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EAST EUROPE

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HUNGARY

POLITICAL

HORVATH ON 'EFFECTIVENESS OF PARTY'S LEADING ROLE'

Budapest PARTELET in Hungarian No 7, 1987 pp 3-10

[Address delivered at the Bucharest conference of the sister-parties' CC secretaries 12-13 May 87 by Istvan Horvath, a secretary of the MSZMP Central Committee until recently, appointed deputy premier Jul 87]

[Text] Our deliberations focus on the important issues of the MSZMP's life and activities. This is quite understandable under today's changed conditions for socialist construction--a change that prompts us to seek new ways and new solutions. This renewal and new style is also warranted by today's global scientific and technological revolution. Pathfinding becomes inescapable if we want to keep pace with capitalist economic competition. In this respect we are conscious of the fact that in socialist societies the Marxist-Leninist parties bear a great responsibility. We recognize that guided by this sense of responsibility, our sister-parties are hard at work today. We attribute particular significance to the resolutions of the 27th congress of the Soviet Communist Party and of its January 1987 CC plenary session. The activities of our Soviet comrades in making the new trend a reality are very important. Without reservations we are in full agreement with the evolving societal processes in the Soviet Union. The transformation that has begun in the Soviet Union is very significant from our viewpoint too.

The characteristics of both the problems and the renewal process in our two countries are similar in many respects. Several important interests of the international workers' movement are tied to the consistency of these processes. The MSZMP too is convinced that there is no alternative for socialist construction other than to renew ourselves, to achieve economic growth, and to democratize the life of our society. These goals can be accomplished only if we preserve peace. We actively support the peace policies of the Soviet Union and of the Warsaw Pact member nations. We also support proposals for disarmament, as well as every initiative in the interest of preserving peace.

Marxist-Leninist policies are the foundations of the constitutionally affirmed lead role of the MSZMP. The realization of these policies largely depends on how we organize and control the implementation of the two party resolutions, in other words, on our ability to make our practical leadership role prevail. The 13th congress has determined that our party fulfills its role as society's guide, and that it responsibly serves the cause of the people, of socialism, of social progress and of international peace. The 13th congress emphasized that the key issue regarding further progress pertains to improved economic effectiveness and efficiency, and to a society-wide increase in production. The congress established the goal of revitalizing economic development over the next several years. Through a forceful and general evolution of intensive economies, through cost reductions, and through an improved utilization of reserves we can accomplish solid growth that enables the further improvement of the balance, and the improvement of social welfare.

The resolution of the 13th congress was approved by our working people; its implementation has begun. Socialist democracy has developed, elements of self-governance have gained strength within our society, and the modernization of the economic management system continues. Nevertheless, the economic results are not satisfactory. The record of the past two years demonstrates that while part of the business organizations shows an improved level of economic efficacy, the indispensable change has not taken place at the people's economy level. The balance of the people's economy has not improved. There has been no appropriate change with respect to the efficacy of business enterprises, in the increase of our ability to export, and in economic and social conditions that serve as the basis for economic improvement. In order to accomplish these goals, we need to implement further actions that substantially strengthen economic organizational activities. Deliberate, well-organized, disciplined work is indispensable regarding all aspects of society, as well as in management and implementation. We must improve the enterprises' and the workers' interestedness in increased production. We must bring to an end the practice by which we consume more than what we produce.

The experiences of Marxist-Leninist parties--among them our party--confirm the Leninist truths pertaining to party work. In order to be responsive to its historic mission and to be able to point out directions and ways in socialist construction, the party must enjoy the confidence of the masses, and must be able to renew itself. The classic figures of Marxism never tried to dream up the future on the basis of abstract speculation. Their legacy does not include ready-made prescriptions for the establishment of a new society. Their theoretical legacy is not dogmatic, instead it is a guide for action. We will defend the spirit of their legacy to a maximum degree, but in order to make that spirit prevail we must develop basic positions and actions that are creative and innovative in spirit. Our party has been working in this spirit for three decades.

It is well known that our history included a difficult period, the lessons of which have not been forgotten ever since. That period produced some rather grave consequences--the party has strayed from the Leninist path and a dogmatic view prevailed. In the pursuit of personal cult, a few individuals expropriated the party's leadership role by making others believe that they

could wade across the ocean and still get wet only up to their ankles. Following the defeat of the 1956 counter-revolution the MSZMP restored the Leninist standards of party life. Since its reorganization the party has fought a dual battle against both revisionist distortions and dogmatic, sectarian inflexibility.

The party continues to sustain its substantive policies. But with respect to individual political elements the party adapts to real life situations. We have agreed to work out and to apply solutions that are not routine. Under changing societal circumstances the development and application of policies leaves no room for conservatism. It demands constant renewal. In an earlier period the direction of society was overwhelmingly accomplished through centralized and administrative elements. Our internal societal circumstances have changed since: democratism has broadened, the political involvement of workers has increased. In these days, when the independence of the various societal collectives is on the increase, and the elements of self governance gain strength, the party's guiding and controlling role must also be placed on broader societal foundations. Our starting point is that socialism is being constructed with the participation of society as a whole, and for society as a whole. Rather than providing a multitude of specific actions and prescriptions, we can make the central will prevail by propagating our ideals and by persuading people to accept our policies. We can implement our policies by revitalizing self-inspired and social activities.

The party is the decisive institution of the socialist political system. With its ideological and political guiding role it serves all the people. Unquestionably, the changed political institutional system in most socialist countries is tied to endeavours to perfect the economic mechanism. It would be a mistake though to assign the cause for all political institutional changes exclusively to the various forms of economic mechanism. Political institutional issues must not be perceived as subordinate to the economic mechanism. Our starting point should be that the acceleration of socialist construction is not simply an economic program. It is a program aimed at the transformation of society as a whole: one that encompasses the totality of political, economic, cultural and social conditions.

The fundamental issue with respect to socialist polity pertains to the relationship between the party and the state. Relevant principles, as well as the practical application of those principles decisively influences the mission-oriented functioning of the political system as a whole. In this respect too, our party has divorced itself from the earlier mistaken perception: we believe that the party's function of directing state organs involves political principles. Unfortunately, by now, more often than necessary, this kind of direction is mixed with operational interference. In specific cases this leads to blurred lines of responsibility. We feel that under a single-party system too an independent governmental structure can evolve without weakening the party's guiding role. It is also for this reason that the party should concentrate on strategic issues--on the most essential policy issues. A number of significant actions were taken in this respect during 1986: we changed the organizational structure for the management and administration of county and local government, the election system was enhanced, and the legislative and administrative processes were improved. Along with all these

changes, however, there still remain a number of contradictions between party and state organizations. These must be resolved as soon as possible. The functions must be more accurately delineated.

The program announced by the 13th congress endeavours to strengthen the consensus, as well as socialist and national unity. The institutional framework for these endeavours is provided by various social organizations, mass organizations, and mass movements. Working relationships between these organizations and the party--with all due respect to the independence of those organizations--becomes a reality in the form of creative cooperation with appropriate roles and features. Along with changing economic and social conditions, these mass organizations and movements too need to be changed both with respect to their substance and form. Having recognized this need, last year the CC reviewed the societal place and role of trade unions and of KISZ. The CC stressed that unions could improve their role played in the political mechanism, by providing improved interest representation and interest protection for their members. Regarding KISZ--the party's youth organization--the CC stated that KISZ must increase its ideological-political persuasive and educational work among the young, and must represent the interests of youth more openly and more courageously, in due consideration of opportunities available to society.

Our party continually enhances the spirit of a socialist democracy in all aspects of society. The party endeavours to ensure that democratic forums indeed possess substantive content, and that the experiences and initiatives of the masses be allowed to surface and to be made use of. The tasks ahead demand broad participation in public affairs, and the decisions of, and control by workers. Collective, responsible thought concerning our common affairs, and various possible ways of implementation are indispensable conditions of unity in perception and action, as well as of socialist discipline. The evolution of a socialist democracy is the historic program of our party, it is a constant and organic element of our policy development and of the prevalence of those policies. It is also the condition and driving force of socialist construction. This is why we promote socialist democracy in all aspects of society. Although democratic development can be effectively achieved only by improving the substantive content of our institutions, we also recognize the need to seek new organizational solutions and new procedural variations.

In this respect, during the past several years we have reached a number of policy decision. We modified the system by which National Assembly representatives and council members are elected, and made multiple nominations mandatory within individual voting districts. Voters not only vote, they actually select from among candidates. The modification of the Hungarian electoral system did not produce disintegration. It actually made the socialist system stronger and enhanced its tolerance level. These changes resulted in increased popular activity levels and in personal interestedness in the establishment of representative bodies. The National Assembly is increasingly becoming the chief governmental forum for open and active political discourse. The National Assembly's oversight of the functioning of government agencies, and its role of defining the most important issues for government has also increased.

We have introduced new forms of management in two-thirds of our state enterprises. Many of our plants now have enterprise councils. A majority of the council members are elected by the workers or their delegates for five year terms. The enterprise president is elected through the secret ballot of the enterprise council. Cooperative democracy has evolved quite some time ago within the cooperative movement. It provides a favorable mix of societal, communal and individual interests, while at the same time it permits proprietary rights to prevail with respect to the election of the leaderships of producer collectives and in the management of their common business.

Openness is a very important element of socialist democracy. It suppresses subjectivity and permits the reconciliation of various interests under socialist conditions.

The development of our party's policies jointly with various worker collectives permits the surfacing, weighing, ranking and reconciliation of various interests. It is on this basis that our party selects action choices that provide the societally most appropriate solutions.

We must also point out the relationship between party democracy, and the socialist societal democracy, in the broader sense of that term. The standard of party democracy decisively determines the level of democratism in society. We attribute great significance to the deep involvement of party members in theoretical, political and organizational debates. Only in this way can we reduce the danger of making flawed decisions, and to strengthen identification with party resolutions in formulating the party's political directives.

The experiences of the MSZMP prove correct the Leninist idea by which party unity is an indispensable condition for the exercise of the leadership role. We have learned in practice that party unity cannot be viewed as a factor that has been established once and for all. Party unity must be reestablished from the CC on down to the basic organizational units in the context of every new situation and every issue.

The construction of our socialist society--and within that the search for appropriate methods--is accompanied by certain effects. Ideological work and the instillation of consciousness was unable to keep pace with these effects. The consequences of this are noticeable also within the party in the form of uncertainty and disorientation. Within the party we find both expectations for change and advocacy of no change. It is the MSZMP's belief that we must be prepared to renew ourselves in this respect too, and that we must provide political responses to questions and doubts at the appropriate time. After all, the party membership expects timely and accurate knowledge and the presentation of developmental perspectives.

