population. A large and compact Hungarian (Szekler) minority is to be found in east Transylvania; the Hungarians account for about 33

percent of the population, and measures will be necessary to guarantee their rights. In addition, there are over 250,000 Germans (Saxons or Swabians) who account for 8 percent of the population. Red dotted lines (No 3) indicate the three Hungarian counties (Krasso, Arad and Szilagy) where the Romanians are in a majority.

Transylvania has valuable natural resources, mainly mineral deposits. At present it is essentially an agricultural state.

1014

Formulation, 'Contradictions' of Constitution Described

25000021a Budapest ELET ES IRODALOM
in Hungarian 9 Oct 87 p 7

[Interview with Imre Szabo, retired deputy secretary of the Hungarian Academy of Sciences and co-author of the Hungarian constitution by Gabor Gellert Kis: "The Ephemeral Constitution"]

[Text] The first written, unified constitution in Hungarian history went into effect 38 years ago. It has been amended and debated many times since; some felt it was too general, others thought it was overly specific.

[Question] The fundamental law of Hungary had many midwives but only a few fathers. Only a few people can claim that they had a close "personal" relationship with the constitution. Please tell me about your personal relationship with the constitution in 1949!

[Answer] I am probably the last person alive who participated in the framing of the 1949 constitution. And yet, I must begin my story by destroying an illusion: in those days they proclaimed—and we concurred—that the 1949 constitution was the first constitution Hungary ever had. This is not true. Hungary always had a constitution, but it was not unified. It is for this reason that in 1949 it appeared as an innovation to proclaim all the constitutional provisions in one document. What need was there for this document? Quite certainly, Matyas Rakosi and the party leadership wanted to have some constitutional support for the regime. They felt that the proclamation of a foundation document, a constitution, would support the regime. But it is equally possible that they wanted to convey the sense of a change in power, i.e. the fact that from their own point of view they were able to achieve total victory. This victory was reinforced in 1949 by conveying the sense of victory in a constitutional document.

[Question] Who were entrusted with the drafting of this document?

[Answer] The idea of a new constitution must have emerged during the spring of 1949—it was in late March, early April that I was informed of having been chosen for this task. There were two of us: Janos Beer, who in those

days worked at the Ministry of Interior, and myself, a member of the legal division of the Ministry of Justice. Both of us were communist party members, familiar with the drafting of laws. At this point, however, I must limit my statement to the effect that the fact of having been chosen to draft the constitution meant a selection, in the strict sense of the word, at most. It did not convey an assignment. We did not receive written instructions of any kind, or something similar that would have stated that we were to "write the constitution." We felt that we were being honored. We were very happy, because there was no more serious and responsible task that could have been assigned to jurists. We were aware of the fact that the drafting of the constitution would require great preparation and that it would take quite some time for us to properly prepare ourselves. Nevertheless we felt that it was a worthwhile endeavor, because within the profession the constitution would be tied to our names. This outcome did not materialize, however, because all the honors were claimed by the Hungarian Workers Party [MDP]. It was the party that laid claim to fathering the idea, and to have been the chief motivator in bringing about the constitution.

[Question] Most certainly, the drafting of a law of this nature is an unprecedented endeavor. How did you begin drafting the constitution?

[Answer] First of all we reviewed the fundamental laws of the neighboring countries, and, above all, we read everything we had access to, including the Constitution of the United States of America. There were some socialist or people's democratic countries which already had constitutions, or at least some constitutional provisions. Hungary was sort of average in terms of timing its constitutional endeavor. Needless to say, we intensely studied the constitution of the Soviet Union, and we adopted many of its provisions, including some substantive provisions. But at the time the actual total transcription of the Soviet constitution did not take place. Following this preparatory period we established a division of labor. Beer wrote the sections pertaining to the state and to political subdivisions, and I wrote the provisions concerning the courts, prosecution, and the citizens' rights and duties. To be sure: Beer had a far more difficult job than I: although by 1949 the national institutions were established and functioning, local government organization was yet take shape. The first part of a law pertaining to local councils was proclaimed only in 1950, and we drafted two laws pertaining to councils as late as 1954.

[Question] Did you receive instructions concerning governing principles?

[Answer] If my recollection is correct the instructions were generalities only. Whenever we talked to one or another politician—and these were primarily communist politicians—they expressed the opinion that we were supposed to write a "socialist constitution." It should contain some achievements, the already accomplished

achievements, and those viewed to be unchangeable, the ones that appeared to be the basic creatures of the new regime. We were to disregard some direct ties that would have linked the party to the constitution. It was the subsequent amendments of 1972 that entered the party into the constitution. Those provisions state that the party is the only party. The original document of 1949 did not contain anything of this nature.

[Question] The period in question represents the waning of the coalition era. In name only, or perhaps in reality, but by all means powerless, there still existed some bourgeois and peasant parties. Did you seek the opinion of those parties during the preparatory negotiations?

[Answer] We did not, but the communist politicians who were invited to participate in the debate over the draft did, by all means. These communist politicians invited and involved the representatives of coalition parties in judging the draft constitution. Thus the Smallholders Party, the Peasant Party and the Radical Bourgeois Party sent their representatives. In the end they too had an opportunity to comment on the constitution, but in today's terms that "opportunity" was very narrow.

[Question] As you mentioned earlier, you received your assignment in the spring of 1949; at that time the drafting of the constitution appeared as a major task. Compared to this expectation, looking at the end results, you spent only four or five months drafting the constitution.

[Answer] And you also have to consider that the party, the ultimate forum in which judgment was passed, held its final meeting on the constitution approximately a month prior to 20 August. That is: by 20 July we were supposed to produce a completed cabinet proposal. I cannot recall the exact composition of the decision-making body. It was not the Political Committee—there were more people there than the membership of the Political Committee. On the other hand, there were fewer people in that meeting than the membership of the Central Committee. I suspect that every member of the Political Committee was present, but in addition they must have invited several MDP leaders, as well as one or two leaders from the other parties. In the end, a rather large group of people—some 40 persons—gathered to judge the proposed draft. For Beer and myself the meeting proved to be a sad experience. There were some politically significant people at the meeting—by no means second echelon individuals: some top level politicians—who sat there with the Hungarian translation of the Soviet constitution in hand. Having listened to each section and each paragraph of our draft they read out loud the corresponding section or paragraph of the Soviet constitution. In each instance they insisted that we change our text to conform with the Soviet constitution. It was in this way that there came about a constitution that was very similar to the then prevailing Soviet

constitution, and we were able to save only a very few of our original thoughts. The Soviet constitution in question was the so-called Stalin constitution of 1936.

[Question] Could you name the individuals who insisted that the text of the Soviet constitution be incorporated into the Hungarian constitution?

[Answer] Perhaps this is not the right thing to do, nevertheless I will tell you. Regarding military, army and defense provisions Mihaly Farkas demanded that we incorporate a literal translation. Similarly, Marton Horvath read out loud much of the Soviet text. And after the meeting, that is after the text of the constitution was approved, Erno Gero summoned us to his chambers. It would be an understatement to say that he saw us before office hours—it was dawn when we were supposed to appear. After consultations with the two of us, Gero sat down at his typewriter and produced the text for Paragraph 53. That paragraph pertained to the arts and sciences that served the people—in general to the intelligentsia that was loyal to the people. It concerned the fact that it was the state's obligation to support these people, and to sustain this kind of activity. At the time we felt that Gero's was a positive contribution, because nowhere else in the constitution was there any mention of the intelligentsia. Looking at it today, however, I must say that Gero's Paragraph 53 had become the most ideologically loaded section of the constitution. It tied both the arts and the sciences, as well as the entire intelligentsia to the official policy line, and to the conditions established by officialdom. Support and sustenance for intellectual endeavors was due only if those endeavors were pursued in the appropriate direction. Gero's paragraph recognized the politically committed arts, sciences and intelligentsia as The Only Arts, The Only Sciences and The Only Intelligentsia.

[Question] For centuries, 20 August was Saint Stephen's day—a Catholic holiday. Why did they choose that day to proclaim the constitution, and as the day on which the constitution went into effect?

[Answer] Timing was an element of coincidence here. We began our work in early spring, and the debate took place in July. It so happened that the final version was completed in August. Other than that, however, every step represented a conscious effort. Rakosi's group not only felt, but deliberately decided that it would be advantageous to exchange Saint Stephen's day for Constitution Day, thereby substituting the new regime's holiday for the national and religious holiday. From that point on Hungarian literature and the press ceased to use the term "Saint Stephen's Day." The term "Constitution Day" was used, and continues to be used in our days.

[Question] Did the fundamental law of 1949, which continues to be in force today, fulfill its mission during the past 38 years?

[Answer] It is difficult to respond to this question. The introductory section, the preamble to the constitution states that the constitution is incomplete, it is more like a program which is far from having been realized. At the same time it is a fact that during the years that followed 1949 certain provisions of the constitution were not applied—accordingly, these provisions were unrealistic. Other than talking about the constitution on every 20th day of August and celebrating Constitution Day, the constitution had no significance whatsoever. In summary then: the constitution did not fulfill its mission. Could it have fulfilled its mission? This is the real issue. The fact is that it did not fulfill its mission, and that in many respects where the constitution required the realization of its principles through the provisions of some subsequent, specific legal provisions, such legal provisions never came about. This way the fundamental law remained an empty declaration of principles until 1972, at which time we produced a new text for the constitution.

[Question] What was the intent behind the 1972 changes?

[Answer] Modernization. We wanted to construct a more modern, more current constitution, one that represents an improvement over the 1949 constitution and corrects its mistakes. Such improvements and corrections did not take place however, not only to the extent necessary, but not even to an extent that would be satisfactory. For this reason it was incumbent upon the National Assembly to adopt several laws that should have been part of the constitution. These laws brought the constitutional provisions somewhat up-to-date. Examples for such laws include the provisions pertaining to the council on constitutional law and the election law.

[Question] Did you receive an award or a decoration at the time you completed your work in 1949?

[Answer] In those days awards and decorations were not fashionable, but one thing is certain: no one ever bothered to say "thank you." They permitted Beer and myself to stand in the corridors of the National Assembly to see Rakosi who happened to pass by on his way to deliver his speech on the constitution. Rakosi's handshake was the only recognition we received.

12995

Exhibit: 'Unusual Trials in Hungarian History'
25000021b Budapest MAGYAR NEMZET in Hungarian 27 Oct 87 p 3

[Text] An exhibit opened last Monday in the exhibition hall of the National Archives, presenting documents pertaining to trials that followed the significant social movements of the Hungarian past. These include proceedings against historic figures, written memorabilia from lawsuits pertaining to family estates and to royal estates, as well as some old and exciting criminal suits.

Located in the castle area, the National Archives' selection is open to the public and includes a few remaining documents from the lawsuits that followed the defeat of Gyorgy Dozsa's uprising, the written memorabilia of the 1735 uprising beyond the River Tisza, Pero's szegedinac uprising, as well as those pertaining to the Kuruc movement. The Jacobinic suits as well as the exciting documents of the 19th Century reform era opposition, i.e. Kossuth and Wesselenyi, received prominent places in the exhibit, as did the trials related to the workers movement and to the struggle against fascism. Among these one finds the 1927 charges against members of the MSZMP, as well as documents prepared by the German Gestapo which transferred Endre Bajcsy-Esilinszky's case to the Hungarian prosecutor.

Another major unit of the exhibit demonstrates political lawsuits against well-known historic figures: from Miklos Zrinyi to Ferenc Rakoczi II., and from the freedom fight of 1848 through the Bach era.

The exhibit concludes with documents related to the great criminal trials in Hungarian history. It will be open for one year. It is located in the National Archives building at Vienna Gate square. Visiting groups should announce their arrival in advance Exhibit hours are between 0900-1630 hours, Monday through Friday, and between 0900-1500 hours on Friday.

12995

Soviet Changes, Effect on Hungarian Cultural Life Discussed
25000013 Budapest MAGYAR HIRLAP in Hungarian 5 Oct 87 p 3

[Article by Laszlo N. Sandor: "Bells"]

[Text] Times are changing, movies, stage plays, and radio programs are changing. Today no one tries to suggest to the Hungarian viewer that he should buy a movie or theater ticket or visit an exhibition because only that way could he learn the characteristics of "our model," the Soviet man, as depicted by the Soviet artist (also our "model"). Our present generation of youth in their teens and twenties cannot imagine that this is how it once was (now no one objects to it more heatedly than the Soviet artist).

The viewer who buys a ticket to one of the current first showings generally knows very well what he is getting, because the conscious person nowadays is looking mostly for cathartic and moving conflicts, similar to ours in the socialist world. For example, the conscious viewer knows (he reads newspapers and watches television) that [film director] Abuladze and the first showing of his already world famous "Atonement" signify the painful intent at self-purification, pregnant with contradictions, of Soviet society. A viewer like that may sense that in following the dark gray scenes of "My Friend, Ivan Lapsin," Aleksei German's black and white film, he is

obtaining artistic information about a uniquely heroic period in which the pure austerity of the revolution has been enriched by a romance-free, naturalistic depiction of the ravishing ruthlessness of the Russian "puritan" and "sans culotte."

It is not necessary at all to try to persuade an informed person like that to see the Russian avant-garde exhibition in the Art Gallery, because he knows that he can now pick long forbidden fruits from the tree of art, and that present day Soviet criticism also enthuses over this forgotten or made to be forgotten direction. The theatergoer who is curious about the program "Unfinished Revolution" at the University Theater is certainly looking for answers to present day questions.