It is an indispensable condition of the party's unity, its renewal and protection, that various views be clarified through democratic debate. This is a natural phenomenon in organizational life. Our party has rejected the damaging notion by which debate demonstrates a lack of unity. To the contrary: we feel that the lack of debate, the veiling and sweeping under the rug of real concerns produces societal tensions and intra-party problems which can be turned against socialism by our enemies. For this reason one of the

key tasks before our party is to appropriately analyze debates, and to develop a debating culture. Debate that is becoming to the party demands both ideological consistency and a high degree of patience.

Significant central decisions are preceded by a broadly based exchange of views. Participants should include the party's basic organizational units, members of other organizations, activist, expert working groups and social organizations. It was this kind of consultation that preceded decisions concerning the reorganization of county and local governments, the modernization of the electoral system, the modification of rules applicable to organizations, the enhancement of trade union work, and the issues pertaining to youth policies.

Despite favorable experiences, the extent to which views are exchanged within the party membership does not even come close to the desired levels. On occasion, democratism remains a mere formality within discussions preparatory to decision-making. A segment of the party membership will not openly state its opinion even before party forums. Since people are able to debate only the subjects they are familiar with, it is important that we further improve the information flow to the party membership. It is important that the party membership accurately understands what the party wants, what the party supports and what it opposes. Communists have a right to expect that their remarks and recommendations will be taken into consideration, that they will be utilized by the authorities having jurisdiction, and that their proposals will be responded to at their merits.

Cadre policies are an indispensable tool for enforcing the party's leadership role and for strengthening the party's relationship with the masses. In March 1986 our CC debated the related tasks with the intent that while preserving our time-tested cadre policies, we would adjust the related work so as to be responsive to new demands. Ensuring the personal conditions of our constructive work in this period of development is being stressed more than before.

The most important reserves for progress are our human resources, the evolution of talent and initiative, and especially our effort to raise the standards of leadership. The masses judge our party and our social system in light of the work and conduct of our leaders. Confidence in our policies largely depends on the conduct of our leaders. We act deliberately, and hold people responsible whenever we find abuses of power, commandeering, coarseness, the suppression of criticism, self-contentment or any other phenomenon that violates our principles and moral standards. Our party is responsible to see to it that leadership positions are occupied by persons who can perform the demanding role of conducting cadre politics, and are capable of performing the increased tasks. Political aptitude is the crucial criterion for selection to leadership posts. By this we mean that leaders must be committed to socialism, must know the policies of the party--especially those relevant to their own field of work--must represent and advocate those policies, and their own decisions must creatively contribute to the realization of those policies. We carefully observe the requirement that posts other than party functionary posts also be filled by persons from outside the party ranks.

In addition to political aptitude, we also pay attention to leadership qualities. These include orientation toward productivity, receptiveness to new ideas, managerial skills, a preparedness to organize and to initiate, responsible independence, willingness to adapt to changing conditions, etc. We need leaders who can reconcile diverse interests, and are firm, consistent and humanitarian. Leaders, who anticipate and consider the views of the collective, and are capable of exercising self-criticism regarding their own activities. Consistent with our cadre policies, in practice we endeavour to see rational stability and the realization of planned exchanges. We apply the term 'stability' only with respect to those upon whom we can build--people who are capable of renewal and adaptation to changing circumstances. Several instances prove that a timely change in leadership can lead to rapid change, renewal and significant results, without any further investments. We carefully observe the need that among the leaders there should be older, more experienced individuals, as well as younger ones who are more dynamic and represent modern expertise. We disapprove of the fact that a few leaders serve longer than desirable terms. Even with the best of intentions, such extended terms carry the danger of habit becoming the master--there may develop a certain kind of self-assuredness and a feeling of infallibility. Collective leadership suffers as a result. Elimination of this undesirable phenomenon may be assured in the future by a CC resolution which ties key party positions to terms of office, prescribing a maximum of two separate terms, not exceeding a total of 10 years. This rule applies to the members of the Political Committee, the secretaries and the department heads of the CC, and to the first secretaries of the various county party committees.

The enforcement of the principle of cadre policies, the objective judgment and determination of personnel issues is hindered mostly by subjective views, bias and unprincipled collusion. In our judgment, the best remedy against this is the expansion of democratism. This is why we enforce the principle that only the appropriate bodies can decide or take positions with respect to personalities. Consultation with members of the deciding body, with those who are most familiar with the given area of specialization and with the person or persons in question is mandatory prior to recommending persons to office. Within all of the election processes, including party and mass organization election processes we are expanding the practice of multiple nominations. In this respect too, our experiences are favorable. Within the state, the economy, and in cultural and scientific life we are further broadening the competitive system with respect to filling positions, and are expanding the number of positions which can be filled for limited periods of time only (mostly five year terms.)

I once again emphasize that the democratization of cadre work, the decentralization of decisional authority cannot reduce the right and the responsibility of party organizations at various levels, by which they universally enforce the principles of cadre policies, and confront those who violate those principles.

Taken as a whole, over the past several years the internal life and functioning of our party evolved appropriately. The party's organizational features have become more pronounced, its work methods have developed, and communists stood fast in implementing resolutions. A large majority of the party member-

ship lives and works in a manner consistent with party policies, programs and organizational rules. They are confronting mistakes more courageously and in a more determined manner. They demand consistent implementation.

The MSZMP is the revolutionary vanguard of the working class. Our present membership stands at 880,490. Within the adult population the ratio of party members is 11.1 percent, among active wage earners it is 14.5 percent. The size of our party enables us to draw upon the representatives of all social classes and strata to participate in party work. As a result of the developed organizational structure of the party, communists are present in every important walk of life.

Taken as a whole, we feel that the social composition of the party membership is appropriate. Forty-two percent of the party membership is working class, 7.5 percent is made up of peasants from cooperatives, and white collar workers constitute 43 percent. It is indeed a favorable phenomenon that almost every third party member is female. We feel however, that the ratio and actual number of youth within the party is low. Within our organizational development and membership recruitment work we place qualitative requirements above numerical growth. It is important that our ranks increase only with the addition of persons who in every respect fulfill the criteria for party membership. At the same time, we must continuously part with those who do not fulfill their obligations, or who no longer deserve being party members.

In the upcoming time period our party is facing many new tasks which demand great circumspection. We are accelerating the economic reform process, and a scientific examination and further development of the political institutional system is in progress. A working group within our CC is preparing recommendations concerning issues affecting the leadership role of our party, and also with respect to the party's responsibility to direct state organs, mass organizations and the economy. All these endeavours are not aimed at accomplishing minor or major patch work, but rather at the continued, in-depth change and development of present conditions.

We find stepped up activities also within our ideological life. We organized a nationwide, theoretical conference concerning party democracy, and more recently another one that dealt with current issues attending socialist development. We intend to finalize the issues concerning party ideology during the second half of this year, in the framework of the CC's session.

We find it necessary that the party membership assume a more active role than before with respect to the upcoming renewal process. The planned exchange of party membership-books presents a good opportunity for the accomplishment of all this. In the course of the exchange we will have a personal discussion with each and every party member concerning his or her work and experience, and we will seek out opinions concerning both local and national issues. We view the exchange of party membership-books as an action by which members will have a direct opportunity to contribute to party policy-making and party functioning with suggestions, and by helping to work out the highly significant tasks that are ahead of us.

The party's work style and methods play a very significant role in the development of the party's internal life and its functioning. The present situation demands that we preserve all the proven and useful methods, means and forms of work, and that we change those which have been surpassed by reality. Above all, we must decrease and liquidate the officious spirit and style which manifests itself in bureacracy, formalism and excessive internal control. We must put an end to superfluous, time-consuming meetings and conferences and to the endless production of paperwork. We are reducing the obligatory discussion agenda that is centrally prescribed for party organizations and basic organizations. We are objecting to the parallel discussion of the same issue in the same manner by various organizations. We are strengthening the political 'movement' character of party work. It is our endeavour that the party refrain from dealing with official matters and professional issues. Instead, the party should deal with the political effects of problems. Throughout the party, persuasion, personal example, organizational work and mobilization should predominate.

We endeavour to perfect the functional order of party organizations. Appropriate directives are forthcoming. There now are smaller party committees in villages, plants and institutions with a small number of people. These smaller committees replace the former combination of party committees and executive committees, and perform the work related to theoretical and political guidance, as well as to implementation and control. So far their record of performance appears favorable.

In a similar vein we are experimenting with the possibility of holding executive committee conferences every four weeks instead of the present bi-weekly sessions. This would also include city party committees. This change proved to be advantageous. There are fewer meetings, fewer resolutions and less paperwork, while the productivity of work has not decreased. As we see it, the further democratization of party work, and the strengthening of its character of being a social movement has served well in preserving the party's political leadership role.

The MSZMP observes the practice, the developmental experiences and the methods applied by other socialist countries, and endeavours to utilize those experiences. Together with the general, regular features of socialist construction, our party highly respects the various national features that influence socialist construction.

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J. BEREZC ON 'PLURALISM, PARTY'S LEADING ROLE'

Budapest TARSADALMI SZEMLE in Hungarian No 7, 1987 pp 3-10

[Article by Janos Berecz, secretary of the MSZMP Central Committee, and July 87 appointee to the MSZMP Politburo]

[Text] Current political analyses of our thirty years of socialist development define an increasingly pronounced demand for making pluralism accepted, or the opposite, for identifying pluralism with revisionism and with bourgeois ideology. This topic was the subject of passionate debate at the February 1987 Szeged conference. The extensions of thought, the analyses of often emotionally charged and passionate viewpoints are indispensable, because this topic affects the essence of our political system and the class content of our society.

As an ideal, a concept, a watchword, an adjective, or as an assumed institutional system, pluralism bears the peculiar marks of political fads. Diverse, eclectic interpretations and individual perceptions are attached to that word; on occasion we also find ad hoc, peculiar uses of the term. In reading several works on the subject, the attentive reader will gain the impression of various authors dealing with different phenomena, and with different concepts and subject matters. Thus the difficulty in arguing the issue of pluralism. Notwithstanding this difficulty, I will not make an attempt to define the term, I will only try to approach its meaning in the interest of clearer, mutual understanding.

According to the bourgeois conception, pluralism is a polarized political system that permits various political endeavours to freely prevail. The opportunity to freely prevail, however, is semblance only. In reality it means that it is impossible to freely prevail. The emergence of the concept in Hungarian political thought does not signify the acceptance of ideological compromise. It reflects a recognition of the existence, functioning and the simultaneously exerted effect of interests in society. These interests cannot

be dealt with and resolved through administrative measures in the long run. The interests themselves must become visible and manageable. This conception, however, is not synonymous with the idea of polarized power structures or with multi-party systems. We cannot build a pluralist political system upon the recognized and acknowledged pluralism of interests. The fact is that even within multi-party systems there evolve exclusive single political centers, and that behind the pluralistic facade of rotation systems power will be defined and exercised by certain social groups, and political and economic forces. These groups and forces determine the extent and content of social movements, political decisions and the means by which power is exercised.