Thus Hungary, too, has a public which is curious about the social self-expression now demanded and achieved by Soviet "glasnost." The interest of this public has intensified, and it is about as large as fills the house for a series of holiday programs, extending over a month.

But we are not doing as well on an everyday basis. It is true that our book and periodical publications—at the price of extremely great efforts—are current with the exciting wave pouring out over the masterpieces of Soviet literature; they put out the novels and narratives which express "the bitter truth" at the same time, it may be said, as the Soviet publishers, or only a little later. Thus in recent weeks there appeared in Hungarian Chingiz Aitmatov's "Scaffold," which appeared last year in a periodical, and now in suitable form for radio, and Astafyev's very controversial short story, "The Sad Detective."

Thus Valentin Rasputin's novel "Fire!" became a valued work in Hungarian cultural life, and the television version of Gubaryov's tragedy "The Sarcophagus," which showed the Chernobyl events, was the result of such efforts.

All this indicates that the expert efforts of the cultural transmitters of Hungarian artistic life—translators, editors, and dramatists—are bearing fruit. They are succeeding by and large in showing the reality of present day Soviet life as the uncompromising and truly revolutionary thinking Russian, Grusian, Latvian, Ukrainian, and Kirghiz writers depict it today, that is, without distortion or veneer.

And still if the writer of this article gives voice to continuous uneasiness and a feeling of want—although there is reason that he should only praise and observe, as one who enjoys art, the outstanding productions, and read good, current works—he puts on a sour face, of course, not because of and against the artistic works, but because he is unsatisfied for their sake.

The critical attitude and journalistic zeal condemned and buried in the beginning has turned against itself, and effectively. This may be ascribed to the fact that scepticism is deeply rooted in the broader public which does not react with animation to the changes in the socialist world. It is difficult to have an effect on this layer, and therefore the viewer or listener may turn the dials of his radio or tv set too rapidly or at a bad time.

The writer of this article saw before an empty hall Rolan Bikov's outstanding film "Forgive Me, Scarecrow," and Aleksei German's "Control on the Roads."

Because of their unforgiving frankness and sympathetic outspokenness both films "lay resting" for years at home. This phenomenon can be explained by the general depoliticization of the public or the abandoning of cinema for the tv that can be viewed in slippers. If Soviet novels, essays, documentary books which were great sensations in the Soviet Union lie on the shelves in storage (together with many Hungarian and Western works), we can include these too, if we want, under the twilight phenomena of the Gutenberg galaxy. But we must not resign ourselves to it. The public cannot be replaced, and we must look in ourselves for the cause of what is wrong. Better and more effective ways and means of dramatization and popularization must be worked out in order that all interested persons (and even those who for the time being are not interested) should understand that Donne's beautiful phrase also applies to the best of the Soviet writers: "I am involved in Mankind; and therefore never send to know for whom the bell tolls; it tolls for thee."

06691/09599

POLAND

Hungarian Foreign Ministry Consultations
26000039g Warsaw TRYBUNA LUDU in Polish
16 Oct 87 p 2

[Text] On 14-15 Oct 1987 consultations between the Ministries of Foreign Affairs of the Hungarian People's Republic and the Polish People's Republic were held in Warsaw on issues of information. Deputy Minister Jan Majewski held talks with the Hungarian delegation lead by Dr Andras Hajdu, director of the Department of Information of the Ministry of Foreign Affairs of the Hungarian People's Republic.

13021

Soviet-Polish Friendship Society War Commemoration
26000039a Warsaw RZECZPOSPOLITA in Polish
12 Oct 87 p 1

[PAP report: "45th Anniversary of the Founding of the Polish People's Army"]

[Text] Moscow—A delegation from the Embassy of the Polish People's Republic in Moscow lead by Jerzy Smolinski, charge d'affaires and minister plenipotentiary,

and Gen Brigade Apoloniusz Czernow, military attache, laid a wreath at the graves of the Polish and Soviet soldiers who died at the battle of Lenino as is done each year. There was a demonstration for Polish-Soviet friendship in front of the museum building. The delegation also laid a wreath at the graves of the Polish officers in Katyn. This same day, the delegation also place flowers at the monument to the Heroes of the Smolensk Area, participants in the struggle against fascism, and at the monument to Lenin in Smolensk. In all of these places representatives of the Soviet administrative and political authorities and of the Society of Soviet-Polish Friendship also laid flowers.

13021

Chinese-Polish Friendship Society Anniversary
26000039e Warsaw TRYBUNA LUDU in Polish
16 Oct 87 p 2

[Text] On the occasion of the 30th anniversary this year of the Polish-Chinese Friendship Society, on 15 October 1987 there was a ceremonial meeting at the Primate's Palace in Warsaw at which Minister Edward Grzywa, chairman of the Executive Board of the society handed out, in the name of the Council of State, state awards to merited activists. During the ceremonies, the text of a congratulatory letter to the society from Minister of Foreign Affairs Marian Orzechowski was read.

13021

GDR 'NEUER WEG' Editors Visit
26000039c Warsaw TRYBUNA LUDU in Polish
16 Oct 87 p 2

[Brief: "Meeting With the Editors of NEUER WEG"]

[Text] On 15 October Kazimierz Cypryniak, secretary of the Central Committee of the PZPR, received the editors of the journal of the Central Committee of the SED, NEUER WEG lead by its editor-in-chief Werner Scholz, who are in Poland at the invitation of the editors of ZYCIE PARTII. K. Cypryniak informed the guests about the current major problems in party work in 1987 and about political and organizational questions in the party's activities after the fourth and fifth plenums of the Central Committee. Igor Lopatynski, editor-in-chief of ZYCIE PARTII participated in the meeting.

13021

Krakow Cultural Circle Discusses Reform
26000039d Warsaw TRYBUNA LUDU in Polish
16 Oct 87 p 2

[Brief: "Meeting of the Krakow Kuznica House of Culture"]

[Text] The second stage of the economic reform is an opportunity and a danger for culture. It is a danger if the world of culture itself does not make any reforms and is reformed by the administration. It is an opportunity, for culture to review the relations between creative individuals and the state benefactor which could lead to a healing of the remaining injuries. These problems were the main topic of discussion on 15 October 1987 at the Krakow Kuznica House of Culture with Andrzej Wasilewski, secretary of the Central committee of the PZPR.

13021

Liberation Theology Advocate Visits Loranc
26000039f Warsaw TRYBUNA LUDU in Polish
16 Oct 87 p 2

[Text] On 15 October Minister Wladyslaw Loranc, the director of the Office of Religious Denominational Affairs, met with Brother Betto (secular name Carlos Christol), a Brazilian Dominican, who is visiting Poland. Brother Betto is known worldwide as the cofounder of the liberation theology movement and author of the popular book "Fidel and Religion." During the discussion, the problems in Latin America were discussed, especially the role of liberation theology in changing the fate of the poorest social groups of that continent, burdened with unemployment and hunger.

13021

Catholic Social Union Supports Reform Efforts
26000039b Warsaw TRYBUNA LUDU in Polish
12 Oct 87 p 5

[PAP report: "The Position of the Polish Catholic Social Union on the Reform and Referendum"]

[Text] The National Executive Board of the Polish Catholic Social Union at its meeting in Warsaw on 11 October 1987, in which the chairmen of the voivodship executive boards participated, familiarized itself with information about the actions of the government and Sejm to implement the second stage of the economic reform, the reform of the center, and the further democratization to life. The participants in the meeting expressed their approval of the position taken in the Sejm debate on this issue by the Social Union's Sejm Deputy Club. The National Executive Board of the Union, in the name of the entire Union, stated that the completion of a thorough reform of the Polish economy is absolutely necessary, as is the further systematic democratization of public life required for

the success of the efforts undertaken. Among the basic principles of the social teaching of the church are that human beings as individuals should be the goal of social life, and all structures and institutions should serve their development. The Board expressed the hope that the reforms undertaken would serve such a goal. The Union also supports the Sejm's decision to call a general referendum on 29 November. Its results, as an expression of society's will, should be a factor strengthening national reconciliation around concrete approved goals.

13021

Lawyers Role in Reform Efforts Viewed

26000039i Warsaw *RZECZPOSPOLITA* in Polish
13 Oct 87 p 2

[Unattributed Report: "Plenum of the Executive Board of the Association of Polish Lawyers: Lawyers in the Second Stage of the Reform"]

[Text] The role of lawyers is solving the nation's most critical problems was the most important subject of discussion during the last plenum of the Executive Board of the Association of Polish Lawyers before the national congress. The plenum was held on 12 October 1987 in Warsaw. In an emotional speech, Doc Adam Zielinski, the president of the association, appealed for making the most important issues for the country and the legal community part of the Association's work. The question has arisen, for example, concerning the place of lawyers in the implementation of the second stage of the economic reform and the announced or implemented changes in political and social life.

13021

Court Ruling On Press Criticisms Explained

26000039h Warsaw *TRYBUNA LUDU* in Polish
12 Oct 87 p 5

[Article by Witold Juchniewicz: "Press Criticism"]

[Text] There are three ways to react to press criticism. The first is to send the editors a proverbial "correction," which rejects all of the charges, and the proof is supposed to be the radiant past of the individual or institution criticized, the importance of the tasks it performs, diplomas, awards, etc. Corrections supported by collective protests of the social and political organizations at the

plant or institution constitute a subgroup of this first way. In a word these contain everything except a specific position on the charges, which are merely dismissed with a reply of "obviously false." The second way is more subtle. It is a polite letter, in which one thanks the editors for their interest which will help in further fruitful work. The journalist, to be sure, took up marginal problems, talked to people prejudiced against the plant or institution, whose undoubted achievements, etc. The third way is ... silence. One reminder from the editors, another, and nothing. Perhaps they will grow tired, perhaps they will forget. The users of the third method of reaction to press criticism, of which there are unfortunately many, seem to make clever use of a gap in the press law. There is no regulation that says what the penalty is for not reacting to criticism. How are the editors to force reaction. But this is an apparent gap. The Supreme Court in response to a legal question from the General Prosecutor issued a resolution on 19 August 1987 (which is legally binding), in which it explicitly stated that the absence of a response to press criticism by the prescribed date is equivalent to refusing to provide information. What are the practical effects of this resolution? As is known the press law requires answering criticism within a month after the addressee receives the critical publication. If the editors have not received such a reply, they can enter a complaint with the Chief Administrative Court, which is to require the recalcitrant party to reply to the criticism. The Supreme Court has explicitly decided the issue. But the issue may not be so simple. The criticized can take advantage of the first two methods presented above and provide an explanation which can be called a reaction to criticism but is in fact no reaction. Unfortunately, there are few who treat criticism as an honest indication of mistakes and help in further work. More often it is a cause for feeling insulted, for reading the charges exclusively as personal attacks with malicious intent. Thus the resolution of the Supreme Court, although important and helpful, will not change the attitude toward criticism. Perhaps, however, there should be another legal press regulation, in addition to the court's resolution, requiring objective, responsible treatment of critical publications. One that would provide for criminal sanctions for blocking and muffling criticism (art 44 of the press law). For what are evasive, false, even frequently insulting reactions or attempts to pass over the entire issue in silence if not blocking or muffling criticism? Perhaps such an interpretation of the press law, although it seems obvious to me, would also require an appropriate interpretation by the Supreme Court.

13021

HUNGARY

Defense Minister Views Effects of Economic Reform on Military

25000011 Budapest *MAGYAR HIRLAP* in Hungarian
18 Sep 87 p 6

[Interview with Ferenc Karpati, minister of defense]

[Text] In the debates on the government's work program it has frequently been stated that it should seek all those possibilities which will moderate public expenditures and which, in addition to the reduction of private consumption, will cut back, for example, on administrative and other costs. The view is also expressed that in this situation we ought to search for more rational means of using the funds committed to defense, or for opportunities of holding them in check.

Before I asked Ferenc Karpati, the minister of defense, about these matters, I thought of a fact which may not be so closely linked to this problem—but still is related.

[Question] One hears of late from those in the know in the military that the spirit of debate has also grown in the army. As in other strata of society there is a great deal of talk about the need for changes in the tax system, its effects, and about price increases and the living standards of career soldiers. What do you think of all this?

[Answer] The Hungarian Army is a part of Hungarian society and therefore also of public thinking. Naturally it shares in its fate, and our soldiers are also occupied by the same thoughts and concerns as the citizens in civilian life. We also have many unanswered questions, and it is true there are many debates. I regard this as natural. As well as the fact that we must answer these questions with the help of those principles and arguments which are now playing a role, for example, in debates of the National Assembly. As I see it, it will be no simple matter or a short-term task. But I regard it as very important that we give reassuring, detailed answers to all questions, and we are preparing ourselves to do this. As for the other aspects of your question, unfortunately the price increases and the developments expected for next year will also be a burden on career soldiers because as it is well known they are not among the high income earners, and they are not allowed to take a second job. But in this respect also we must face up to the economic situation as it is.

[Question] As for our present situation, does not the shortage of revenue sources, due to a poor economic performance, give incentive for us to reduce expenditures in the maintenance and development of our defense capabilities? Would it not be possible for the military to get along with less money?