At issue is whether our political system reflects the stratification of interests, and the various tiers of society? Stated differently: could our single-party political mechanism de facto enable, generalize and demand the surfacing of interests, of the class composition of society and of the unique features of various strata and groups? Would the single party system be capable of transforming the recognized diversity of interests into joint societal action in the interest of achieving societal goals?

The socialist system is capable of surfacing and rendering visible the interest processes that necessarily accompany social development. The MSZMP has recognized that the multitude of societal interests necessarily creates a variety of relationships between interests. The MSZMP has also recognized that this multitude and variety produces a pluralism of interests and that the political sphere must contend with diverse interests. Our historical experience too suggests that the party can exercise power only in a continuously developing institutional system. Within this system the party maintains and strengthens its leading role, while it shares the exercise of power in cooperation with other social forces. It is for this reason that one must distinguish between the party's role of integrating various interests on the one hand, and expressions of interest that counter the party's leading role and question the party's function of organizing and directing society, on the other. The latter include perceptions and endeavours by certain interests that would transform socialist society into a multi-centered political system which reflects the power orientation of group interests.

These views and perceptions must be taken seriously. This is not simply a theoretical debate, it is a fundamental issue which determines in what direction society will develop, and what its political content will be. For this reason we must specifically emphasize that in our view pluralism is a dialectic exchange of views and actions in the interest of social and political progress, and in the interest of achieving our socialist goals. Various societal contradictions emerge, become part of consciousness, and are resolved in the course of this dialectic exchange. Accordingly, our concept of pluralism presumes and demands debate with and conflict between interests that define their aims in different ways, organize differently and use different approaches. Conversely, pluralism presumes and demands neither liquidation, nor ideals and actions that cast away and deprecate the party and socialism. The expression and prevalence of interests demands organizational forms of many colors having a differentiated functional and organizational scope. This, however, is in no conflict with the leadership role of the party.

Once again there appeared a perception which a priori raised the question of whether there is a need for the party--for that matter any political party--in the life of society. True, these views do not appear openly and explicitly in Hungarian literature or as part of sociological research. This perception is characteristic of certain industrially developed capitalist nations and of certain third-world countries. Within the former group it signals a disillusionment with the bourgeois political institutional system, in the latter it has become the official standard for dictatorial rule that governs without or 'above' political parties, irrespective of whether a given regime pursues proor anti-imperialist policies.

But even under our circumstances we detect traces of this perception. Unspoken, it is hidden between the lines of publicist or sociological writings which detail the perceived or actual shortcomings of our political institutional system. They urge transformation by which the leading role of the party would become superfluous or a mere formality. Such writings are inspired in part by the opposition. At times it is only a shift in emphasis that signals these endeavours: providing primary emphasis to the expression and enforcement of a remote special interest, while understating the need to integrate interests and to provide representation for the common societal interest. At the same time they cast doubt over the very existence of such common interests. The holders of such views disregard that the reconciliation and integration of interests is an important condition for the functioning of society. In the absence of interest reconciliation and integration functional disorders evolve and actual socio-economic conditions become blurred. These critics project themselves as supporters of the fallen and the poor, nevertheless if appropriate institutions and organizations alleviate the burden of the socially disadvantaged, the critics will qualify such intent and action simply as paternalism. E.g. the government's support of the continuing education of children of physical laborers evokes apprehension on part of the self-proclaimed flag-bearers of the war against poverty.

Naive-idealistic and anarchistic apolitical views and conduct that turn away from the party are also reflected at certain levels of social consciousness and in certain segments of public opinion. In part this is a result of the previously mentioned literature and conduct. All of this, of course, cannot be ascribed solely to anti-communist propaganda and to opposition groupings that echo anti-communist propaganda. Anti-communist propaganda is alien to the masses.

Modern societies are complex and deeply structured. Various classes, strata, smaller or larger groups, representatives of political trends and communities that proclaim a certain view of the world and of other matters rally to express and to enforce their own recognized interests. This type of organizational activity produces rather varied and complex social conditions. Groupings like these make their first appearance mostly in the form of movements, and as such they already play an important role. Other groupings gradually escalate to higher levels of organization: they become societal, economic or political organizations, and in the end, parties. Let us recall the fact that the communist and workers parties too had their beginnings in movements. Their transformation into political parties occurred when the scientific theory of Marxism became the dominant organizing force for the movements.

Political parties represent the most comprehensive and best organized communities among European social organizations. In the most general and broadest sense of the term, a political party is no more than a conscious grouping of activists who profess the same principles, have identical goals, establish and support a joint program, or beyond that, accept tasks to be performed, and unite for the accomplishment of goals.

In bourgeois societies the various bourgeois parties are the rallying points of various groups within the ruling classes. They may differ in appearance, detail or political conception, nevertheless their common, determined purpose is to sustain the capitalist order. This purpose also manifests itself in their actions. Viewed this way, 'pluralism' is a common term which does not mean political pluralism even in its bourgeois sense. Bourgeois parties govern and exercise the powers of the state individually (on grounds of an absolute majority), or jointly in the form of coalitions, consistent with the prevailing power structure. In capitalist societies only the working class political parties which are not in power--the communist and the workers parties--could mean a real alternative: a political pluralism in the full meaning of the term. It is again a different matter that the working masses in capitalist countries frequently vote for bourgeois parties. There are many reasons for this apparent contradiction. For instance, in spite of frequent and chronic unemployment and other severe social problems, workers and employees in the most developed capitalist countries enjoy a relatively high standard of living. This is a result of historic economic development. Economically developed capitalist countries possess significant internal reserves for socio-economic development, and thus are capable of recovering and renewing themselves in the aftermaths of economic crises. The power structures, the ruling political forces control significant financial resources and possess a rather refined political and cultural legacy. Thus they are capable of exerting extremely effective anti-communist propaganda which influences the working masses.

In this connection we must point out yet another momentum that is extremely significant from our point of view. For seven decades, socialist practice has demonstrated an unchanging backwardness, and from time to time has fallen behind the production efficiency of industrially developed capitalist nations. This had an effect on the workers' standard of living. The phenomenon can be explained nevertheless by the fact that seven, alternatively four decades ago, socialism came into being in the economically backward regions of the world, and that it is difficult to make up for the inherited disadvantage, irrespective of how respectable our progress may be as compared to our own past.

The fact that from the beginning socialism has developed in a hostile environment--in the midst of unceasing imperialist attacks and threats--also explains our situation. This situation continues to date. Defending ourselves was always costly, it tied down significant material and intellectual resources. It is equally undeniable that as a result of all of these effects, the various socialist economic mechanisms at various points in time and in various places proved themselves to be inflexible, obsolete and inappropriate. They were unable to modernize by improving the efficiency of production, and by developing production incentives for workers. Accordingly,

our own shortcomings too played a role in fostering our present backwardness. Anti-communist ideology does not interpret this objective situation by applying historic perspective, or by providing logical arguments. Instead, it portrays the situation as the result of production conditions under societal ownership, as the crisis and inviability of the socialist system. Using this argument, of course, the defense of capitalist interests and production under private ownership conditions, as well as the vindication of the societal situation and political power of the capitalist ruling classes flows naturally. Even if only the primary purpose of such arguments is revealed, it has great impact on the working masses of developed capitalist nations, and even on certain population segments in socialist countries.

Our continued development is built on the dialectics of stability and renewal. For this reason the social reform and related economic reform processes in socialist countries--including in Hungary--can be traced throughout their course. The socio-economic renewal process accelerates development and has great significance: it improves the efficiency of socialist production based on societal ownership, proves the viability of the socialist order of society, gradually retards the growth of relative backwardness, and reduces the degree to which we are out-of-step. To accomplish this we must utilize the highest level of science and technology, and must take advantage of the increased direct interestedness of workers, and all the reserve forces that are implicit in human creativity.

This goal presents a gigantic task: we must renew all that has come about during seven decades--things that are no longer capable of efficiently serving socialist goals. This is inseparable from the broadening development of socialist democracy, from permitting socialist democracy to prove itself in practice, demonstrating that by virtue of its substance, the socialist order of society is a democratic order of society. Contrary to what anti-communist propaganda has to say, dictatorial methods applied by virtue of necessity during certain defined periods of history do not represent the essence of socialism. They were not linked to socialism for prolonged periods of time. Socialist democracy is not inferior to the most highly developed, most traditional bourgeois democracies. To the contrary: considering the opportunities, the future, and the developmental limits of socialist democracy, it is superior, because it is not restricted by the special interests of the capitalist minority. Accordingly, socialist democracy embodies the prevailing interests of the majority.

The consistently revolutionary Marxist party is not just one of several parties. In contrast to any and all bourgeois parties, a revolutionary Marxist party's main feature is that it does not represent just one class or stratum, or the distinct interests of individual groups within one class or stratum. A revolutionary Marxist party represents the most fundamental interests of the entire working class and of all working people. Accordingly, in a socialist society free of class-antagonism, a Marxist party has an opportunity to become the party of all the people, and can successfully function as the sole ruling party. This is the theoretical foundation for the single-party system of socialist countries. Quite naturally, in and of itself this theory does not rule out a multi-party system, or a political mechanism in which differences in societal interests become visible and gain separate

representation. Multi-party systems and separate representation of interests can exist provided that the non-Marxist parties and social movements acknowledge the leading role of the Marxist party, then share the political interest representation and the responsibility of governing with the Marxist party. This is not political pluralism or a pluralism of power. This is a way to permit the surfacing of a diversity of societal interests.

In order to express its interests and to make its interests prevail, a class, stratum, group, etc. must adopt the highest form of organization achieved so far in history. It must do so in order to achieve its goals, and to be able to mold and shape the existing social processes. That highest form of organization is the political party. Organizational work and the struggle must be pursued in the party framework in order to permit interests to prevail. Countless historic experiences point to the fact that many social movements of the past reached the stage of party organization by necessity. In the absence of becoming a political party they would have failed. In the final analysis, those naive, idealistic and anarchistic conceptions according to which political parties are superfluous in society, or those who instinctively recoil from the organization, discipline and activities of political parties because they appear as alien, are untenable. The truth of this statement was demonstrated in recent Western-European changes. Some movements, including the Greens organized as political parties. They did so because they endeavoured to sustain general interests by using political means.