[Answer] Today we must carefully consider how much we spend and on what. This is also true of the military, for we are also affected by the consequences of the

economic situation. The higher organs, the government, require us to manage our budget more strictly—and there the areas where we can make wiser and more rational use of the money made available to us—and we are striving to do this. But we are fulfilling the pact and cannot ignore the fact that the forces confronting us are continually and rapidly modernizing their armaments. Therefore we are doing everything necessary to maintain our defense forces, and, as the times dictate, to develop them as well. Accordingly, to answer the question, we must start out from the direction taken in Europe by NATO and what is at its disposal. We must always be capable of offering appropriate preparedness and strength. Unfortunately, the time has not yet come for the balance of power to stabilize at a lower level. We have seen that NATO is stepping up the volume and improvement of its traditional arms, and therefore we have no possibility or right to cut back on our own efforts.

[Question] Hungary is doing a great deal in its foreign policy for detente and peaceful coexistence. Will this manifest itself also in military policy?

[Answer] Yes, we maintain close relations not only with our allies but also with our given international partners. For example, this year a delegation of the Swiss headquarters staff visited Hungary—never in our history have we had such high-ranking members of the Swiss military in our country. Last week we welcomed the chief of staff of the British land forces, and several days ago I was visiting in Austria. That is, we are continuing the dialogue in our military policy as well, and in many questions we have identical views. But in respect to the question whether the time has come for a reduction in armaments we have not yet been able to arrive at a common denominator with our discussion partners.

[Question] Let us change the subject and turn back to economic questions. Nowadays we see more soldiers working on the streets, on building construction, the laying of mains, and so on. Why?

[Answer] There is a tradition behind it, and we organize this activity with the idea that our enlisted men should help in building work; and in production; on the other hand, they should acquire skills which are also needed by the army. Our engineering outfits work for the most part in areas where there are manpower shortages in the economy, and thus they help in the solution of tasks at sensitive points. Of course, I could envision fewer soldiers working, but it must be acknowledged that if the economy needs such activity to this extent, then we have the corresponding obligations. Let me add that almost every outfit also supplements its own provisions—it raises livestock, grows vegetables, and so forth. These contribute in a practical way to the soldiers' supplies, and undeniably have a cost-reducing effect. In this way as well, the army costs less for society.

06691/09599

POLAND

New Helicopter Model Planned

26000783c Koszalin GLOS POMORZA in Polish
27 Jul 87 p 2

[Article: "Five Thousand Mi-2s From Swidnik"]

[Text] The country's only helicopter plant, WSK in Swidnik near Lublin, released the 5,000th Mi-2 helicopter produced there. The Mi-2 has been produced at Swidnik on a Soviet license for 22 years now in different versions with constant modifications to modernize it.

Let us remember that the Kania is also being currently produced alongside the Mi-2 helicopter. The Kania is a fundamentally modernized version of it with engines and flight instruments produced in the West. The prize-winning Sokol is also in production. It received a gold medal at the recent Poznan International Fair and is the first Polish helicopter of our own design to enter serial production. At the same time, the Swidnice designers are working on another model, and the scaled-down flying model is already finished. This will be a small four-place executive and training helicopter and will have a turbine engine.

10790

Radom Governor Rates Dual Military, Civilian Roles

26000783a Warsaw ZOLNIERZ WOLNOSCI in Polish
13 Aug 87 p 3

[Interview with Radom Voivodship Governor Col Engineer Aloyzy Wojciechowski by Lt Col Ireneusz Tulowiecki: "I Do Not Regret the Choice"; date and place not mentioned]

[Text] [Question]: Five of the present voivodship governors are men in uniform. Col Tulowiecki, you have this position in Radom Voivodship. What sort of voivodship is it?

[Answer]: To be brief, it is average. With a population of 700,000, we are 13th nationwide, and our 7,005 square kilometers make us 14th in terms of area. In terms of local administrative bodies, we are in the lead. We have 63 councils, and this is a very great many. Industry is interesting, unique sometimes. For example, we are the only producer of sewing machines and telephones. Factories like "Radoskor," the Gerlach plants known for 160 years, the very popular Radom paper factory, and a cement plant are all in our voivodship. The largest hard coal electric plant operates in our area and produces 2,600 megawatts. This is as much as the entire Polish power industry had before the war. Above all, however, we are the largest orchard in Europe. We have 40,000 hectares of apple trees alone. Last year we have half a tone of fruit. We have developed our processing base.

For example, we built a new Hortex plant in Przysuza, and 90 percent of its production goes for export. The rest of agriculture is dispersed. There are few state farms, but 110,000 private farms.

[Question]: This is the 6th year of your term. It is unlikely many of your peers can boast such position and experience, especially since it started during a time of martial law.

[Answer]: This is the first time there has been martial law since the founding of our socialist state, so I had no models. In addition, I was not very familiar with the voivodship. How could I be? The same is true of working of the state administration. I had to learn all these things. Later a great deal happened in a short time. The laws on the people's councils changed. Another system of administration had to be introduced into the local economy. During this time there were elections to the Sejm and the people's councils. Then PRON came into being, and the new trade unions began to operate. All this was bound to produce experience, especially since I was entrusted with such great responsibilities. As chairman of the Voivodship Defense Committee, I was entrusted with military functions, and as an executive body of the people's council, with civil duties. I serve in both of these capacities today. At that time this forced me to alter my mind set and way of operating.

[Question]: The Ninth Party Congress certainly must have had an impact too. You were a delegate to it.

[Answer]: I was an extraordinary delegate from the army at it. By the Tenth Party Congress I came as voivodship governor. Both of them taught me a great deal.

[Question]: How does it feel to become voivodship governor?

[Answer]: The nomination came as a great surprise to me. I did not expect it, especially since I was so good for me to be working in the voivodship. I had an interesting position. I accepted the nomination as an order, simply as a soldier would. I did not ask: Why me? Why in this voivodship? For how long? I did not ask these questions during the talks of 14 December 1941. But then, after all, nobody knew now the situation would develop. But a soldier does not choose his place.

[Question]: So it was a period with plenty of new problems. What was the most important one at the time? Was there sufficient skill during this difficult time?

[Answer]: Without false modesty I can say that I have a great deal of military experience. In 1948 I graduated from the tank school in Poznan. And I have been active in the party, the PPR at first, since 1946, so I also have a great deal of party and organizational experience. During these 40 some years I have held different positions of service. This was also why I knew where to begin working in the present position too. During the first few

days, the trains for Kozienice were the most important matter. The gravity of the situation was increased by the fact that the electric power plant had coal for only a day and a half. Remember that this was December, and so it was cold, below freezing. In addition, it was just before Christmas. The shops were nearly empty. You had to think about supply, about commerce. That was the second thing. The next thing was the whole municipal infrastructure before winter: the problem of heating, water, road conditions, and transportation. These problems had to be resolved immediately. There were plenty of difficulties, even just with the basic element, coal. Everyone knows how some of the mines were operating at that time.

[Question]: We know from experience that the problems were resolved. What is the executive apparatus of the voivodship governor?

[Answer]: Seemingly large, 26 departments in the voivodship office. I myself run several directly, including the departments of planning, finance, personnel, management, internal affairs, and auditing and control. The rest are under three deputy governors. They include the departments of culture, education, public health, industry, construction, and commerce. Therefore the machinery appears large, but the problems are also extensive and important. After all, there are enterprises directly subordinate to the deputy governors as well, all the general construction enterprises, reclamation enterprises, and all the state farms and mechanized farm service enterprises (POM). This in addition to the above-mentioned 63 administrative units within our borders.

[Question]: The effective handling of all these matters must require that a governor have the right working style.

[Answer]: My way of working has changed during these 6 years. At the beginning I adopted a somewhat military style, which I changed as time went by, because not all military methods transfer well to the civilian area. For example, in the military a commander usually makes his decisions independently. Here consultations are necessary, although the voivodship governor ultimately bears responsibility for decisions, particularly inasmuch as he plays a dual role, one as the executive of the people's council and the other as the local government representative. Another thing about style is that I am not in favor of long briefings, meetings, or so-called "sit downs." I try not to call supervisors in, but set up teleconferencing instead. Besides that, I spend a great deal of time in the field.

[Question]: How often?

[Answer]: At least two or three times a week. Mostly in the parishes (gminas), plants, and schools. I drop in everywhere, in shops, the health service, the preschools.

[Question]: That must be a military habit.

[Answer]: Well, that is just something about me, a predisposition I have. Although I realize that this is not any sort of audit. It is simply that my visiting a parish, a town, or an office gets people moving. In talks with people I hear the problems bothering them, problems that a voivodship governor might never learn about in any other way. I also use what are called civilian tribunals in the voivodship.

[Question]: I never heard such a term before. What does it involve?

[Answer]: We have comprehensive monitoring, for example, of the parish offices. We audit all the issues included in the plan. After such an audit, once the report is finished, we inform the residents that the governor is coming to the parish and that all interested citizens are invited to meet with him. During such a meeting I show them the report from the audit, and then I listen to their assessment of the audit and the result. Each person can have his say about the audit and about other matters concerning the parish. The statements and questions during such tribunals vary. The assessments are sometimes extreme, but they also provide certain suggestions. Citizen attendance at these meetings is very great.

[Question]: That is one rather interesting form of work for a governor. And others?

[Answer]: If need be, there are also briefings. There are also accountings of tasks carried out, a little like in the army. Some people think that I am bound too much by principle, that I adhere too rigidly to certain notions, but I think that we can discuss things while we are planning the assignments, but once we approve a plan we must carry it out absolutely, without stopping to reconsider whether we can eliminate some parts of it. I am open to discussion before a decision is made, but I stand on principle while it is being carried out.

[Question]: Do many [parish] administrators change?

[Answer]: Each year there is a turnover of 25 percent. I replace one-fifth of them. The rest resign on their own. They find a better job, one with better pay and less responsibility, and therefore less stress. Alongside this, we have no housing in the parishes for the administrators, and today this is an extremely important factor. The turnover in personnel is therefore great.

[Question]: What sort of problems are being presently worked on in the voivodship?

[Answer]: First, the construction of a hospital complex with 1,100 beds. The investment is necessary and at the same time very capital-intensive. This cannot be done in 2 or 3 years. The next thing is the theatre. We are finishing its construction. The next thing is that we have begun to build an electric power plant in Radom. This is the be or not to be of housing. The next installation, a huge investment, is a sewage treatment plant. Next, the

Radom railway stations, which we have undertaken. We still see a great deal to be done, but it is not possible to do everything at once. Although in addition we are turning out new neighborhoods, and along with them the schools, clinics, and libraries that were forgotten in the plans for them somewhere along the line, still people are aggravated over the fact that it is taking too long, and I am personally aggravated too. Because of this I am not fully satisfied with what I am doing.

[Question]: Colonel, what do you consider to have been your greatest success as governor?

[Answer]: There have been several. First, we have the prospects for housing construction. The construction of the electric power plant gives rise to this. There would be no housing without it. The construction of thermal plants has no meaning for this construction. It was not easy to introduce investments of 20 billion into the plans and find a contractor. The investment, which is being carried out by Beton-Stal, is going very well, although it is not without problems. But housing construction is more than the problem of heat and power. There are also the problems of water and sewers. But we have just about resolved these three things. The second great issue is culture. Never has so much been done on behalf of culture as in the last period. Here are examples: We completely remodelled the Kochanowski museum in Czarny Las. We are finishing the theatre in Radom. We made a Skansen museum in a Radom village. We set up a very nice House of Culture in Zwolen. Radom and the voivodship have a great many landmarks and many objects of culture related to modern history and times past. We are taking great care with all of them. They are of concern to us, although we cannot do everything at once. We are therefore surprised by some criticism on this subject in the press, in ZYCIE WARSZAWY, for example. The third thing is public health. We are extremely pleased with the completion of construction of the voivodship hospital.

[Question]: What has not been satisfying?

[Answer]: We have still not fully resolved the environmental health problem. For example, the Kozenice thermal electric plant, which is poisoning our forest. The rivers are getting worse and worse. We are thinking about this. We are doing what we can, but we are employing half-way measure, and even they are costing us a good deal.

[Question]: Is there cooperation with neighboring voivodships?

[Answer]: Of course. The greatest cooperation is with Kielce Voivodship, which is entirely understandable. Certain institutions operating in two or three voivodships have their headquarters in Kielce. Take, for example, the PKS, CPN, Regional Directorate of Public Roads, House of the Book (Dom Ksiazki), and Fishing Center (Centrala Rybna). This came into being after the last administrative division took place.

[Question]: Does a governor know how his superiors judge his work?

[Answer]: I am convinced that the rating is high. This is shown by the fact that I am part of the governors' senate, the body that advises the premier. There are 14 governors on it. I am now serving my second term on it, and this is undoubtedly proof of great trust. During various sorts of meetings, superiors convey their approval for the achievements of the voivodship. This is therefore testimony to my work too.

[Question]: Col Wojciechowski, perhaps in closing you will say something about the principles by which you are guided in life, something about yourself personally, about your family.

[Answer]: First of all, people have to be trusted. Second, you cannot do everything yourself. Next, do not take responsibility away from others. I learned this from life, and I will say a few words about it. I am of Poznan stock. I was born 60 years ago in Zbaszyn. From age 14 I worked hard during the occupation. After the liberation I went into the military and at the same time entered ZWM. I did my secondary diploma under the accelerated program. Then I went into the tank school, graduating in 3 years and later becoming assistant to the school's commandant. From there I was transferred to the Main Political Administration. During the stormy 1950's I left at my own request and, after passing the entrance examinations, began studying at the Military Technical Academy. After an internship in a line unit, I returned to Warsaw, to the tank technical administration. Then in the Tank-Truck Service I served in various positions, right up to deputy to the chief of the service. From there I was given the position of governor of Radom Voivodship. My wife is a specialist in Polish language and literature. My daughter is in journalism, and my son-in-law is an scientist at the Agricultural Academy. Because of the children and grandchildren, among other things, we did not move from Warsaw to Radom, especially since we do not know how much longer I will be governor. You could say that I have had a rich life, although both my military career and the road to my present position have been rather strange. I do not regret having decided to become governor, having agreed to these duties, although I was given the choice.