Let us forgo the thorough analysis of ideals and goals advocated by environmentalists. Suffice it to say that some of their goals (e.g. to end the destruction of the human and natural environment, the preservation of basic conditions of life) are appealing to great masses of people. Before criticizing these programs, however, it is worth taking a glance at the instructive genesis of this movement. In the beginning the movement was non-partisan, moreover, it made rather forceful representations against political parties. It repeatedly proclaimed itself not to be a party, and this disavowal also reflected a disappointment and disillusionment in regards to bourgeois parties because those parties did nothing worthy in the interest of protecting the environment.

But as soon as the movement enjoyed the commitment of growing masses, it was forced to manifest features characteristic of political parties. They came to admit that mere protests and demonstrations could no longer achieve results. The movement was qualified to participate in the elections of several countries. They nominated local and parliamentary representatives so that their followers would have someone to vote for. Having won seats in parliament, and positions (even leading positions) in local units of central governments, they began to function as a growing political party. Soon thereafter they established coalitions with other parties. At that point their political party character became apparent. The Greens' story I just described is well known. They travelled their course contrary to their intentions, and this presents a lesson for us too. It proves our point: the party is the most effective form of organization for societal groupings, and that a real influence upon social progress can be borne only in this kind of framework.

It is instructive to further develop this thought. If a movement possesses great power and is able to influence large masses of people, it must become a party in order to realize its perceptions. Would this not be true also in the reverse? Should not a well organized party strengthen its methods and style characteristic of a movement, in order to increase and improve its influence upon society?

'Strengthening the movement character of party work!' This is not a nouveau watchword or demand. We have been stressing it for a long time. In exercising self-criticism, however, we will know that these words still constitute more of a watchword than practice. Not as if the intention, the will, the commitment was missing. Nevertheless it is not easy to turn the watchword into reality and to make it part of practice. 'Being well organized' sometimes turns into the other extreme of 'being overly organized'. In a well-organized, politically responsible Marxist party which represents the interests of the working people in a single-party system there may take shape (and according to our experiences actually do take shape) some official or bureaucratic procedural forms whose methods are contrary to those of movements. Instead of convincing the masses they seek shortcuts by relying on reflexes of power. This then may be the beginning of an insulation of the party from the live processes of everyday life.

The expression 'having the character of a movement' is perhaps not quite accurate. Its content is somewhat vague, therefore it requires explanation. It requires both theoretical and practical explanation in order for it to regain its function and full content. In party work the radical and rational reduction of bureaucratic and official processes is indispensable. We must realize nevertheless that it would be impossible to completely liquidate these processes. It will be necessary to relax the overly inflexible constraints in party life. But together with relaxation we also must produce higher expectations and enforce existing standards. Every party member, every party organization and organ must work individually in his or her environment, territory or jurisdiction, sharing the party's responsibilities. This is a dual responsibility: in part it is the responsibility of the higher organizational levels to make sure that the membership is informed of decisions to be made; in part it is the responsibility of the membership to champion the resolutions adopted as their own.

Party democracy must prevail and must be developed at every level. It is in this framework that the reserve moral and political forces of party work come into play. The evolution and the further development of party democracy is the sole factor that can provide new impulse to the development of societal democracy. The process of democratization also strengthens the leadership role of the party, it modernizes and directs party activities with higher expectations needed for further progress. A party with a lesser degree of democracy than within society as a whole is inconceivable. It would be equally inconceivable to have a party whose internal democracy would not ensure the development of political tasks through debate. To the contrary. The party must spearhead the development of societal democracy. The party's own democracy must expand to accomplish social development, involvement in public affairs and socialist democracy. In order to permit the social and

economic reform process to progress and to succeed, we must make party work more effective, and must raise its standards.

Arguments that question or deny socialist democracy are false and pretentious. Pluralism of power (a matter frequently demanded from us too) does not exist in reality. The multi-party capitalist political system does not permit this question to be raised and does not allow socialism, the alternative to capitalism to prevail. Holding on to power, the capitalists do not permit anyone to cast doubt or to endanger the existing social order, which is exploitation based on private property. It is in the interest of the working masses that we do not permit anyone to question the foundations of our socialist order of society. To be sure, from a number of viewpoints it is easier to resolve social and political tensions in the framework of a rotation systems by continually handing over the functions of government. At the basis of such systems are differences in political platforms, and political parties that organized pursuant to group interests. These are the parties that rotate the performance of government functions. This, however, does not constitute pluralism. The cabinets in power rotate governmental functions around the single power base that governs society, without changing the foundations that characterize societal formations.

The real pluralism of power is none other than dual power. Revolutions and socialist development produced a number of these varieties to prove that dual power is none other than a transition from a bourgeois democratic revolution to a socialist revolution. This was the case in the Russia of 1917, and in 1918-1919 in Hungary. And this is what has been proven by the destabilization process of the fall of 1956, which discharged itself in the form of a counter-revolution. Accordingly, I repeat: dual power, the pluralism of power is a transition, and it does make a difference between what kinds of socio-political systems the transition is made. This matter too should be of concern to those preoccupied with pluralism.

Capitalism or socialism--these two alternatives exist in this day and age. Reverting to capitalism is not an alternative, so far as we are concerned. We not only reject capitalism, we will stand in its way. Countless tragic examples during the 20th century proved that whenever bourgeois democratic development approached the socialist alternative, the bourgeoisie stood in the way of that approach. It did so with the brutal suspension of democracy, and even with the introduction of Fascist dictatorships. The Horthy counter-revolution that followed the Hungarian Soviet Republic; Franco's Fascist dictatorship that followed the Spanish Republic; Hitler's ascent to power in response to the threatening advance of the German Left during the 1929-1933 global economic depression; the forceful military defeat of the Greek fight for freedom during the second half of the 1940's; the terroristic rule of Pinochet which massacred the Chilean people's front cabinet; the brutality of racial oppression in South Africa--all these events serve to prove this thesis. These are last resort methods for the bourgeoisie--they use political means as long as possible. The bourgeoisie will do anything and everything to prevent a socialist victory through democratic processes. They are in power, they make tremendous financial investments, exert sophisticated and comprehensive propaganda using manipulative mass communication systems, and encourage ultra-conservative ideologies. In this sense then, there is no pluralism of

power. The only difference is that we profess this openly, using a Marxist view of class theories, while bourgeois ideology and anti-communist propaganda veils the non-existence of pluralism of power by pretending, proclaiming and demanding political pluralism.

But we do recognize the existing reality of pluralism in the socialist framework. We consider the existence of ideological pluralism also in the realm of changes in church policies, artistic trends, fashions and tastes. We are convinced that every working class, stratum and group is fundamentally interested in the creation of a developed socialist society. The strata and groups formed of small property owners too are interested. They contribute to the more effective functioning of the socialist economy with activities that constitute work, and by utilizing their capital within the framework of societal production. They provide a greater choice of products and a more flexible retail system, and contribute to the development of services and to market competition that bears a stimulating effect upon production, etc. The existential and production security of these strata and groups is guaranteed by the socialist construction program not only in the short-run out of tactical considerations, but also in the long-term. In addition to their fundamental interest in socialist construction, quite naturally, these strata and groups also have some special interests which are different from those of other working classes. The various strata of the working class, of the cooperative peasantry and the various groups within the intelligentsia have some special political and economic interests too, all of which work within the identical fundamental interest.

Our party does not view as acceptable or as necessary a kind of pluralism that is devoid of content. The kind of pluralism we are debating about is not based on some liberal conception in which ideology plays no role in establishing societal relationships, functions and solutions within a polarized political structure of societal direction.

Let us state that so far as our party is concerned, Hungary's socialist foundations, and Hungary's social, economic and political goals and task of socialist construction are not subject to bargaining. Our goals pertaining to the building of society can be accomplished under the leadership of the party of communists. Only the party's social conditions provide objective criteria for progress. Therefore, the party's conception by which it continues to view pluralism as a transitory status of society is not coincidental, nor is it mere expediency. It is reality. The party expressed this view when it established its policies on the foundations of a broad societal alliance, in which everyone who wants to participate in Hungary's socialist construction has a place. The party did so at the time it stated that it will not monopolize the people's minds or the evolution of ideals, nevertheless it will endeavour to achieve hegemony. This, of course, constitutes an ideological struggle: the struggle of Marxism and Leninism against bourgeois ideologies which stand in the way of the historic mission of the working class.

The party professes and accepts the fact that the relationship of societal interests is complex, and that interests are stratified among and within social groups. The sources of energy for social development are to be found within the multitude of interests and in their organizations. One could

apprehensively deny this fact, or one could modestly keep silent about it. But under no circumstances could one disregard it. MSZMP policies take into consideration the activities of various interests, as well as the conflicts that arise in the process of achieving their success. The party considers interest representation and interest protection, as well as the societal and political role of organizations that convey such representation and protection as natural within the socialist political system. We need not prove to ourselves or to those who oppose us, that our policies regard the mechanism and organizational system that integrates, surfaces and confronts interests as organic parts of development.

The political mechanism cannot be an unchanging, static creature. It must change together with social development. In this process the party too has significant tasks. The clarification of the independent representation and protection of special interests, the functions of the related institutions, the expansion of their sovereign emergence, the assurance of the openness of the positions they take and opinions they form is slow and does not have the desired impact. Part of the problem is narrow-mindedness and inflexibility. But in this case one cannot yield to the lure of fashion, or unprincipled results, just so that our actions evoke favorable response from people whom we do not consider our allies and who do not accept our policies. This is too high a price to pay for becoming 'reformers' or 'innovators'. For us communists reform means necessary changes and the related implementation system. In itself the achievement of reform is not a goal, nor is it an end.

The interest relationships that are functioning in society and the multi-tiered nature and unceasing movement of interests necessitates a division of labor with respect to the exercise of power also. Such division of labor, however, does not constitute pluralism of power. Under no circumstance is it a pluralism of power, because, although political endeavours become integrated within organizational forms--irrespective of the cloak they wear--sooner or later under any circumstance they would and will become centers of power. As we have discussed before, however, historically the pluralism of power that ensues becomes a political situation that lasts for a rather short period of time. As a result of the necessarily ensuing battle their evolves a power structure that has a single center. In practice, however, the rational and necessary division of functions is not synonymous with the pluralism of power.