[Question]: Thank you for the interview.

10790

CZECHOSLOVAKIA

July 1987 Economic Results Summarized

2400004a Prague HOSPODARSKE NOVINY in Czech
28 Aug 87 p 2

[Article by Eng Marie Hurmannova and Eng Alena Polakova, Federal Statistical Office]

[Text] Most of the fundamental indicators of the enterprise economy slowed their growth rate in July in comparison with the first 6 months of the year. In terms of both individual indicators and individual enterprises plan fulfillment records for July varied greatly.

After 7 months the following percentages of annual targets had been met: in industry the annual target for goods produced and volume of gross output had been met at a 57.1 percent level; construction had fulfilled 55.3 percent of its target for construction work completed by internal employees; some 57.7 percent of the target for slaughter livestock (including poultry) procurement had been met. The retail trade turnover of the main commercial systems had reached 55.1 percent of its target (current prices). Exports in all charges paid prices stood at 55.1 percent of their annual target and imports in all charges paid prices at 53.1 percent. At the same time by the end of July 57.9 percent of the working days of the year had passed, the same percentage as last year.

Industry succeeded in July in fulfilling its target for goods produced at a 100.3 percent level. On the other hand neither the adjusted value added target or gross production targets were fully met.

For industry as a whole adjusted value added targets for July were met at a 99.9 percent level, even though more than 30 percent of all industrial enterprises failed to meet their planned objectives in this area. These enterprises alone accounted for a shortfall in terms of the plan of Kcs 3.4 billion. When compared to adjusted values added for January-July last year, this year's figure increased by 3.7 percent (while the plan for the current year projected an increase of 5.4 percent).

Likewise, while the plan for goods produced was met for the 7 month period at 100.7 percent level more than 25 percent of all enterprises failed to meet their own targets. The plan thus fell short of its requirements for goods by Kcs 3.2 billion, which only deepened our structural problems in sales.

Enterprises engaged in timber processing and in light industry recorded especially poor performance for the January-July period. Fuel and power and machine building enterprises for the most part exceeded plan targets, even though performance records differed widely in the fulfillment of basic indicators.

Labor productivity for industry based on adjusted value added increased by 3.6 percent over the same period a year ago. Labor productivity based on gross output for July remained at the same level as 1 year ago, but grew by 2.4 percent over 1986 levels for the January-July period (the state plan called for an increase of 1.2 percent for the year). There is still great potential for reducing costs.

The production plan for important industrial products in physical units was exceeded in all categories for the January-July period. For the 7 month period a total of 49.4 billion kilowatt hours of electricity was generated (57.6 percent of the annual plan); 15.2 million tons of bituminous coal was mined (59.9 percent of the annual plan); 57.6 million tons of brown coal and lignite was mined (59.4 percent of the annual plan); 5.8 million tons of pig iron was produced (59.3 percent of the annual plan); and 9.2 million tons of raw steel was produced (59.6 percent of the annual plan).

In sales of industrial products plan targets for selected products were exceeded in the January-July period. Of the organizations for which individual sales targets were set to monitor plan fulfillment more than one third (36.4 percent) failed to meet delivery targets for the January-July period of goods for nonsocialist countries, and almost one half (48.6 percent) failed to meet sales targets for production consumption and operations.

The construction sector overfulfilled its July targets for adjusted value added and construction volume. The volume of construction work completed using internal employees reached in July Kcs 8.8 billion, an increase of 4.7 percent over July figures from last year. Despite this overall overfulfillment of July targets, at the end of July more than 36 percent of all construction enterprises had not met their July targets, and more than 56 percent of all construction enterprises had not kept pace with their targets for the January-July period.

Problems persist in construction in meeting targets for the planned reduction in materials costs as a percentage of output. Labor productivity based on construction volume has yet to reach the growth rates set for it by the annual state plan. Even though the labor productivity figure increased for this July by 4.4 percent over the number for July 1986, the increase for the first 7 months of the year was only a paltry 0.6 percent over 1986 figures. The state plan had projected an increase of 1.2 percent for the year. Labor productivity based on adjusted value added was somewhat lower than 1 year ago for the January-July period.

Construction firms completed 15,018 apartment units for national committees in the January-July period. This figure was 21.1 percent lower than for the comparable period last year. Nevertheless this figure fulfilled the target for this year for this time period at a 100.7 percent level.

In the agricultural sector, the timed procurement target for July for basic livestock products was underfulfilled. In particular procurement of slaughter poultry was 92.2 percent of the target amount, milk procurement 98.8 percent, and slaughter hogs 99.8 percent of the target for July. On the other hand the target for egg procurement was overfulfilled by 7.2 percent. From the start of the year the targets for the timed procurement program have been met for all products except slaughter hogs.

In July the public freight transportation system moved 55.8 million tons of goods, a 3.2 percent decline from last year and only 97.8 percent of the target for July.

Between January and July 360.7 million tons of goods were transported, 3.8 percent less than for the January-July period of 1986. Freight traffic on the railways was 4.0 percent lower, road traffic 3.6 percent lower, and river transport 2.3 percent lower than last year.

Average daily loading levels declined by 3.1 percent in vehicle units. The average turnaround time in days for vehicle units stretched to 4.33 days, while the plan for July set a target of 4.03 days for this indicator.

The rapid increase in the retail trade turnover in organizations of the main trade systems continued in July. Retail trade turnover for July was 4.3 percent ahead of last year, which fulfilled this year's plan target at a 102.5 percent level. Almost all organizations in the main trade systems significantly overfulfilled their targets in July. Only the Fruit and Vegetable Stores failed to fulfill their plan targets (98.5 percent fulfillment).

Between January and July retail trade turnover in the main trade systems reached Kcs 144.4 billion. This is 2.8 percent ahead of last year, well ahead of the planned increase for 1987 of 2.0 percent. The greatest contributions to this performance are being made by Department Stores and Appliance Stores. The plan for retail trade turnover for the main trade systems for the January-July period was fulfilled at a 100.9 percent level. The only plan targets that remained unmet were those of the Fruit and Vegetable Stores and those of consumer cooperatives.

The growth rate of foreign trade also declined last month. Even so, exports and imports with the exception of imports from socialist countries) are growing faster than projected by the state plan for 1987. By the end of July we had fulfilled 56.3 percent of our export target to socialist countries, and 52.5 percent of our target for exports to nonsocialist countries. For imports we had met 54.9 percent of the target for imports from socialist countries and 49.2 percent of the target for imports from nonsocialist countries by the end of July.

As of 31 July 1987 the money supply stood at Kcs 60.8 billion, Kcs 2.7 billion larger than it was at this time last year.

Basic Indicators of National Economic Development for July 1987. Percentage Increase Compared with Same Period Last Year

	July	January-July	State Plan
Deliveries of Centrally Managed Industries For:			
Domestic market			
in wholesale prices	*	3.1	*
in retail prices	*	2.1	*
Exports to socialist countries			
in wholesale prices	*	4.9	*
in FBO prices	*	4.4	*
Exports to nonsocialist countries			
in wholesale prices	*	1.1	*
in FBO prices	*	-4.6	*
other sales for industrial production and other operations at wholesale prices	*	2.3	*
Volume of industrial production	0.1	2.5	1.9
Average number of employees	0.0	0.1	0.7
Labor productivity based on industrial production	0.0	2.4	1.2
Construction			
Construction work performed with internal labor resources	4.7	1.4	2.6
Average number of employees	0.3	0.9	1.4
Labor productivity based on construction work	4.4	0.6	1.2
Housing units delivered by contracting enterprises to national committees	51.3	-21.1	7.0
Procurement			
Slaughter animals (including poultry)	-1.2	1.8	-0.2
milk	-3.6	-0.3	-2.4
eggs	-3.5	-3.2	0.2
Retail Turnover of the Main Trade Systems	4.3	2.8	2.0
Foreign trade	*	4.2	2.0
Exports to socialist countries	*	4.2	2.0

Basic Indicators of National Economic Development for July 1987. Percentage Increase Compared with Same Period Last Year

	July	January-July	State Plan
Exports to nonsocialist countries	*	0.0	-2.4
Imports from socialist countries	*	-1.2	-1.0
Imports from nonsocialist countries	*	8.1	5.1

09276/09599

August 1987 Economic Results Summarized
2400005a Prague HOSPODARSKE NOVINY in Czech
25 Sep 87 p 2

[Article by Eng Marie Hurmannova and Eng Alena Polakova, Federal Statistical Office: "August 1987"]

[Text] The problems in fulfilling the plan for adjusted value added in industry and in construction continued last month. Moreover, the performance after 8 months in this area indicates that the annual state plan target will not be met, because too much ground would have to be made up in the final 4 months of the year. Nor were production targets for basic sectors of our economy always fulfilled in August. Individual enterprises continue to fulfill planned tasks unevenly. The above situation has developed despite the fact that the time spent at work both in August and from the start of the year to the end of August has been the same as last year.

By the end of August industry had fulfilled 65 percent of its annual target for both gross output and the production of goods. The volume of construction work performed by internal employees stood at 64.2 percent of the annual state plan target, slaughter animal procurement (including poultry) at 65.9 percent, retail trade turnover for the main trade systems at 63.6 percent, total exports (all charges paid prices) at 61 percent and total imports (all charges paid prices) at 60.5 percent. At the same time by the end of the 8th month 66 percent of the work days of the year had been completed.

The industrial sector neither fulfilled its adjusted value added target for August, nor has it fulfilled its target in this area for the period from the beginning of the year through the end of August. The problems lie mainly in the ministries of industry of the CSR and SSR, in general engineering, and also in the electrotechnical industry.

Overall, industry had fulfilled its targets for adjusted value added from the beginning of the year through the end of August at a 99.4 percent level. More than 38 percent of all industrial enterprises, however, had not fulfilled their plan for adjusted value added by the end of August, with the figure for some sectors reaching 50 percent of all enterprises.

In comparison with the same period last year adjusted values added are higher this year by 3.8 percent in industry (a total value of Kcs 194 billion). The state plan, however, projected an increase of 5.4 percent. Planned production targets were not met in August by industrial enterprises. The August plan for production of goods was fulfilled at a 98.1 percent level, and the plan for gross production at a 98.2 percent level.

Labor productivity in industry, based on adjusted value added, increased from January through August by 3.7 percent, and based on gross production by 2.5 percent (with the August increase 2.8 percent).

Plans for the sale of industrial output were not fulfilled for the 8 month period in terms of deliveries for export to nonsocialist countries. Targets in other areas were overfulfilled, especially for exports to socialist countries. In this area as well there is considerable unevenness from enterprise to enterprise in how well they met these targets.

In construction the economic plan for adjusted value added was fulfilled at a 98.1 percent level for the 8 month period. More than half of the construction firms, 136 to be exact, failed to fulfill their plans for this period.

In comparison with the same period last year the volume of adjusted value added increased in construction by 1.5 percent. The state economic plan projected an increase in 1987 of 5.4 percent over 1986 figures.

On the whole, construction enterprises fulfilled August targets for construction work performed by their own employees at a 100 percent level, although some 40 percent of the enterprises in the sector did not meet their own production targets. Compared with the same period last year the volume of construction work performed by construction firm employees increased by 4.3 percent.

For the January through August period the state plan for construction work was fulfilled at a 98.9 percent level, although some 60 percent of the enterprises did not fulfill their targets. The increase in construction work performed by enterprise employees, which has increased 1.8 percent over the same period last year, is still short of the target level of 2.6 percent set by the state plan.

By the end of August, 18,035 apartments had been completed for national committees. This is 16.7 percent lower than the number at the same time last year, while the annual plan had called for an increase of 7.0 percent over last year's figures.

The timed procurement plan for main livestock products had been exceeded by the end of August for all commodities except slaughter hogs. Procurement targets for slaughter hogs were also not met for the January through August period. These targets were overfulfilled for all other livestock products, most notably for slaughter cattle (overfulfilled by 6.5 percent) and for eggs (by 3.5

percent). In comparison with the January-August period in 1986, this year an additional 2.2 percent of slaughter livestock has been procured (22,700 tons). Milk procurement was down by 15.1 million liters (0.3 percent), and egg procurement was down by 55.8 million units (2.8 percent).

Public transportation increased this past August over August 1986 by 2.3 percent (2.1 percent for the Czechoslovak Railways (CSD) and 2.4 percent for Czechoslovak Automotive Transport (CSAD)). The plan for transporting goods was fulfilled at a 101.6 percent level (102.1 percent for the CSD and 101.8 percent for the CSAD). Nevertheless, over the January-August period public freight transportation declined in comparison with the same period a year ago by 2.9 percent (a 3.0 percent decline for the CSD, a 2.9 percent decline for the CSAD, and a 1.5 percent decline for river transport).

Plans for January-August 1987 for public freight transportation was fulfilled at a 97.1 percent level (97.1 percent for the CSD, 97.3 percent for CSAD, and 94.5 percent for river transportation).

Average daily loadings in vehicle units declined by 2.2 percent. The average circulation period for vehicle units in days increased by 5.1 percent, averaging 4.32 days for January-August (the plan projected 4.03 days as the target).

Domestically, retail trade turnover for the major trade systems reached Kcs 22.2 billion in August, a 4.0 percent increase over last year. This represented fulfillment of August targets at a 101.4 percent level. Supplies improved in August and sales picked up, particularly sales at fruit and vegetable stores. Retail trade turnover at these stores was 19.4 percent higher than the same period last year, allowing these stores to fulfill their August targets at a 110.4 percent level. August sales targets were met in virtually all organizations of the main trade networks, with the exception of consumer cooperatives (99.3 percent fulfillment).

For the January-August period retail trade turnover in the main trade systems increased by 3.0 percent over the same period last year. This growth rate was 1.0 percent ahead of plan targets for 1987.

The plan for retail trade turnover of the main trade systems for January-August was fulfilled at a 101.0 percent level, with the plan for consumer cooperatives underfulfilled for the same period.

In foreign trade August saw a slowing of the growth rates of recent months, especially in exports to nonsocialist countries. For the January-August period exports to both nonsocialist and socialist countries, and imports from nonsocialist countries all increased at rates in excess of plan projections. By the end of August we had fulfilled 62.4 percent of our annual target for exports to socialist countries, 57.9 percent of our annual target for exports to

nonsocialist countries. The figures for imports were 62.8 percent of the annual target for imports from socialist countries and 55.7 percent of our targeted imports from nonsocialist countries.

As of 31 August the money supply had reached Kcs 62.6 billion. At the same time last year the figure was Kcs 59.5 billion.

Basic Indicators of National Economic Development, August 1987. (Percentage Increases Compared With Same Period Last Year)

	August	January-August	State Plan
Centrally Managed Industry:			
deliveries for:			
domestic trade			
in wholesale prices	*	2.9	*
in retail prices	*	1.6	*
exports to socialist countries			
in wholesale prices	*	4.2	*
at FBO prices	*	3.5	*
exports to nonsocialist countries			
in wholesale prices	*	0.8	*
at FBO prices	*	-3.4	*
other sales for industrial production and other operations at wholesale prices	*	3.1	*
volume of industrial production	2.9	2.6	1.9
average number of employees	0.1	0.1	0.7
labor productivity based on industrial production	2.8	2.5	1.2
Construction			
Construction work performed with internal labor resources	4.3	1.8	2.6
Average number of employees	1.0	0.9	1.4
labor productivity based on construction work	3.3	0.9	1.2
housing units delivered by contracting enterprises to national committees	25.9	-16.7	7.0
Procurement:			
slaughter animals (including poultry)	5.0	2.2	-0.2
milk	-0.5	-0.3	-2.4
eggs	0.4	-2.8	0.2
Retail trade of the main trade systems	4.0	3.0	2.0
Foreign Trade:			

Basic Indicators of National Economic Development, August 1987. (Percentage Increases Compared With Same Period Last Year)

	August	January-August	State Plan
exports to socialist countries	*	4.6	2.0
exports to nonsocialist countries	*	0.0	-2.4
imports from socialist countries	*	-1.4	-1.6
imports from nonsocialist countries	*	6.2	5.1

09276/09599

Law of Values Expressed as Price Under Restructuring

24000004d Prague RUDE PRAVO in Czech
18 Sep 87 p 4

[Interview with Dr Frantisek Vencovsky, candidate for doctor of science, prepared for publication by Jiri Kohout: "The Law of Value in Economic Restructuring"]

[Text] Economic restructuring has revived the discussion of the function of the law of value in a socialist economy. We asked Dr Frantisek Vencovsky, candidate for doctor of science, who has conducted many years of research on the function of the law of value and on value relationships in a socialist economy to comment on some of the most frequently asked questions in this area.

[Vencovsky] Let us recall just what the law of value states. The exchange of goods happens in accordance with the amount of socially necessary labor expended in their production. This above all means that through this law the prices of goods gravitate to their value. This is the case in every socio-economic entity that has goods production, and therefore implies that the law of value and value relationships are not specific to capitalism, but to every economy that produces goods. This includes a socialist economy, at least at the current stage of its development, and is confirmed by actual socialist construction. This process of value creation cannot be "rubbed out." We cannot pretend that it does not exist. There is absolutely no ground for thinking that a socialist economy might function without value categories, without money, without prices, without credit, exchange rates, foreign currency, costs, or revenues. These are all categories of value and as a rule are also important mechanisms of planned management as currently practiced.

[Question] Misunderstandings concerning the functioning of the law of value under socialism may arise in part because we have a clearer understanding of value relationships in a capitalist economy than under a socialist social order.

[Answer] There are two reasons for this. The first is the objective one that capitalism has been developing for a much longer time than socialism, and the subjective one which is our level of knowledge of economic laws.

Economists were studying the value relationships within capitalism prior to Marx. Marx analyzed in a precise, scientific way, the value relations of capitalism of free competition. Lenin concerned himself with the main differences in the functioning of these laws under current, imperialistic capitalism. It is also of note that the value categories: money, goods, credit, profit, and others, are the subject of study by numbers of non-Marxist economists. We can take advantage of their specific contributions. It is in this sense that we really do have a much better picture of the functioning of categories of value in a capitalist society than we have of their impact on our immediate environment.

[Question] Why have value relationships and the law of value under socialism been of only peripheral interest to economists and economic policy makers for so long?

[Answer] These are questions which only gradually came to the fore during socialist construction. Moreover, they had no clear precedent from the past. Attention came to be focused firmly on them only in conjunction with the need to shift socialist economic development onto an intensive path. This happened only recently. Even though it happened more than 20 years ago, this is a relatively short time in the evolution of a theory.

Socialist economies developed extensively for a long time in all countries. The planned management system focused mainly on materials balances and proportions, an attitude that, by the way, suited the entire orientation towards economic development. Simpler mechanisms were sufficient for effective management: materials balances breakdowns and annual indexed increases in plan targets. The utilization of money, prices, exchange rates, interest rates, and other value categories and mechanisms of planned management were in the background.

At the same time there is neither a theoretical nor a practical reason why socialist planning and management should not use value mechanisms. Quite the contrary, we must assure that they achieve their proper place in socialist planning and management, so we can make active use of the possibilities that they offer for the effective management of economic and social processes.

[Question] At our current levels of development, what is the proper place for value categories and mechanisms of management in the economic mechanisms of socialist society?

[Answer] The concept of restructuring in this country, as well as in the USSR, rests on two pillars: There must be a strengthening of centralized planning and management

in the area of strategic planning, and there must be an increase in the authority, responsibility, and also incentives for economic entities to reach these objectives.

This is related to the main problem of restructuring, namely how to regulate the relationship between a new strategic role for the center and significantly greater independence for enterprises, so that both will operate in the national interest.

The only way to resolve this question is through a wider application of the law of value, categories of value, incorporating them into the formation and mainly the implementation of the state plan. This will be the major change from the current mechanism governing the relationship between the state plan and the enterprise, cost accounting sphere. Value relations are placed in the service of a new concept of the state plan. Without value relationships it would be impossible to make the transition to an intensive development mode. Full cost accounting is based directly on the use of value relations.

[Question] Where today is the main problem in introducing value relationships into the planned management system?

[Answer] Prices are without a doubt the key to the resolution of the entire complex of valuation issues. Prices must tend towards an objective and realistic expression of value. Only if they do so will we be able to compare the inputs and the outputs of the capital replacement process and to have a reliable measure for the operations of all economic entities. Resolving this problem will be linked to the correction of existing disproportions in pricing. In other words it involves a restructuring mainly of wholesale prices. This is clearly stated in the document Principles of Restructuring the Economic Mechanism. It is no exaggeration to state that this will be the most important and the most difficult task in restructuring the economic mechanism. To be successful in restructuring we will have to master this task.

At the same time it will be necessary to eliminate gradually a number of negative consequences arising from the economic deformations caused by incorrect pricing in recent years. These will have to be corrected through various measures that will have conflicting impacts in the areas of society, finance, and wages.

[Question] What do you have in mind?

[Answer] For instance, subsidies and intervention in setting prices. We transfer about 8 percent of our national income currently through these programs. This amounts to a substantial change in the functioning of the price system. Recipients of subsidies become so accustomed to them that price ceases to have an impact on the economic rationality of their behavior.

One can see a very concrete impact of this "functioning" in the prices of our electronics. Thanks to these subsidies products that are already commonplace elsewhere in the world are rarities here. This is true of both consumption and production. The result is that instead of expensive new equipment most enterprises prefer to use relatively less expensive labor. On the other hand we currently have a number of products and services that are exceptionally cheap. In consumer goods this is true of basic foodstuffs, and in manufacturing many of our raw materials are still fairly inexpensive. This results in poor management and waste. This forces us to take various measures to regulate such irrational enterprise behavior, by limiting access to energy or raw materials, or restricting the movement of labor. This is all only the flip side of the reality that price has lost its ability, as a value mechanism, to influence consumer conduct.

[Question] What changes will there be in the use of value categories and mechanisms of management at the enterprise level?

[Answer] The use of the law of value and value mechanisms will be immediately evident in the financial management of the enterprise. The current situation is that money pays second fiddle to goods. If an enterprise, for instance, is interested in including a specific investment in a plan its main concern is to obtain for itself an investment limit. To do this it needs at a minimum strong arguments as to why the investment is necessary. Concern about where the money will come from is secondary. The same holds true for the financing of inventories. Enterprises have been covering their enormous growth in recent years through supplementary counterfinancing, or undesirable and sometimes forced bank or consumer loans. In the future enterprises will first of all have to get the money to cover desired production, or investment. They will have to be creative. Enterprises will have to make more sophisticated use of their own funds, and of course of loans. This is how the law of value manifests itself in the principle of self-finance.

09276/09599

Pricing Flexibility, Restructuring Go Hand in Hand

*24000005b Prague RUDE PRAVO in Czech
30 Sep 87 p 1*

[Editorial: "Profit Formation and Restructuring"]

[Text] A reader from Olomouc wrote to inform us that near his place of residence on the outskirts of the city he has not been able to buy mineral water for some time now. His opinion was that the low price (thanks to state subsidies) makes mineral water unattractive as a purchase. This person is in favor of restructuring (wholeheartedly, as he put it), but what will happen when the new economy is driven by profit alone? Who will be interested in carrying such cheap goods?

Restructuring the economic mechanism is of interest not only to managers and work collectives, broadly conceived, but also to retirees, as the above letter points out. Our citizens are trying to think through not only the advantages, but also the pitfalls. Most are attempting to develop new thought processes, but in many instances also are trying to speculate as to which of the older, discredited practices might be dressed up in new garb. No matter how complex a document we eventually draw up, it will not be able to encompass all possible instances. This means that much will depend on responsible attitudes.

Clearly, restructuring the economic mechanism involves increasing the flexibility of price formation. But it would be an error to think that this would allow a producer or a store to dictate prices as they see fit, that they would be able to pass along their mistakes to customers in the form of higher prices. This would amount to standing efficiency on its head.

The importance of more flexible price formation is primarily that it simplifies all aspects of management. It has nothing to do with disorganization and anarchy. Some enterprises are already experimenting with an idea under which they would pay their suppliers more than the established price for specific items, provided those suppliers can develop and deliver on time the right quantities of new materials of specific quality. This would theoretically motivate the supplying firms to produce higher quality, more fashionable goods for the domestic and foreign markets, without passing on increased costs in the price.

Take another example. Given that commercial enterprises will become self-financed units, they should also be given the power to decide on which items to reduce prices, so that they can liquidate either obsolete or unfashionable products. This would then allow them to stock goods that are in great demand. Presently every sale is preceded by protracted negotiations.

Our reader is right in stating that profit will become the most important indicator. But this does not mean that enterprises will be engaged only in those activities that will bring them the greatest profits. We must state once again that enterprise operations will be evaluated in the light of how well they meet the needs of society. All firms must devote an appropriate portion of their operations to mid-range and low end products (in official terms), in other words they must deliver not only luxury, but also less expensive goods as well. We have to keep on top of this, because some firms are already claiming to not fulfill the plan because they forgot about the production of common items.

One may object that to increase profit formation at the same time that prices are regulated is a contradiction in terms. This is not the case. The main source of increased profits must come from cost reductions, especially in materials costs, although firms must not lose sight of

other possibilities. For example, excessive white collar staffs currently sit not only in offices, but also in enterprises. These costs, of course, are buried in the prices, so no one is very interested in whether it might not be possible for one person to accomplish the work currently being done by two people.

A very old proverb states that everything is related to everything else. We need to become aware of this again, because as restructuring proceeds we will encounter many such instances. Profit formation is not the only area. Quality is closely related to it. The more reliable our products become the more rapidly will current costs for rejects, returns, discounts, and the like decline. Or another example. About 15 years ago people in manufacturing plants would hang placards on machines stating the cost of an hour of downtime, the cost of one unit of damaged materials, etc. It wasn't a bad idea, but unfortunately it was short lived. We should revive the practice forthwith, and add to the list how much pay an employee will lose by working in this way. No one is indifferent to how much he makes. That is why this type of policy, namely explaining the reasons for lost wages in terms of poor equipment utilization, poor use of raw materials, failure to comply with work schedules or times, would get a response.

Innovative activities are also closely related to profit formation. We cannot be content with where we are now. Instead of making improvements to use characteristics, we spend most of our time trying to justify a large price increase for a minor change. This does us no good on either domestic or foreign markets. This poor functioning of the innovation cycle is worsened by what is now only a slow and partial incorporation of advances in actual products. To sum up, our innovative practices have to get up a full head of steam.