We have some rather grave historic experiences concerning the times when party leadership itself was the power. Neither in decision-making, nor in the implementation of decisions did they take into consideration the forces and experiences of society, or the fact that society is composed of individuals who have a multitude of situations and thoughts, and that it was a rather strongly stratified society that accepted the mutual task of socialist development. Party leadership in those days did not build on the political, cultural and economic experiences accumulated by the struggling Hungarian working class. It underestimated the creativity of the masses. It did so in spite of the fact that in the aftermath of 1945 the bulk of society proved that it was willing to sacrifice and was capable of great deeds for the sake of establishing a new society. Political leadership viewed this society as a homogeneous mass, and counted on that society only insofar as the discipline of implementation was concerned. At the beginning the party leadership

claimed credit for every accomplishment within the structure that emerged, and accounted for results in terms of individual achievements. It built neither on the membership, nor on the support of the allied working masses. It accomplished a concentration of power in which the political system of objectives and goals became entangled with the economic management system and public administration, and the democratic requirement of neglected national representation became unrecognizable. All of these factors weakened each other and cast the party and the social process of socialist construction into a crisis. Because this system, did not permit any kind of distribution of the exercise of power, the concentration of power shook the party, politics and in the end the stability of power.

Our experiences prove that every significant force and organization that feels a sense of responsibility for socialism must participate in the exercise of power and in policy development. It is the party's duty, however, to work out and to organize the implementation of the timely tasks of building society, to inventory the means, to establish the intellectual and material conditions needed for implementation, and most of all, to assure the political conditions. The MSZMP is the integrating and concentrating social and political force for the common interests of society. The party represents the common, general interests of society at the societal level. Even during the process when these endeavours become a reality, it is the duty of every participant in planning and decision-making to call attention to functional problems, undesirable processes and negative factors. Only this kind of power and political leadership practice can bring about socialist democracy, and enhance the evolution of self-governance and self-regulation. This kind of situation, however, cannot come about in a polarized power structure. Centers of power that organize under such circumstances will, by necessity, destroy self government and self regulation, and will subordinate those to special interests. Under single-party conditions party democracy and socialist democracy jointly provide an organic foundation (and at the same time a guarantee) that there will be a division in the exercise of power, in which the various elements of the political institutional system--already functioning elements and future institutions equally--jointly create an organizational framework for self-governance and self-regulations.

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HUNGARY

POLITICAL

CHILDREN ATTEND MILITARY TRAINING CAMPS

Budapest NEPHADSEREG in Hungarian 27 Jun 87 p 6

[Text] A romantic spot on the island of Szentendre is the home of the city Pioneer camp. For the fourth time in as many years, it was the place of a one week Pioneer military camp attended by 146 high school freshmen, juniors, sophomores and seniors from the city of Vac and its vicinity. The event was jointly organized by the leadership of the Hungarian National Defense Association [MHSZ] and the Pioneers. The specialized camp enjoys increasing popularity among both the students and their parents, according to MHSZ city secretary Captain Jozsef Hrozina in charge of the camp. This is demonstrated by the fact that this year there were twice as many applicants as there is room at the camp.

The participating students represent 30 Pioneer troops. They were divided into three groups according to their interests. Boys were placed in the communications and the shooting groups, while boys and girls were mixed in the sports group. Members of the latter group were able to increase their karate skills and strength in a special training program. Each wooden barrack accomodated five students. Their day began with an inspection of the premises; the rest of the day also served the purpose of providing a taste of military discipline, one that will be experienced by at least all the boys a few years hence. Last year only the three highest grades were eligible to participate, but this year freshmen were also allowed to register. In spite of all this there were no major disciplinary problems, even though for many children this was the first time to be away from their parents. The lack of problems may be attributed in part to the fact that there were a number of programs to attract the Pioneers, including various theoretical and practical sessions, sports competitions, movies, computer games, patrol competitions and excursions.

Just as in the past, this year too the local military contingent took part in organizing and implementing the Pioneer camp. "The free meals received by the

children were fully provided by our contingent," according to Major Janos Majar, political deputy of the commandant. "Certain activities are supervised by our soldiers."

The program's most memorable events are conducted jointly with the soldiers. National Defense Day was jointly organized by the Pioneers and the military contingent, and the future enlisted men paid a visit to the military barracks.



The shooting practice was supervised by soldiers.

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HUNGARY

POLITICAL

SYSTEMATIC VERIFICATION OF REGISTERED ADDRESSES INITIATED

Budapest MAGYAR HIRLAP in Hungarian 10 Jul 87 p 1

[Article: "Addressee Unknown; An Examination Of Reported Residences"]

[Text] The concept of dual residency is unknown in most neighboring countries. Almost everywhere, one's reported address indicates where that person actually lives. In Hungary, however, the phenomenon of dual residency is still recognized, even though it results in misdirected summonses and unrealistic records.

The situation surrounding filing requirements of permanent and temporary residencies would be less problematic were it not for the fact that various perceived and actual legal relationships are tied to residential addresses. It is obvious that anyone would take advantage of benefits flowing from residency filing requirements as long as people are assigned to health and school districts based on residency, and as long as the inheritance tax on a condominium or family home is lower if that real estate is inhabited. Many have not been informed yet of the fact that the right to rent an apartment under the control of councils continues by filing an application for the apartment, and that it is unnecessary to report children as residents at their grandmother's home 10 years in advance.

Today there are 1.1 million individuals reported to have temporary residences. Most of the related addresses are colleges or workers' hostels, but the number of family members and houseguests is also large. About 25 percent of the temporary residents indicates that they are sub-leasing, but it is questionable whether they ever use these temporary residences. Many people forget to report the discontinuation of temporary residency at the time they move. It is usually at census time that these little tricks come to light; on such occasions the number of temporary residencies suddenly drops by several hundreds of thousands.

This is so, even though from the infra-structural viewpoint--the service and developmental plans of a residential district--it would be important to know the number of actual residents. Although it would be difficult to demonstrate the added burden created by misdirected summonses and superfluous administration, it is likely that the related costs are substantial. In response to a recent increase in the number of temporary residency reports filed, the State Census Bureau is about to audit these reports. The increased number of filings is not supported by any marked change in population mobility.

The audit began in mid-June and focused on individuals actually residing in the vicinity of colleges and workers' hostels. Private homes are next on the agenda. Councils having jurisdiction pursuant to one's permanent residency will summon only those who forgot to report departure from their temporary residence over a period of several years.

The audit will be complete by the end of the year. It is expected that it will shed light on the actual residency of some 270,000-300,000 people. Accordingly, the number of letters returned to their senders stamped "addressee unknown" will be reduced by a similar number.

12995

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WARSAW RECTOR DESCRIBES POLITICAL SITUATION AT UNIVERSITY

26000728d Warsaw POLITYKA in Polish No 27, 4 Jul 87 p 10

[Interview with Grzegorz Bialkowski, rector of Warsaw University, by Adam Krzeminski]

[Excerpts] [POLITYKA] Professor, only 3 years ago you filled two roles, physicist and poet, whereas now you have four, as you have attained the position of UW [Warsaw University] rector as well as membership in the advisory council to the president of the State Council.

[Grzegorz Bialkowski] I don't deny that I'm more and more involved in politics, although this is happening as if independent of my will....

[Question] As rector of the university?

[Answer] Yes. When I began to fulfill this function in 1985, the worst opinions about Warsaw University were circulating from the political side. I noted that one of my main tasks had to be to shift the opinion to a more realistic view of our school which is, like our entire society, strongly differentiated. After all, we have people closely connected with governing the country in positions such as ministers, deputies, or advisors. And there are also people who are against the prevailing system. So the view of the university is also not even black-and-white, but simply saying it's black doesn't seem right to me.

[Question] You were elected after being rejected by the candidacy minister, Professor Klemens Szaniawski. Of what was your election a symbol?

[Answer] I'm aware that my political views are typical for an academic environment. It appears to me that a fairly large part of this community agrees with my views. Otherwise, I probably would not have been elected in secret elections.

[Question] By the votes of the "silent majority?"

[Answer] Silent, but I would say they sometimes speak in an undertone.

[Question] So are you torn between the extremes?

[Answer] No. I don't feel that way. It's true that I am known for having opposition from both sides, "hot shores," who do not like me, but basically the great majority of UW employees, both party members and non-party members, probably identify roughly with my views. It seemed to me that saying certain things with full voice is necessary so that the community could find itself in these words and so that we can show to the outside world what we really think. Perhaps this opinion was noticed, since I received further proposals for more political activity. But this cannot be the only reason, and this is simply the position of the UW rector. In accepting this position, one must also take on certain obligations on the outside.

[Question] And how would you formulate your program?

[Answer] I'll state it simply. It appears to me that the educational, economic, social, financial, and ecological situation of our country is so bad that people who think only of kicking each other actually harm the entire country. The moment has arrived in which the predominance of the primary interest over local ones must be understood. The good of the country must prevail. And so my modest program is to inform these people how badly they are amusing themselves.

[Question] So the rector of the university cannot be only a scholar in an "ivory tower," representing Learning and being independent of what's happening on the outside?

[Answer] He cannot be only a scholar because he is primarily an administrator. Administration has two faces. On the one hand, it is inwardly directed so that the university operates efficiently, which these days is an immensely difficult task, almost beyond our strength. There is also a second side to administration which requires contacts with the outside world, with institutions such as the Ministry of Education, the Ministry of Science and Higher Education, the inspector-general's office, and the metropolitan office, such as the Warsaw Committee of the PZPR or SD [Democratic Party]. During all these contacts, questions of a political nature are put to us. It is also a fact that our employees and students have certain, though differentiated, political attitudes and behave in a certain way, which results in the evaluation of the university and also the rector from a political viewpoint. In a certain sense one falls into a trap, and whether he wants to or not he must represent his political views and take a certain political position.

[Question] But at the same time when you as UW rector present a political position which does not please the authorities fully or at all then it is said: these students, this intelligentsia, they are not responsible for anything so it is easy for them to talk. This is like the second face of that political activity.

[Answer] In this matter my own awareness is a little divided. It would be difficult to support the view that just the scientific worker has some special rights or privileges to make pronouncements on social matters. On the other

hand, it would be hard for him to refuse those rights and privileges which he has as a citizen.

[Question] There is still authority. A professor finds himself at the pinnacle of social prestige again and again. Although if one looks carefully, one does not always know which titled head to believe. There would be no problem finding two professors who, in an unusually scholarly way, justify the validity of two completely contradictory things, for example, the beneficial or deadly role of nuclear power stations. I won't say anything about other titled experts.... What is the place of intellectuals in the Elite of the authorities?

[Answer] I'll tell you how it is with me, although I'm not aware that I belong to this elite. I take part in certain political undertakings, like the Advisory Council, as you recalled. In my community of physicists this was met with reactions such as, why do you mix with this? Not because this is the "regime's" council, but in general. No one would think ill of me if I were directing a little garden or tourism, but politics....Perhaps this particularly concerns the physicists, who in political matters are neutral to a significant degree in Poland. And perhaps physics itself particularly strikes at the low efficiency of all these councils, conferences, groups, and commissions. Well, I wouldn't want anyone to think that I'm suitable as a decoration or an ornament, and that this makes things easier for me. As for all these proposals, well, we know how it should be, but the problem is how to achieve it. Sometimes it seems to me that we are behaving like someone who wants to fly to the moon, but instead of boarding a rocket he jumps up and down, believing that one of his leaps will finally tear him away from the earth.

[Question] You assumed your position under unusual conditions, when there was a rather strong conflict at the university, in a situation where your predecessor did not accept your selection and where it was not known for a half year what would happen further. How do you evaluate the situation at the school now?

[Answer] I would say that the conflict was mainly all around the university, and not in it. But even within the university the situation has toned down a lot. Conflicts between the party organization and the opposing part of the community are experiencing, in my opinion, significant settlement, which does not mean that there are no arguments during Senate meetings or outside of them. But lately, for example, a proposal on a professorship for a party member very actively engaged in the political life of the country passed the Senate almost unanimously. And the voting is secret. This is one success where appraisals really are based on the merits of the case in an instance where they should be. This greatly fosters the feeling that we all are members of the same community, simply colleagues, even if we are not friends. These instinctive biases, that this one or that one is from the other side of the river, have diminished, I believe. As for the relations of the university with the outside world, this indisputably aroused the strongest emotions

and personal matters open up, such as the lack of advancement by people after a dozen years or so, how it sometimes happens that it is impossible or difficult to take trips abroad, and dismissals from work for non-educational reasons which happen from time to time. Also bad are the personal attacks on university representatives, as there were recently. Such public accusations cause a lot of anxiety in the community and have an antagonizing influence on it at a time when we are hearing voices from many sides quieting the previous emotions. Such situations always aroused an instinctive protest. And that seems good to me. The feeling of solidarity in the community is essentially good, which does not mean that each of its symptoms will lead to favorable effects.

[Question] Do you think that the community is capable of evaluating the quality of its own work, for I don't want to use the word "self-cleaning" here. However, I am thinking of situations not only at UW, where some are no longer engaged in scholarship but in "pro" or "anti" political activity. If one could assume that the state will not interfere in personnel policy during the next 5 years, would the community be able to perform some kind of self-evaluation, or would everything remain as it is?

[Answer] Nothing today is the way it was 5 or 10 years ago, for the situation undergoes evolution one way or the other, and interference from the outside does not necessarily accelerate this process. But we must remember that such an evaluation always was and is very difficult. It should take many elements into account. It may be easiest with scientific work, for it is at least qualitatively fairly measurable. But evaluating instructional work is very hard. What must we take into consideration here? How will a supervisor know whether his assistant is a good, average, or poor teacher? By hearsay? Would inspections perhaps help? But they wouldn't be enough, for they are by nature occasional. Maybe an anonymous student survey--my home department has done that for years, and not only concerning the assistants, but also the professors. Organizational activity for the school and the department is again a more measurable thing. Undoubtedly most difficult is the evaluation of moral and political-civic attitudes. I take the position that the best evidence for a proper attitude is carrying out one's professional obligations in an exemplary way. Given a choice between two employees, where one performs his scholarly and teaching tasks well, but has a critical view of taxing industry and central planning, whereas the other is the direct opposite--I'd prefer the former with no hesitation. An evaluation is complicated by the fact that all its elements are not always equally positive. To which ones do we then give greater weight? It is a difficult problem, and it is all the more difficult because behind each one there is a real person.

[Question] How do you evaluate the achievements of your term?

[Answer] Very critically. I achieved a certain improvement in atmosphere, and with help from the community I was able to arrange several belated professorial promotions, where one of the candidates had waited 11 years. I had some success in stirring up public opinion about the university situation.

It's a small start, if one considers the effectiveness of the studies, and it's not identical in all departments. Collaboration with industry is improving a little. I was also able to bring about a little better cooperation with the education department. We have initiated all post-graduate studies which the Kuratorium [Voivodship education administrative office] has demanded of us. We became partners with them in producing educational equipment for schools.

[Question] And with the Ministry of Higher Education?

[Answer] Well, it's known that the ministry operates under financial limitations, and the whole department is not fully funded.

[Question] But finances are one thing, while another is the greater and greater centralization of decisions in matters which were managed by the university for a long time. For example, the matter of travel abroad. Don't you resent this?

[Answer] After December 1981 trips were handled through the ministry. As far as I know, this now is applied only to Warsaw University. We submit proposals to the ministry in every matter, while others do this only for travel to countries such as the United States, FRG, or Israel. We have to go to the ministry even with a request to travel to Prague. At the same time, this is only bureaucratization of the process, for we don't receive any more refusals than other (2-3 percent). This is absurd. I can't understand why it's worth keeping this whole machine in the ministry for these 2-3 percent.

[Question] And other areas of discord?

[Answer] We have reservations concerning several decisions by the ministry, for example, regarding the recruiting system for the school, which in our opinion was not very well thought out, and similarly regarding the overly simplified system for economizing. For example, international calls now may be placed only from the rector's secretary's office.

[Question] It's a good thing that you don't have to place the calls yourself.

[Answer] This is true. The next ruling was that the rector or prorector may take business trips to capitalist countries only 15 days a year. We have 90 inter-university agreements and we constantly have rectors as guests, who in turn invite us. After all, once every few years the rector or prorector should make an appearance in each of the cooperating schools, for agreements are implemented at this rate. These are all ideas that are not congruent with real life, for they don't take into account differences in the size of individual schools. With that, the idea is sound, only one can't carry it too far for it will return as its opposite, or will begin to bring harm.

[Question] Thank you for the interview.

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WESTERN REPORTING OF PAPAL VISIT CRITICIZED

26000728c Warsaw TRYBUNA LUDU in Polish 10 Jul 87 p 5

[Article by Wlodzimierz Lozinski: "Between The Eucharist and Politics"]

[Text] To begin with, false illusions outstripped reality. On 6 June LE FIGARO stated, "John Paul II did all in his power to prevent interpretation of his visit as an acknowledgement of the status quo....Moreover, the church is convinced that there is no Poland aside from him." Two days later THE NEW YORK TIMES explained that "in spite of collaboration with the government, as a high Vatican representative declared, the pope does not want to be taken as a person giving approval for the present situation in Poland." The British INDEPENDENT held that "the pope declares himself against the Polish system." The London DAILY TELEGRAPH perceived mainly "police cordons" so thick that if one was not determined and did not use an expedient, it was possible to see the pope only on television."

On 10 June THE WALL STREET JOURNAL repudiated the religious character of the pilgrimage. "Before the visit," it stated, "official representatives of the church emphasized its pastoral character. The pope's words were delivered in a sharp and expressive way, yet had political significance." The American CHRISTIAN SCIENCE MONITOR also added that "in the eyes of the Vatican diplomats, Poland...is a 'vital bastion of Catholicism.' It is also a bridge to the East."

On 12 June the Parisian LE MONDE stimulated its readers with a description of a "homily against a background of tear gas grenades" delivered in Krakow, and the Swiss TRIBUNE DE GENEVE saw mostly "Solidarity continuously demonstrating its existence along the path of the pope's journey."

In stories written as the events unfolded, especially in the first days of the visit, there was more cheap sensationalism than religious solemnity. I remember several of the descriptions for two reasons. First, they are evidence of a desire to see disorders and confrontations above all in Poland, and second, they express misunderstanding of the processes taking place in our country, processes in which the religiousness of Catholics and socialist state policy must not be and are not opposing values. They are not in matters most important for Poles, those concerning regeneration, socio-political transformations, and further development, which Wojciech Jaruzelski discussed

with the pope for quite a while. Moreover, in his response to the invitation the pope wrote in April to the chairman of the State Council, "I want to serve my native country best through this visit. I want to perform a service in regard to my compatriots who live there and who continually undertake anew the task of universal regeneration...."

Other than the most frequently expressed contentions, we have an active attitude toward our reality in the ever broader scope of understanding and cooperation of all Poles. In instances of press sensations based on false premises they couldn't reflect the truth about the entire visit. Later commentaries were closer to reality, for example, the London OBSERVER on those persons who want "to tamper with the physical gift" which is human life. The OBSERVER made note of the pope's warning "on nuclear war and the arms race."

The Parisian LIBERATION noted that during the entire pilgrimage, "the ceremonies only once attained the degree of emotion and fervency which characterized the pope's pilgrimage in 1983." This was supposed to be in Gdansk, where--not only in the opinion of LIBERATION--the pope united the "spirit of Solidarity" with the necessity for "patient struggle for peace and freedom" and where he "delineated possibilities for the future and condemned despondence and resignation."

In the West German press, part of which during a recent visit to the FRG called the pope a "conservative" and not responsive to the requirements of the present, criticisms are now appearing, calling for "the defense of Catholicism and Polish national identity threatened by reformation and Germanization...." The right-wing DIE WELT, which formulated this charge, reproached the pope with bitterness that "in all calls for the reconciliation of peoples in coastal cities so saturated with Germanism, even in Gdansk, there was not one word on the centuries of German-Polish mutual commerce and community, of the history, which, as the pope knows, did not consist entirely of divisions and partitions of Poland, German war crimes, and expulsion of Germans." DIE WELT did not depart one iota from politicizing aimed at false revisionism.

The West Gerlin DER TAGESSPIEGEL wrote about another kind of political "image." "The indefatigable activists of the former 'Solidarity'--stated this newspaper's correspondent--"played a distinctly marginal role during the third visit of Pope John Paul II." Recalling the universal, generally human behavior of the concept of solidarity, DER TAGESSPIEGEL writes that "among foreign observers this immediately caused irritation....The pope most clearly should have separated the idea of "solidarity" from the definite political sense that it takes on from the events in Poland in 1980. He wanted to restore the original, broad meaning of this word to include also solidarity with people in other parts of the world and those with other beliefs."

In the Western press only the Vatican daily L'OSSERVATORE ROMANO literally treated the objective of the pope's visit, and admonitions were repeated by the press spokesman for the Holy See that "the letter and intent of this

journey consists of the Eucharist." In an article "Apostolic Journey to Poland" on 23 June, L'OSSERVATORE ROMANO explains this religious sense by writing further, "John Paul II...invited Poles to look into the future, braving the present actively with a feeling of realism and with consistency and responsibility derived from faith. He encouraged them to look into the future and be self-critical, but without rejecting values which form the fabric connecting the ancient and recent history of Poland...."

In such an interpretation of the goals of the pope's pilgrimage there are neither contrasts nor divergences between expectations and implementation of the program, or between the aims and hopes of believing and non-believing Poles. For who would not want "human dignity" or the "rights and duties of man" to be displayed in an honest attitude toward life and work and toward his family and society? Who wouldn't want solidarity to be a "community responsibility" for the present and future of the country, and morality not to be a holiday fashion show but an everyday occurrence?