Another way to intensify profit formation is to pay more attention to suggestions for improvements. There are two types of such improvements, namely improving the quality of a specific function or use value of a product, and improving production efficiency. Both types of improvements have a direct impact on the management efficiency of an enterprise. The huge number of improvement suggestions mean that this could be a great resource, but it remains one that is seldom utilized well. One of the reasons for this is the simple emotion of envy, that someone would receive any extra money for anything. So this human weakness on many occasions prevents us from recognizing the merit to an idea, even if the idea has not been worked out in all its ramifications. Not every improvement suggestion moreover, represents a major advance; there are medium and small scale contributions as well. It rains in drops, does it not?

There are many honest ways to strengthen profit formation. We should make full use of them all. Being aware of these opportunities requires totally new ways of thinking and new approaches to problem solving. The turn from the old to the new will, of course, be supported by linking

the volume of wages payable resources to the labor efficiency of an enterprise. But we must also realize that old habits will persist, particularly tendencies to increase profits through speculation, violating regulations, non-compliance with the laws. These are no substitutes, however, for honest, conscientious, and quality work with the same goals in mind.

People are always interested in making their work easier. As long as they accomplish this by transferring tasks to machines and equipment, things are fine. But we cannot permit an attitude of I don't feel like doing it, let someone else do it. How does this look in the real world? Some enterprises pay no attention to the sturdiness and reliability of their products, even when under warranty, and prefer to pay a fee to repair shops who repair the problems discovered by customers, rather than taking steps to remedy them themselves. We need to put a stop to such practices. This not only risks the trust of customers, it is a waste of the resources given the enterprise to manage.

There is much talk currently about restructuring in all of its forms. We cannot lose sight of the fundamental fact that what must underlie all such changes are changes in the ways we think.

09276/09599

Tight Foreign Trade Controls Urged by Jan Garcar

*24000005c Prague RUDE PRAVO in Czech
30 Sep 87 p 4*

[Article by Jan Garcar, deputy minister of foreign trade: "Variant 1 Offers Better Guarantees"]

[Text] Section 48 of the draft law concerning the state enterprise, which concerns foreign trade, discusses two possible resolutions. Variant one involves granting the right to engage in foreign trade activities based on specific regulations. Variant two is based on foreign currency profitability and enterprise self-finance.

Those in favor of variant two often display a superficial knowledge of the function of foreign trade in the Czechoslovak economy. They ignore recent positive experiences and take no note of certain new developmental trends in our economic relationship with nonsocialist countries. Their thoughts are frequently the expression of unprofessional, simplified, and very one-dimensional conceptions of the mission and mode of conduct of foreign trade within a socialist economy.

Since we gain one third of our national income from foreign trade, it becomes a national economic priority. It will come to account for increasing percentages of our national income in the future. The position of foreign trade in the management system of the Czechoslovak economy must correspond to this importance. Our foreign trade, in other words, is not a supplementary or

fringe economic category, but a critical factor that directly influences the future growth of the standard of living of socialist Czechoslovakia.

We must adhere firmly to a unified approach to the implementation of our foreign trade policy. Therefore, within the context of restructuring the economic mechanism of the CSSR a fundamental issue in the area of foreign trade is to bring the public interest into line with the interest of producers in exporting more effectively. This correspondence must continue to be assured through a state monopoly on foreign trade activities. The process of restructuring foreign trade assumes some changes in this monopoly, especially in the conduct of field service activities by enterprises. Centralized decisionmaking must remain a permanent fixture of our foreign trade management. Measures that have been proposed to improve export performance are designed to allow for a direct influence by world markets on our production facilities, with the objective of generating corresponding efforts by our firms in the area of innovations, quality, technical sophistication, and service. We must at the same time consider the possible negative impact of the world market on Czechoslovakia in the areas of prices, wages, product lines, etc. Unconsidered and insensitive policies risk negative consequences in the area of social policy.

The markets in nonsocialist countries are characterized by constant and increasing competition, accompanied by various protectionist measures adopted by different governments. Foreign trade is used by certain nonsocialist countries to promote their political and strategic objectives against the socialist community. In other words, the politicization of foreign trade activities continues to increase. How else can one explain the activities of the so-called Coordinating Committee for Control of Strategic Exports to Socialist Countries (COCOM), which publishes extensive lists of goods that may not be exported to socialist countries. The EEC, which accounts for some 60 percent of Czechoslovak trade with developed countries, has in place a unified commercial policy against socialist countries. The coordinated activity and influence of national and even international monopolies is increasing on world markets. What Czechoslovak enterprise could be a trading partner for such firms on an equal footing. A socialist enterprise that is important locally? The above facts imply that the only way to fight back against discriminatory state economic policies and international monopolies is through a centralized policy of our own operated at an equivalent professional level. The stronger production and trading enterprises of our country must stand with a unified central policy against such policies from foreign countries.

The complexity of world economic development is complicated even further by the situation in third world countries. These countries face rapidly growing indebtedness that currently is in excess of 1 trillion dollars, and makes the loans that they request even more risky than before. This situation necessitates a search for new,

nontraditional forms of trade (including various financial and goods transactions, removing obstacles to resolution of our claims, trade through third countries, etc.), but also the direct involvement of the governmental and central agencies of the state. This requires high levels of professional expertise. It also requires a unified trade and credit policy that recognizes repayment risks (which enterprises are in no position to bear). We must also consider that Czechoslovak machinery and turnkey projects account for some 65 percent of our trade with third world countries. This is probably the proper place to mention that while the restructuring process in the USSR calls for a strengthening of centralized management, our approach has been just the opposite.

No less important is the question of increasing and changing the structure of imports from third world countries, which are incapable of paying in any other form than through exports of their manufactured products. These programs cannot be implemented by individual production firms, and often not even by specialized foreign trade enterprises, but rather centrally, from a single location, because in most cases one is dealing with goods which are not included in the state plan for imports. We now face the vitally important task of pursuing a more even trade balance with individual third world countries, including the need to exert central pressure on behalf of our own exports.

The socialist state must use its agencies to influence foreign trade policy and to make sure that the executors of these activities are worthy representatives of the socialist order on foreign markets. The right of a state enterprise to operate on foreign markets with no assurances that it would respect the public interest would amount to a violation of Czechoslovak policy in foreign trade relations. It could also lead to negative economic consequences and thereby to a weakening of the Czechoslovak position in nonsocialist markets. In this context variant one provides by far the best guarantees.

09276/09599

Present, Future CEMA Agricultural Cooperation Viewed

*24000005d Prague RUDE PRAVO in Czech
6 Oct 87 p 4*

[Article by Miroslav Zajic, CPCZ Central Committee department director: "A Common Path; Prospects for Cooperation Among CEMA Countries in Agriculture"]

[Text] One of the most important tasks in the further socio-economic development of our society is the intensification of agricultural and foodstuff production in order to satisfy fully the food requirements of our people. As in other sectors of our economy effective future development in these areas will not be possible without effective international cooperation. A recent conference of the agriculture secretaries of the central committees of the fraternal countries, meeting in February of this year

in Moscow, outlined ways to implement this strategy of acceleration in a Comprehensive Program of R&D Progress for the CEMA Countries Through the Year 2000.

The development of targeted and effective cooperation in both R&D and production is one of the critical ways for achieving independence for our country in all basic foods. This was reaffirmed by a conference of department directors of the fraternal parties of socialist countries which was held in Prague in mid-August. These discussions showed that many positive steps have been taken, many of which have involved Czechoslovakia.

Biotechnology for Production

We are achieving positive results in the application of biotechnology to livestock production and veterinary medicine. We have developed a technique for embryo transfer that we are using in our agricultural enterprises. We have well developed production facilities for effective vaccine and biological preparations.

The scope of the practical application of embryo transfer in Czechoslovakia in the first 6 months of the year becomes evident when one considers that by year end we will have conducted 7,000 transfers, one third of which were undertaken to produce twins. We are also anticipating an increase of 5 to 7 percent in the number of successful transfers. By 1990 we want to increase the number of calves obtained through this technique to roughly 60,000 head. Bulgaria has proposed the establishment of a joint sperm and embryo bank for sheep raising.

The weak link in the further expansion of embryo transfer techniques is that we have not yet been able to produce the equipment and instruments needed to obtain the eggs, to store them, for their micromanipulation, and to actually implant them. We are devoting most of our efforts in this area to bilateral work with the appropriate organizations of the GDR.

One important mechanism of cooperation and unification of effort on embryo transfer is a joint Czechoslovak-Soviet laboratory established under the Research Institute for Livestock Production in Nitra. Cooperation between scientists and technicians is gradually leading to the production of an embryomobile, a project in which the Soviets have shown an interest. After delivering the first embryomobile to the Soviet Union we are now working on two prototypes. We are taking cognizance of Soviet requirements and accommodating to their cooperation in outfitting these mobile transplant facilities.

The more assertive application of biotechnology to the production of vaccines, serums, biodiagnostic materials, and other substances has produced positive results in our country. We have made good progress in the production of ELISA—tests for the diagnosis of leukemia in cattle,

Aujezsky disease [not further identified] in hogs, as well as for several human diseases. We can also offer this product to our partners for their use.

We are trying to coordinate our research efforts in plant production as well, by establishing joint laboratories, the goal of which will be the broader application of explant cultures and genetic manipulation. We are therefore proposing the establishment of two joint laboratories, one at the Institute for Experimental Botany of the Czechoslovak Academy of Sciences [CSAV] in Olomouc, and one at the Research Institute for Plant Production in Ruzyně. These laboratories should speed up the utilization of modern techniques, especially in the area of plant physiology, and in the enhancement, healing, and propagation of nursery material.

Hungary is interested in further cooperation in the development and production of new plant and livestock strains. Hungarian research and production capabilities can provide modern corn hybrids and high quality cattle stock for breeding.

Chemistry Lags

Maintaining a high growth rate in agricultural production and in the use of our biological potential for plant production will not be possible without the proper chemicals. The situation in Czechoslovakia is not favorable in this area. We are experiencing shortages both in deliveries of basic raw materials for the production of phosphoric fertilizers, and in the available varieties of nitrogenous fertilizers. We also continue to have problems in producing and maintaining proper stock levels of pesticides for intensive cultivation systems.

Our success in the application of chemistry to our needs will be one of the most critical factors in intensifying plant production for the 8th 5-Year Plan. The accelerated implementation of signed intergovernmental agreements between the CSSR and the USSR related to specialization and cooperation in the production of artificial fertilizers and pesticides will allow us better to meet our needs. We are currently ready to begin producing phosgene herbicides at the Pardubice East Bohemian Chemical Plants. Planned production volumes will allow us to export some of these herbicides to CEMA member countries.

We also consider the accelerated establishment of a coordination center for pesticide production to be a step forward. The first steps have already been taken. Agreements have been signed and direct relationships established between the Bratislava Research Institute for Chemical Engineering, the Moscow All-Union R&D Institute for Plant Protection Chemicals, and the All-Union Institute for Herbicide Technology in Ufa.

Shortage of Quality Machines Persists

The production of agricultural and food machinery requires a much higher level of cooperation, specialization, and integration. A number of additional shortcomings persist as well. In many instances we have proved unable to build specialized machines with state of the art performance characteristics. Other times we attempt to develop ourselves what has already been developed elsewhere. In a word, our efforts are fragmented and suffer from a lack of information.

Imbalances in meeting the requirements of the agro-food complex for machinery is forcing us to search for our own solution. One potential source of expanded production capacity for agricultural and food machinery that we have been making use of is the JZD and state farms themselves. We are doing this in part to make better and more efficient use of the production potential of agricultural enterprises, which are producing machinery and equipment for the comprehensive mechanization of agriculture. They also produce and remanufacture spare parts for which there are shortages, as well as producing tools for small scale growers and livestock raisers.

We offer production cooperation in the electronic protection of the cutting drums of harvest cutting machines, electronically controlled milking facilities, and remanufacturing techniques for the crankshafts of Czechoslovak equipment that permits the programming of valves. From the CEMA countries we need developed remanufacturing techniques using plasma welding of selected components. We need to make greater use of manipulators and robots in specialized repair and remanufacturing operations.

To improve the supply situation for agricultural equipment in individual member countries the GDR is participating actively in the development of a promising program for developing multilateral specialization and cooperation. Hungary will continue to provide, within the context of machine building specialization, modern machine groups and selected parts to the fraternal countries.

Computers for Field and Stall

Microelectronics is becoming a management tool for Czechoslovak agriculture. Recently computing capabilities have been decentralized to individual agricultural enterprises and cooperatives, including the use of microcomputers.

Activities of organizations in the agriculture and food sectors have been focused on the use of computer software produced in Czechoslovakia and on the use of imported equipment, mainly Robotron systems from the GDR. We are also working on the development and production of hardware systems for agriculture, and the appropriate software.

The TNS system produced by the JZD Agrokombinat in Slusovice, is the most advanced computer application in the agricultural sector. It is a comprehensive system of general purpose 8- and 16-bit microcomputers, and has a version for process control. TNS microcomputer systems come with extensive software for managing the operations of an agricultural enterprise.

Developments in this area are limited by inadequate R&D capacity. We are looking to international cooperation as an important way to use the division of labor to further the process of computerizing agriculture. It is our opinion that it is essential, under the coordination of the Cybernetics Institute of the All-Union Academy of Agricultural Science, to accelerate work on a joint design for computer systems for agriculture. This would include hardware and software standards so that the results achieved through international cooperation can be fully utilized in all environments.