The smooth running of the pope's visit was the result of joint efforts by state and church officials. Attention was called to this fact by the Sejm, which heard reports on the pope's pilgrimage to his native land and the Polish Episcopate. A communique from the 221st Conference of the Episcopate adds, "the belief (of the bishops) is that the pope's teaching calls forth a new community effort to meet the problems facing our country, including the problem of social reconciliation and peace."

Repeating the pope's opinion on "the need for work above oneself" and "commitment to the transformation of reality," the bishops "share the hope" expressed by the pope in his telegram to the chairman of the State Council, Wojciech Jaruzelski, that "his visit in his native land will serve to foster favorable development of relations between church and state and between the Holy See and Poland."

We have no reason to believe that it can be otherwise, since Poland is one for all, needing the cooperation of all for a safe, peaceful, and better future.

The statement of the minister of religious affairs, Wladyslaw Loranc, was also reasonable, when he declared in the Sejm after the pope's visit that "usually the days of our life determine how deeply and patriotically binding the individual and community experiences of ceremonial days are."

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BRIEFS

PAPAL GIFT TO MEDICAL ACADEMY--The Medical Academy in Gdansk received the valuable gift of a modern ultrasonograph from Pope John Paul II. The gift was presented to the AM [Medical Academy] management by the bishop ordinary of the Gdansk diocese, Fr Tadeusz Goclowski. Among others participating in the meeting on this occasion were the AM rector Prof Barbara Krupa-Wojciechowska and the director of the gastroenterological clinic of the school's Institute of Internal Diseases, Prof Wlodzimierz Bielewski, who gave thanks in heartfelt words for such a valuable and needed gift. The portable ultrasonograph will be used in diagnosing diseases of the abdominal cavity and gynecological diseases without resorting to surgical methods. It is from the newest generation of this type of equipment. [Text] [26000728a Warsaw ZYCIE WARSZAWY in Polish 20 Jul 87 p 4] 13324/12851

PLANT NAMED AFTER BIERUT-- On 17 July on the 50th anniversary of the Fumos Foundry Fittings Factory in Skierniewice, which was awarded the Order of the Banner of Labor First Class, the name of Boleslaw Bierut was conferred upon this establishment. During the ceremony, in which Central Committee Politburo deputy member and first secretary of the PZPR Warsaw Committee Janusz Kubasiewicz participated, a commemorative plaque on the factory gates was unveiled. The banner of the factory party organization was also handed over, and an exhibition devoted to the patron was opened. Jan Chylinski, the son of Boleslaw Bierut, was there in person. [Text] [26000728b Warsaw RZECZPOSPOLITA in Polish 18-19 Jul 87 p 1] 13324/12851

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PARTY OFFICIAL DISCUSSES DEMOGRAPHIC ISSUES

Bucharest CONTEMPORANUL in Romanian No 30, 24 Jul 87 p 8

[Article by Academician Prof Manea Manescu: "Population--the Supreme Wealth of the Country"]

[Text] We are experiencing a memorable event. On 11 July 1987, the 5 billionth inhabitant was born. This is an impressive figure; we now have 5 billion people on this globe.

Man is nature's most sublime creation, earth's central figure, to which hymns of praise have been sung throughout the ages. Man, endowed with the focusing nucleus of intelligence, of knowledge, and of creative force, has always been the maker of history. Man is the law of gravity for material and spiritual progress and civilization. He has unraveled earth's mysteries and is now conquering space; his millennium-old dream of having knowledge of outer space is coming true. It is natural for him, man, to be considered the planet's most valuable asset, a luminary in the universe.

Continual population growth has changed the landscape of our planet. The active population has transformed nature itself and given an unprecedented stimulus to the production forces. Population represents the matrix of the whole process of development, the decisive factor in the vitality of the productive power of society.

In Comrade Nicolae Ceausescu's work, starting from the scientific vision of a bright political horizon, the problems of population are approached in a multidimensional framework, in close correlation with the dynamics of economic and social growth and with the needs of the nation, of national independence and sovereignty, for progress.

In the view of Romania's president, the problem of human resources must be analyzed in relation to each country's historical, national, and economic and social conditions, to each people's necessities for development.

Pointing out the decisive importance that goes to human resources in growth of national wealth and in economic and social development, Comrade Nicolae Ceausescu stresses the sovereign right of the states regarding their demographic policy: "Starting from the fact that the population problem represents the

decisive factor in each people's progress, each state has the sovereign right to promote the demographic policy and the measures that it considers the most suitable, in conformity with its national interests...." The thesis of broad scientific and humanistic scope according to which "the population represents the supreme wealth of each country" and "man is the purpose and reason for any social activity" is developed in Comrade Nicolae Ceausescu's revolutionary social and political work.

Over the history of society, the world evolution of the population has had periods of growth--slower or faster--depending on the conditions of economic and social development.

In demographic analysis, as, in fact, in any field of social life, it is necessary for us to put ourselves in the positions of scientific socialism, of dialectical and historical materialism, strong instruments for knowledge that give us the possibility of understanding the interdependence between the growth of the population and the evolution of the economic and social formations, of the mode of production, of the stage of the production forces and relations in society.

The first industrial revolution, the contemporary scientific and technical revolution, has put its imprint on the dynamic development of the production forces and of the population. Earth's 1st billion inhabitants were reached at the start of the 19th century, which opened with the rapid development itself of capitalism in the world. Our century itself opened with the 2d billion; the 3d was in 1960; the 4th, in 1974; the 5th, now.

According to the calculations in the demographic forecasts, the current rate of population growth will lead to the 6th billion before the end of this century, to the 7th billion in 2010, and to the 8th billion in 2020. The hypothesis is accepted that earth's population will approach 10 billion inhabitants in a century.

The world demographic picture is amazing, but this picture must not be viewed idyllically. A very brief glance at the geographic distribution of the population shows big differences from one region of the globe to another. The population in the developing areas now represents more than three-fourths of the planet's population, and this percentage is constantly rising, because 90 percent of the annual growth in the whole population occurs in these areas.

The big differences of an economic and social nature between the developed countries and the developing countries are directly and significantly reflected in the demographic characteristics of the two groups of areas, North and South. Here is a meaningful example: The average lifespan in the developing areas is only 60 years, as compared with an average lifespan of over 75 years in the developed areas.

The inequalities and gaps of an economic nature, a consequence of centuries of colonial domination, of discriminatory economic practices, and of the current neocolonialist policy, are increasing the underdevelopment of many countries and peoples.

Chronic economic underdevelopment generates poverty, unemployment, illiteracy, and disease, which are now dramatic realities for a significant part of the 5 billion inhabitants of the globe. The population affected by malnutrition and undernourishment approaches 1 billion, that is, 20 percent of the world population; those who suffer from hunger are mostly in the Third World.

The dialectics of the course of the history of human society is continual progress, but, as is well known, this course of development is filled with contradictions, strewn with crises and with material and spiritual setbacks.

Despite the great accomplishments on our planet, mankind's tumultuous history has had 1,500 wars, including World War II, which took more than 50 million human lives. Since then, there have been another 150 local wars, which have had 20 million victims, and now the flames of war are still burning in 36 countries on the globe. Wars have always been the people's great calamity that has brought incalculable harm to progress and civilization.

It is an inhuman situation that now, toward the end of the 20th century, a significant part of our planet's population still lives in misery, in poverty and darkness, while, in this year alone, enormous funds, over \$1 trillion, immense material and financial resources resulting from the creative labor of the people, are being diverted from their utilization for peaceful development, they being used for arms, for means of destroying life, our very planet.

The resolution of the serious problems of the contemporary world, including the problems of population, can be done only in a climate of peace, cooperation, and trust, in which man can fully enjoy the benefits of civilization. The placing of the relations between states on new bases, on bases of equality and respect for national independence and sovereignty, of noninterference in internal affairs, and each people's right to develop itself freely, in conformity with its own aspirations, represent the only alternative for the resolution of international problems, including those of population.

The stirring calls and appeals of Romania's president, Comrade Nicolae Ceausescu, addressed to all peoples, to all states, to participate actively in stopping military competition on earth and in space, in order to reduce military expenditures, all arms, and especially nuclear arms, until they are totally eliminated, a basic condition for peace, are having a strong response throughout the world.

There is enough room on our planet for the entire population, now and later, for all peoples, to live in a world without arms and without wars, in a better and righter world, in a world of peace.

A scientific demographic analysis of the population on our territory, from the earliest times to the present, demonstrates the creative vitality of the Romanian people throughout history. It is interesting to note the dynamic demographic process of this nation of heroes that has undergone many trials in its tumultuous history.

According to information of the historian Strabo, the great state led by Burebistas had nearly 1 million inhabitants.

After the formation of the Romanian feudal states--Walachia, Moldavia, and Transylvania--they totaled over 2.7 million inhabitants in 1386.

The first union of the Romanian countries, under Prince Michael the Brave, saw nearly 4 million inhabitants.

The population censuses organized in the United Principalities and in Transylvania showed over 8 million inhabitants.

The population in the areas inhabited by Romanians totaled 10 million in 1900.

The great national act of the reintegration of Romania, which created new historical conditions for economic and social development, saw 12.4 million inhabitants.

The 1930 census recorded a population of 14.3 million inhabitants, and there were over 16 million in the 1941 census.

The 1948 census, the first after the victory of the antifascist and anti-imperialist revolution for social and national liberation in August 1944, recorded a population of 15.9 million.

Socialism's victory in our country has created better and better conditions for growth in the population, which numbered 19 million in the 1966 census.

The ninth party congress also opened a new era in the field of population growth. In 1969, socialist Romania had 20 million inhabitants, and we are heading toward 23 million in 1987.

We presented this picture because the population, human resources, represents the constituent, decisive element in our national history.

Despite the great trials through which our country has passed in the course of time, trials of horrible exploitation and oppression with negative consequences for the demographic phenomena, the vitality of the Romanian people and their birth rate have been preserved and have been victorious in this difficult historical confrontation.

Continual population growth in the course of time has represented a constant in the history of our people. Only in this way have we overcome all the vicissitudes and defended and preserved our national being. In a dynamic expression of a demographic nature, we show the very potential of the brave Romanian people, who have fought stubbornly, fearlessly, for Romania's national unity, independence, and sovereignty and are now building a new social order, a new, free, dignified, and happy life.

The complex demographic process on our territory is closely connected with the general process of the historical, material, and spiritual development of the

Romanian people. The conditions for the economic and social development of Romania, conditions that have put their imprint on the growth of the population, are well known.