Expansion of Direct Relationships

We consider the expansion of direct relationships between enterprises in different countries of the CEMA and the formation of joint ventures to be new, promising types of relationships between socialist economic organizations that will meet developmental needs more effectively. Direct relationships between enterprises are developing under direct leadership from party agencies and organizations at all levels.

So far the direct relationships that are ongoing between agricultural organizations in Czechoslovakia and the Soviet Union have produced positive experiences for us. At present direct relationships are focused mainly on expanding comprehensively supported cultivation systems and on the exchange and in some cases the delivery of machinery and equipment.

Direct relationships between the Ostrov JZD and two kholkhozes in the Saratov Oblast between the Slusovice JZD Agrokombinat and the Adaz Agrofirma in the Latvian SSR, between the Cheb State Farm, sectoral enterprise and the Ramenskij Agroindustrial kombinat in the Moscow region, between the Kosice Seed Production State Farm and the 25th CPSU Congress Kholkhoz in Rakose, and between the Brezuvky JZD and the Rodina Kholkhoz in Stavropol are among the many such relationships that attest to the advantages of these progressive forms of cooperation.

The main problem in the further expansion of direct relationships currently is that we have no organizations willing to mediate contacts between organizations interested in setting up a direct relationship. In addition to solving this organizational issue we also need to figure out how to monitor these foreign trade activities and their impact on the economic system.

Our first order of business should be to engage the party in assuring that the establishment of this type of relationship involves the fewest possible administrative and bureaucratic roadblocks. The success of the future development of direct relationships will depend on our success in improving the economic mechanisms, making progress in unifying legal codes, documents, regulations and the principles governing the formal and organizational aspect of direct relationships. The extent to which we will be able to implement this depends on how rapidly we are able to concentrate and make use of the rich scientific potential of the CEMA member countries.

09276/09599

Restructuring in Fuels, Energy Branch Discussed 24000004c Prague HORNİK-ENERGETIK in Czech 4 Sep 87 p 8, 9

[Article by Eng Karel Cadan, candidate for doctor of science, sectoral director of the Federal Ministry of Fuels and Power: "How to Restructure the Fuel and Power Sector"]

[Text] Recently we have witnessed several economic reforms and improvements in the management system of the economy. The results have shown, however, that these measures have had rather a fragmented character. They have been neither comprehensive nor profound and frequently have lacked the courage to delve very far into complicated economic and social problems. The purpose of this article is to consider what might be improved.

Evaluating the Efficiency of the Current Economic Mechanism

The lack of comprehensiveness and consistency in the implementation of adopted programs has frequently generated mistrust and reluctance to support additional, more radical changes in economic management. One thing is crystal clear, that the current system of planning, management, and the economic mechanism itself does not correspond to the demands of more rapid socio-economic development through R&D progress and real intensification.

How effective is the current economic management system in the fuel and power sectors?

The performance from 1980-1986 of this sector in the use of factors of production and in economic effectiveness sheds some light on this question.

Table 1. Use of Factors of Production

Inputs:	1980	1985	1985/1980
Number of employees, in thousands	285	306	107.4
Capital stock, current value in Kcs billions	111.6	162.5	145.6
Inventories, including future costs, Kcs billions	14.2	23.1	162.7
Costs in 1985 prices, Kcs billions	60.3	77.0	127.7
of which: materials costs	32.3	39.3	121.7
capital asset depreciation	7.8	11.8	151.3
personal costs	13.7	17.2	125.5
Outputs:			
Marketable coal mined, million tons	123.1	126.5	102.8
Overburden removed, million cubic meters	189.0	254.4	134.6
Heating gas from public network, billion cubic meters	12.1	13.3	109.9
Installed electric capacity, gigawatts	14.6	18.5	126.7
of which, nuclear power	0.9	3.1	344.4
Heat supplied, in Petajoules	107.2	124.8	116.4
Carrying capacity of transit pipelines in billion cubic meters	36.2	51.4	142.0
Net production, 1985 prices, in Kcs billion	40.3	42.2	104.7

The increase in factors of production in the 1980-1985 period was significantly greater than the increase in output they generated. This extensive development was "covered" by several increases in wholesale prices of fuels and power. The price level of fuels and power in 1985 was higher than the 1980 level by more than Kcs 16 billion.

Table 2. Economic Efficiency at 1985 Price Levels

	1980	1985	1985/1980
Total production cost as percent of output	75.0	82.5	110.0

Table 2. Economic Efficiency at 1985 Price Levels

	1980	1985	1985/1980
Labor productivity based on net output, in Kcs thousands per employee	141.4	137.9	97.5
Average monthly earnings (Kcs)	3,510.0	3,996.0	113.8
Total cost in Kcs of:			
— 1 ton standard fuel equivalent of bituminous coal	444	640	144.1
— 1 ton standard fuel equivalent of brown coal	244	287	117.6
— 1 cubic meter overburden removal	12.03	15.09	125.4
— 1 cubic meter coal gas	425	786	184.9
— 1 cubic meter extracted natural gas	521	695	133.4
— 1 megawatt hour generated electricity	195	252	129.2
— percent return on capital assets	9.7	5.3	54.6
Profit formation in 1985 prices in billions of Kcs	20.1	16.3	81.1

The purpose of this article is not to analyze the reasons for this unfavorable performance of the fuel and power sectors in the 7th 5-Year Plan. One must, however, recognize the valuable and effective work of employees in the fuel and power sectors and the gas production industry. All these people work to supply the economy with fuels and power, often under extreme conditions. They deserve our thanks and appreciation.

Prior to any decision about changes, however, especially when they involve economic management, we must take an undistorted, critical view of the current situation, with special reference to the shortcomings in the status quo.

There is no doubt that the increasingly difficult geological conditions at our mines is playing a major role in the decline in economic performance. Added to this are increased costs related to employee benefit programs, and price increases for needed machinery, equipment, materials, fuels, power, and capital investment. In addition to all these factors, profitability levels have also been influenced by subjective factors. I have in mind here poor management, both directly and at higher levels, failure to maintain discipline at all levels, including work safety, and continued priority accorded to volumetric indicators of production to the neglect of more precise economic calculations.

Economic performance figures at first glance would seem to show that the Set of Measures for Improving the Planned Management System has had no positive

impact on the fuels and power sector. This would be an incorrect conclusion. In addition to meeting successfully and smoothly all of society's demands for fuel and power these sectors have witnessed some progress in economic development and employee attitudes. This has happened for several reasons:

1. very demanding plan targets in the area of efficiency, indicators of quality, and personal incentives to achieve these goals;
2. tougher requirements for access to monetary resources of all types;
3. stricter bank standards for the granting of loans, more highly differentiated interest rates, the levying of both sanctions and bonuses (especially in the areas of inventories and capital investment);
4. stricter standards imposed by inspection agencies and stiffer penalties for certain infractions;
5. improved implementation of internal enterprise cost accounting and the team form of work organization and compensation. Unfortunately, in this final area there is still too much formalistic behavior and therefore low efficiency.

General Principles for Restructuring the CSSR Economic Mechanism

The necessity for restructuring the system of economic management has been demonstrated both theoretically and practically by the loss in functionality of the existing mechanism and the need to speed up R&D progress. The current economic mechanism (the planned management system) is basically a system for managing production and distributing physical outputs. It proved itself in the period of industrialization based on extensive development, i.e. in an environment of increasing investment, employment, and industrial production.

The new economic mechanism, on the other hand, has the following characteristics.

1. The across the board implementation of democratic centralism. This requires a definition of independent spheres of authority for both the central sphere and the enterprise sphere in the management of socio-economic processes.
2. An expansion in the comprehensiveness of the state plan as the main management mechanism, new ways of breaking down this plan for individual firms based on a broader application of economic management techniques, and limitations on the numbers of binding plan indicators.
3. The implementation of uniform efficiency criteria at all management levels for planning, assessment and valuation purposes. The criteria will be tied to national income formation and its materials, investment, import, labor, and financial intensiveness. At the enterprise level the uniform indicators will be net production (total output less materials costs, including depreciation), and so-called net (i.e. disposable) profits. These are profits remaining after transfer payments to the state budget and payment of any

penalties.

4. Economic entities will operate on the basis of full cost accounting and self-finance.
5. Valuation mechanisms, mainly prices, exchange rates, transfer payments, credits, and interest rates will be made more realistic. Their role will increase as standards for measuring and affecting the efficiency of production.
6. Wages payable resources, bonuses and economic incentive funds will all be tied to a greater extent to final performance (profits, net output, etc.).
7. Changes in our own economic mechanism will be coordinated with changes in cooperative mechanisms with other CEMA member countries.

The economic mechanism cannot all by itself assure that the economy will function optimally. To accomplish this we must integrate the functioning of three main factors, namely the material aspects of development, the economic mechanism, and finally the people involved in the process. The closest link must be between the economic mechanism and the people involved, i.e. the work collectives, senior management, and every individual employee.

Application of the Economic Mechanism to Fuel and Power Sector

We still need to formulate plans for restructuring the economic mechanism as it applies to the coal industry, the uranium industry, power generation, and gas production. We categorically reject the view that because of the peculiarities of their economics it is impossible to apply new management techniques to these sectors, that it would be better to leave in place for these sectors the current system of management by directive. In effect this view advocates a continuation of the practice of underestimating the valuational aspects of management and economic calculations. Another undesirable trend involves the expansion only of authority, but not accountability.

The above represents one extreme. The other extreme would be if the new management system would not take account of certain objective factors in the operation of the fuel and power industry which differentiate it from, for instance, processing industries.

There are five main objective factors that must be considered when implementing a new economic mechanism.

1. Natural conditions. In mining the natural conditions predetermine both what specific factors of production are required and the quality of raw material that will be obtained. This differs from location to location and is largely independent of the management efforts of the mining entity.
2. Work in these industries is physically demanding and high-risk. This must be acknowledged in wage scales, and benefit programs. This consideration applies

mainly to mining and nuclear power.

3. Some of the output of these sectors cannot be stored at all (electricity and heat), and some can be stored only with difficulty (fuels). This means that reserves do not take the form of inventories but of reserve generation, production and transmission capacity that can be activated to cover peak requirements.
4. The production and supply of electricity and heating gas is part of a unified facilities and economic system hooked up to both domestic and foreign sources of supply. These systems must operate at high levels of technical reliability and safety. They must operate continually and smoothly, have production flexibility, yet be managed centrally for the entire nation.
5. Finally, the process of mining, processing, transporting, and using fuels and power is heavily affected by changing climatic conditions.

In formulating a new economic mechanism for the fuel and power complex, there are six areas that are of particular importance to its success.

1. The role of state agencies in establishing a uniform national energy policy should involve:
 - a) decisions on the percentages of total national energy supplies to be filled by specific fuels and types of power, then establishing primary production and delivery tasks;
 - b) state participation in evaluating, making decisions concerning, and financing critical investment and efficiency enhancing projects that will have major impacts on structural and integrational processes;
 - c) providing incentives and support for the most effective possible use of all types of fuel and power, including nontraditional forms, with the objective of reducing excessive energy intensiveness in the national economy. According to the resolutions of the 17th CPCZ Congress, the energy intensiveness of the economy should be reduced by 33 percent by the end of the century;
 - d) state participation in evaluation, making decisions concerning the organizational structure and integration of specific subsystems of the fuel and power complex.
2. Full Cost Accounting and the Principle of Self-Finance

Full cost accounting has four characteristics.

- a) A state enterprise (such as a concern) manages the material and monetary resources under its control so as to meet contractual obligations to its customers, so that its revenues cover its expenditures and result as well in a surplus, profit, that can serve as a base for both national and its own future development.
- b) A state enterprise will manage itself according to its own plan, which it will formulate on the basis of its own binding objectives, standards, and regulations. In formulating this plan it must take into account customer demands and its own requirements for technical, economic and, social development.

- c) Enterprises bear full responsibility for their economic performance. This means that they must transfer to the state budget payments in the required amounts, as well as meet contractual relationships to their customers. After meeting all its responsibilities and transferring funds to its own internal accounts, it may spend the remaining resources as it sees fit.
- d) Work collectives will play an active role in enterprise management through socialist self-administration, including the making of management and social policies and participation in personnel related decisions.

The principle of self-finance is one area where incentives, independence, and responsibility of a state enterprise all come together. The basis of self-finance is the requirement that after meeting commitments to the state, suppliers, and customers, a state enterprise should still have enough resources to offer incentives, increase the resources under its control, and facilitate the social development of its work force.

Full cost accounting and self-finance will to a large extent be able to be implemented in the gas production industry.

In state enterprises of the coal, uranium, and power generation sectors we will have to modify full cost accounting and self-finance for the following reasons:

- a) the binding tasks and limits set by the state plan for the utilization of output and capital investment are longer term and more ambitious for these industries;
- b) state enterprises in the fuel and power sector have relatively limited control over the structure, product mix, volume, and quality of their basic output;
- c) there is a certain conflict for these sectors between maximizing profits and net output on the one hand and nationwide pressure to reduce the power intensiveness of national income on the other;
- d) the need to redistribute financial resources among mining groups to compensate for differences in natural conditions and the uniform prices of solid fuels;
- e) limited potential for selected mining at the better locations, because mining law mandates minimal losses of coal when working a deposit;
- f) the need to optimize reserves of ready production and transportation facilities to cover uneven customer demands in real time.

Taking account of the above factors when implementing full cost accounting and self-finance should not be interpreted as condoning reduced standards of efficiency in the fuel and power sectors. Full internal enterprise cost accounting must be interpreted to mean increasing efficiency and resource utilization in capital investment, improving the utilization of existing capital assets and working capital, improving work force utilization and

management, improving the management of fuels, energy, spare parts, and materials. It involves the siting of power plants based on criteria of economic advantage, cost optimization within given geological environments as well as adherence to the principles of the mining law, work safety and hygiene. It demands the optimization of the costs of operating distribution, transmission networks in the electricity and gas industries, as well as reducing network losses.

The modification of full cost accounting and self-finance will involve in justified instances the subsidizing of critical centralized facilities, reduced transfer payment requirements to the state budget, or in subsidies of a non-investment nature set at binding levels for a 5-year plan.

3. Capital Investment

Capital investment must include assurance of the smooth contractual handling of critical construction projects, defining the criteria for selecting centralized investment projects, establishing standard construction deadlines and, finally, setting standards for efficiency and return on investment. These will be strict measures, but this is necessary since they must serve to lower the current investment intensiveness of all fuel and power sectors.

We can no longer depend solely on price increases. We must factor into our capital investment calculations the fact that society will not be able to continue to increase the investment resources it has been committing to the fuel and power sectors. Increased investments must now be channelled to the modernization and rebuilding of those economic sectors that are responsible for R&D progress in the CSSR.

4. Wage Resource Allocation

This should be done in two ways. First of all, wage increases should depend entirely on increases in output. Second, only a portion of wages (the bonus fund) should be derived from net profits. Initially calculations call for a bonus fund of at least 7 percent of total wage resources. This percentage share should then increase over time.

In fuel and power sectors we are planning to inject another element in the allocation of wage resources. The incremental technique does not correspond to the projected economic development of this sector. In the coal industry we expect the bonus fund to be only half of the above rate, or 3.5 percent of the payroll in the initial stages.

5. Correcting Wholesale Prices of Fuel and Power

As of 1 January 1989 there will be a nationwide comprehensive restructuring of wholesale prices of products, labor, and services. This will be the first step in restructuring the economic mechanism. This adjustment will change the 1985 prices for fuel and power in the following ways:

- a) the price of generation coal, lignite, and briquettes

will increase by 11 percent;

- b) the price of coking coal will increase by 31 percent;
- c) the price of coke will increase by 34 percent;
- d) the price of electricity will increase by 6 percent;
- e) the price of heat will increase by 4 percent;
- f) the price of heating gas will decrease by 29 percent.

Regarding the evolution of the wholesale prices of fuels and power in the Ninth 5-Year Plan, it is our view that the prices of imported fuels and power should be based on their import cost. For domestic fuels and power it would be best to base pricing on the 5-year plan projections, realistic costs, standard and revenue based transfers to the state budget, and differentially established profit levels.

Some experts have proposed deriving wholesale prices of domestic fuels from the imported costs of mutually interchangeable fuels. These suggestions can be evaluated after submission of precise calculations.

6. Organization of the Facilities and Equipment Base of the Fuel and Power Industry

The facilities and equipment resources of the fuel and power sector have for some time been organized on the concern principle. This principle by and large takes account of the operating peculiarities of this sector. Recent analyses, however, have indicated that we would be better off moving away from the sectoral type of organization of the entities in this area because of technical, territorial, and raw material, deposit-related considerations. Likewise, it does not appear to make sense to move away from monopoly production and provision of services under state supervision. We are assuming that the existing concerns could adopt the organizational characteristics of state enterprises. Within these enterprises we would then have to provide on a differentiated basis, to structural organizational units the necessary authority to operate and make decisions independently in the name of the enterprise and to implement appropriate forms of internal enterprise cost accounting.

This issue is still an open one, and final decisions will be made only after considering all pertinent factors.

09276/09599

Income Tax for 'Other Activities' Published
24000004b Prague HALO SOBOTA in Czech
26 Sep 87 p 12

[Article by Jaroslav Sevcik, doctor of laws: "Income Tax Update"]

[Text] Law No 162/1982, Laws of the CSSR, updates the income tax law. It provides for taxes on income obtained by citizens for various services performed on their own time with permission of their national committee, as stated in CSR Government Ordinance No 154/1982, Laws of the CSSR.

Tax rates are set to correspond to normal income taxes on wages. Income in excess of one's annual salary is taxed at a higher rate, while lower levels of income are taxed at a more advantageous rate. The assumption is that lower income will be obtained mainly from occasional jobs, many of which will be performed by retirees.

The law on taxes on income received by citizens for services performed with the permission of the national committee currently provides that as long as the income of the taxpayer from such services does not exceed Kcs 6,000 the income will be tax free even if the individual has other sources of income such as a job, a pension, or income from agricultural production, etc. If the gross income exceeds Kcs 6,000 then a lump sum equal to 20 percent of the income is counted as expenditures. If a taxpayer claims expenditures in excess of this rate he must document them clearly. In such cases, all legitimate expenditures may be deducted.

For taxpayers with two or more dependents the sum of Kcs 6,000 is deducted from the total income. This deduction cannot be taken if the alleged dependents are claimed by the taxpayer for other tax purposes or if they are supported by another taxpayer.

The tax rate is established to simplify its calculation. As long as the taxable income, i.e., the difference between the gross income and the legitimate expenditures, does not exceed Kcs 3,600 annually, the tax rate is 5 percent. For taxable incomes from Kcs 3,600 to 7,200, the rate is 10 percent.

For taxable incomes higher than Kcs 7,200 progressive tax rates apply. Taxpayers supporting at least one child are taxed at somewhat lower rates than for other taxpayers.

A tax calculated under the above rates is not raised for taxpayers who are supporting only one other person or who have no dependents. Nor do the rates decrease if the taxpayer has more than three dependents. Nor when they are assessed are these taxes increased by 30 percent (the mechanic's surcharge).

These incomes are taxed apart from any other incomes of the taxpayer. This will eliminate any bracket creep that might result from taxing the combined incomes of a given taxpayer.

The appropriate national committee may exercise its legal right to set a tax beforehand as a lump sum. This approach would greatly simplify tax collection. The basis of this tax rate is the expected income from the planned activity, less the 20 percent lump sum allowance for expenditures, and adjusted for the number of dependents. The resultant taxable base is then taxed at the legal rate. This technique is used to establish the tax for taxpayers for whom actual income will not differ too much from their estimated income.

The law permits appropriate national committees to grant tax relief (partial or full) to retirees and citizens who receive full invalid pensions. This sort of tax relief should not be practiced automatically, but on a case by case basis. This allows the authorities to determine which citizens engaged in permitted activities actually possess reduced work capabilities because of health or age and therefore might expect lower incomes from these activities.

09276/09599

HUNGARY

New 'Disclosure of Assets' Requirement Explained

25000019 Budapest NEPSZABADSAG in Hungarian
10 Oct 87 p 8

[Interview with Finance Ministry Department Head Laszlo Csucs by Gyula Fejer: "What Everyone Should Know About the 'Disclosure of Assets'"]

[Text] The Disclosure of Assets related to the personal income tax system that goes into effect on 1 January 1988 is a frequent topic of discussion. This article is in response to reader inquiries.

What Is and What Is Not Mandatory

[Question] What is the purpose of the Disclosure of Assets?

[Answer] I would like to preface my response by saying that the purpose of the Disclosure of Assets is not to tax assets. Instead, it is a special mechanism to control income, or more accurately, to control income derived from assets. We may view the Disclosure of Assets as the owner's portrait of his financial situation, which may serve as a starting point for possible future audits. If, with the passage of time, there is a larger than expected growth in assets as compared to what was recorded earlier in the Disclosure of Assets, then the taxing authorities will request the citizen to explain just how those assets have increased. Viewed realistically, an increase in assets would be derived from either the sale of an asset recorded earlier, or from expending taxable or tax-exempt income.

[Question] What is tax-exempt income?

[Answer] For example: inheritance subject to inheritance taxes, large gambling gains, gifts, perhaps income in excess of 25,000 forints derived from goods subject to foreign exchange permit but sold in the course of customs entry. In the latter case 80 percent of the difference between the declared value and the sales price must be paid in the form of customs duties. In other words, income subject to various taxes, dues and duties other than income taxes are exempt from income tax.

Confidentiality

[Question] What kinds of questions are there in the Disclosure of Assets?

[Answer] The Disclosure consists of two parts. One is mandatory, the other is an optional alternative. The first part applies to real property and to personal property of high value. The latter includes for instance automobiles valued over 100,000 forints, as well as other possessions and inventories, all protected works of art and collections. On the other hand, it is not mandatory to declare works of art that are not protected, furs, stamp collections valued at less than 100,000 forints, jewelry, and we may include here savings deposits as well as stocks and bonds, irrespective of their value. In spite of this fact, however, it is in the best interest of citizens to make full declaration of all of their assets, because in subsequent audits such disclosure can serve as proof for the legitimacy of an increase in assets.

[Question] The question begs itself: what if someone declares assets in excess of their actual value, speculating that his declaration will cover up some illegal future increase in assets?

[Answer] It could occur that someone wants to provide a priori legitimacy for his illegal future income. I can only respond by saying that any legal requirement can be obstructed, nevertheless violations such as the one you mentioned can be detected by the tax authorities through a variety of means, including close cooperation with other authorities, all the way to on-the-scene itemized examinations. I believe—and this seems quite obvious—that whoever declares fictitious assets will have to suffer the consequences.

[Question] How frequently do we have to inform the tax authorities concerning our assets?

[Answer] The Council of Ministers may order the submission of a Disclosure of Assets once every three years, while the tax authorities may require a declaration from citizens once every year. This may take place only if available data suggest that a person's assets have increased in a larger proportion than his declared income.

[Question] Will the tax authorities handle these matters confidentially?

[Answer] Yes, just as any matter related to taxation.

[Question] During the past few years many citizens struggled to acquire some knowledge of economics. Could it be expected that henceforth everyone must become a lay bookkeeper?

[Answer] As a result of the new tax system we must count on substantially increased administrative work on part of the enterprises and institutions. Similarly, the administrative burden on individual citizens will also increase. Voluntary declaration of taxes and keeping track of one's assets requires families to keep track of their finances, and this is a new feature. And this is particularly true if one's total income is not derived solely from employment. So that the administrative burden does not increase overnight, the Council of Ministers did not make the filing of a Disclosure of Assets mandatory in 1988. Individuals who want to make use of the legal opportunity provided, may do so during the first quarter of 1988, using 1 January 1988 as the basis for the valuation of their assets. The required forms should be submitted to the county or Capital City regional taxing authority having jurisdiction, which are part of the Office of Taxation and Financial Control. It is worth noting that married couples, during their married life, may make joint declarations with respect to jointly owned assets. Individually owned assets, i.e., assets owned by only one member of the married couple must be declared on the same form, however. In a similar manner, assets owned by minors must be declared by the minor's parents or his legal guardian on the same form. As mentioned before—but it is worthy of repeated emphasis: whoever owns substantial assets should file a Disclosure of Assets, even though such filing is not mandatory at this time. This will protect the individual in the course of a future audit.

A New Link in the Chain of Control

[Question] Will the authorities search for the sources of assets declared at this time?

[Answer] They will not. I might add that a Disclosure of Assets in no way forms a part or the basis of any kind of taxation of assets.

[Question] So far as we know today?

[Answer] Not even according to our projected plans. One must recognize the fact that this new link in the chain of control is extremely important from the viewpoint of treating unrecorded or invisible income, nevertheless it is not the only link.

[Question] That is, if the control mechanism functions the way it should.

[Answer] The remedying of distortions and social tensions that stem from invisible income cannot be expected to occur solely through the means of financial control and taxation. Those controls are very limited. But even to achieve a limited success, the financial and control mechanisms must function properly. They must do so from the outset. One cannot expect, however, that a majority of the general public would be thoroughly familiar with a new and unusual tax structure at the time of its introduction. For this reason the consequences to

be suffered as a result of omissions in 1988 will be far less stringent than in the future. (For the time being, penalties may range from 20 to 50 percent, and it will be at the discretion of the taxing authority to waive penalties altogether. Subsequently, however, penalties may range from from 50 to 200 percent of the value attached to the omission).

In Order To See Clearly

[Question] Just as a life experience table shows the vertical composition of a nation according to gender and age groups, so will the table of assets derived from the Disclosures of Assets present a picture of the financial situation of the Hungarian people. What do you expect this table to show?

[Answer] I believe it will present quite a few surprises, even if not in 1988. A real registry of real estate holdings, let alone one covering all individual assets does not exist in today's Hungary. The picture would become more clear if, at a later date, the Council of Ministers orders full disclosure, and citizens recognize their self-interest in making full disclosure. It is a well known fact that in addition to huge earnings, there now exist huge real estate holdings. And then there are, of course, art treasures, jewelry and other valuables, and more than a few 10-million forint estates which remain unrecorded. By

expanding economic opportunities and conditions for doing business, we would like to accomplish that the owners of such assets invest in productive processes.

This could contribute to the resolution of concerns related to employment policies and to structural transformation. It would be important that private capital enhance foreign tourism, service deliveries and the provisions of goods, rather than retard those by inciting buying sprees.

[Question] At the moment there is a great real estate boom—as if people were concerned about a future taxation of their liquid assets.

[Answer] This is out of question. One need not provide legitimacy for his liquid assets by buying real estate. Cash holdings declared in the Disclosure of Assets will be just as tax exempt and just as legitimate, and can serve as the tax exempt source of purchases, as would a residential dwelling or a vacation home.

I may say in conclusion that regarding the future, we must anticipate and accept the fact that there will be new experiences. One fact is certain however: having a clear picture is not merely a financial and economic necessity. It is also a moral obligation.

12995

END