The victory of socialism in Romania has brought great and profound economic and social transformations in progress and well-being. The epic of the construction of the multilaterally developed socialist society and the advance of the homeland toward communism--the most inspired theoretical and practical creation of the country's president, Comrade Nicolae Ceausescu--has given a new course to the work and life of the whole populace. Deep and vast innovative changes that have caused strong growth in the production forces, constant improvement in social relations, and continual growth in national income, a sine qua non for the well-being of the entire nation, have been made in Romanian society. The transformations after the ninth congress, without precedent in the homeland's history, illustrate the power of the fertile, creative thought of our eminent leader, Comrade Nicolae Ceausescu.

The population problem occupies a central place in the brilliant social and political work of the party's secretary general. In the view of Romania's president, man, population, represents the decisive factor in economic and social progress. Analyzing the objective laws of the evolution of population and the dialectical relationships of interdependence between population growth and economic and social development, Comrade Nicolae Ceausescu has made a remarkable contribution to working out the criteria, the principles on which it is necessary to base a realistic and scientific demographic policy, capable of providing healthy and vigorous people, the work force needed for carrying out the programs for economic and social development of our socialist homeland.

After the ninth party congress, the demographic policy became a unified set of objectives and resources that strongly bears the imprint of the creative spirit of our secretary general, springing from our historical, economic, and social realities. An annual rate of growth of approximately 1 percent--as is that which our demographic policy entails--is in complete accord with the programs for economic and social development provided by the eighth 5-year plan and the program for development of the country up to the year 2000.

In the report presented at the 13th party congress, Comrade Nicolae Ceausescu stressed that in the current 5-year period a special accent is to be put on "...growth in the birth rate, as an objective requirement for developing and maintaining the youthfulness of our socialist nation. Through the measures that are planned to be attained, it is necessary to reach a birth-rate level of at least 18-20 per 1,000 inhabitants--this constituting an objective necessity for preventing the aging of the population, maintaining a suitable age ratio, securing the permanent youthfulness of the people, and developing our socialist nation."

The measures of the demographic policy are an integral part of our party and state's general policy. In the 22 years that have passed since the historic ninth congress, on the basis of the remarkable successes obtained in the growth of material production, of labor productivity, of efficiency in economic activity, and of national income, the most fruitful achievements have been

attained in the field of the standard of material and cultural living, of the quality of life, a basic condition for population growth. Special concern is devoted to children, the sunny spring of the homeland, the golden future of socialist Romania. Considerable financial resources are provided for increasing the state allocation and the allowance for children, the aid that is given to mothers with many children, and the maternity allowance. Through these increases, the funds from the state budget for state allocations and other aid for children came to nearly 21 billion lei in 1986. The social consumption funds have grown considerably, and within them, the resources allocated from the state budget for the financing of social and cultural actions have now reached over 90 billion lei, four times more than in 1965, averaging annually nearly 4,000 lei per capita. Science, education, culture, and health care have been developed rapidly, in accordance with the growing level of socialist civilization in our country.

The results of the political and scientific steps taken by the leadership of the party and state in the vital field of population growth can be expressed synthetically by the average lifespan, which has risen from 42 years--which it was in the prewar period--to 70 years at present. We can say with good reason that in our country socialism has helped decisively to extend life--man's most valuable asset--by many years.

In the glorious years of the Nicolae Ceausescu Era, extensive political and ideological programs have been worked out, programs on the basis of which the activity of patriotic and revolutionary education of the Communists, the younger generation, the whole populace, and of firm promotion of the principles of ethics and equity and of socialist humanism, fields of essential significance for forming the new man, a conscious builder of socialism and communism, has been intensified.

This is to the great merit of our illustrious president, Comrade Nicolae Ceausescu, and Comrade Academician Dr Eng Elena Ceausescu, the chairman of the National Council for Science and Technology, who devised together the scientific conception that lies at the basis of our entire demographic policy, providing year after year dynamic growth in the population, in the work force, a basic factor in the construction of socialism and communism in our homeland.

At this memorial moment--the day of the 5 billion--the most uplifting thoughts and feelings of boundless devotion, of great esteem, and of profound respect of the scientists, of the whole populace, are directed to Comrade Nicolae Ceausescu and Comrade Elena Ceausescu, as a sign of great affection and gratitude for the titanic revolutionary activity that they are performing for the multilateral progress of Romanian society, for the strengthening of peace and collaboration in the world.

The colossal scientific and technical revolution will bring profound changes in the future, in the development of the production forces and relations in society and, as a result, in the demography of the globe, in the living conditions of the population.

Now, when we have crossed the threshold of 5 billion inhabitants on the planet, more than ever the peoples of the world must unite to block the path of devastating warfare, to secure disarmament and peace on earth.

We now total 5 billion--a huge force for constructive creation for the progress and civilization of all mankind.

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ECONOMIC INDICATORS: RESULTS FOR FIRST HALF OF 1987 ASSESSED

23000355 West Berlin DIW WOCHENBERICHT in German No 31, 30 Jul 87 pp 421-26

[Text] The beginning of 1987 was a period of exceptionally cold weather that lasted for the entire first quarter. Weather conditions in the GDR brought on major problems, in particular with respect to energy supplies and transportation. Consequently, the economy got going rather slowly. According to the brief monthly report by the Central State Administration for Statistics (NEUES DEUTSCHLAND), economic growth was feeble in the first 3 months, and--in some sectors--output actually declined. Production recovered only toward the end of the first half. In spite of these figures, official statements mention the fulfillment and overfulfillment of plans. This is due to the original targets having been scaled down.

The 1987 annual plan and the Central State Administration for Statistics' report on plan implementation in the first half (1) show the following development of the most important indicators (percentage real growth compared with the previous year):

	Plan 1987	Actual Results of First Half 1987
Produced national income	4.5	3.0
Industrial goods production (in the competence of the industry ministries)	4.6	4.0
Net production (in the competence of the industry ministries)	9.0	6.4
Retail trade turnover (nominal)	4.0	3.0
Foreign trade turnover (nominal)	6.0	- 4.2

Energy

In the 1981-1985 5-Year Plan period, primary energy consumption rose by only 0.2 percent annually, while the economy as a whole grew by an annual average of 4.3 percent. The directive to the 5-year plan sets a 1 percent annual growth for primary energy through 1990. The eventual 5-year plan obviously allows even less. However, all easy ways of energy conservation have by now been largely exhausted. The first indications of a strained energy situation were already present at the end of 1986. A statement at the Third SED CC

Plenum in November 1986 intimated (2) that "there has hardly been any Politburo meeting that did not evaluate the energy situation and decided on the necessary steps to be taken." Even then mention was made that "in the matter of coal/energy, this winter will confront us with our most severe test yet."

Electricity supplies appear to have turned into a special bottleneck. The current 5-year plan aims at another 2,500 MW [megawatt] rise in installed capacity (including 1,320 MW in the North nuclear power plant). The annual increase in electricity output is to amount to 2 percent. In 1986, electricity output in fact rose by 1.3 percent. A 3 percent growth was planned for 1987. However, a breakdown occurred in Boxberg power plant in mid-January 1987. The capacity lost (1,000 MW) represented the temporary loss of 4 percent of installed capacity. In the meantime (at end April), only one of the two blocks has been restored to the network. In addition there was the bitter cold, accompanied by transportation problems. The GDR economic leaders had evidently expected to be able to equalize the electricity balance by conservation at the consumers' end and the greatest possible utilization of the electricity works. This proved impossible due to the frequency of difficult situations. Total electricity output in the first half 1987 was 2.2 percent below that of the same period last year. To bring temporary relief, some 1 billion kWh electricity were imported from Austria. Yet even these imports were unable to make good the losses. The FRG electricity network was unable to provide any assistance. Actually this network usually fails to bring relief in critical situations. Networking with the entire West European network, on the other hand, might remove bottlenecks such as arose at the beginning of the year.

At 153 million tons, raw brown coal output in the first half was about 2 percent below the 1986 result. Though this represented an exceptional achievement in view of the prevailing weather conditions, it did not manage to satisfy the demand. For many years now, the output of brown coal briquettes has not exceeded 50 million tons per year. Provision was made in 1975 for the GDR to annually obtain 200,000 tons hard coal or hard coal coke from the FRG and to satisfy any demand exceeding that tonnage primarily in inner-German trade. Accordingly almost 600,000 tons hard coal and coke were delivered in January-April. The plan fulfillment report did not indicate the consumption of primary energy in the first half.

In these circumstances, the severe cold turned into an exceptionally serious problem for the GDR. Electricity cuts, the non-arrival of transports, the failure of distance heat and other breakdowns were common. The dimension and consequences of electricity cuts and cuts in energy quotas may well have been greater than admitted in reports from the GDR.

According to a statement at the Fourth SED CC Plenum in June 1987 (3), the Politburo had "derived fundamental conclusions and lessons from last winter." The following measures were mentioned to ensure stable production and supplies: The elimination of the causes of breakdowns in brown coal enterprises, adequate stockpiling, the fulfillment of repair programs and the punctual start of operation for new power plant capacities. Energy conservation, though, was to rank above all of the foregoing. Even in October

last, the Politburo and the Council of Ministers had decided on a "national program in the field of rational energy use in 1986-1990." This obligated all enterprises and combines to draft a uniform energy plan. In the meantime the planning order has been supplemented accordingly (efficacy of standards, planning of rational energy use).(4)

Indicators on Economic Development in the GDR (percentage growth compared with the previous year)

	1985		1986		1987	
	1st Half	Year	1st Half	Year*	1st Half*	Year
	Actual					Plan
Produced national income	4.1	5.2	4.3	4.3	3.0	4.5
Industry						
Goods production (1)	2.7	3.6	4.0	3.7	4.0	3.8
Sphere of industry ministries						
Goods production	4.4	4.5	4.3	4.3	4.0	4.6
Net production (2)	8.0	9.2	8.6	8.5	6.4	9.0
Labor productivity(2)(3)	7.3	8.7	8.6	8.8	6.8	8.6
Construction industry						
Construction output(2)(4)	4.4	2.6	.	3.0	2.0	3.3
Completed housing(5) in	102.7	212.2	105.1	215.7	101.6	210.1
New construction)1,000	55.6	120.7	55.5	119.3	51.0	116.8
Modernization)units	47.1	91.5	49.6	96.4	50.6	93.3
Agriculture						
State yields						
Slaughter cattle	7.3	5.3	2.5	2.6	2.0	- 2.5
Milk	2.7	3.4	5.1	3.5	- 0.6	- 5.7
Eggs	- 2.8	- 3.1	0.2	1.5	- 0.9	- 1.7
Livestock held (6)	- 0.1	- 0.7	- 0.4	- 0.5	- 1.7	.
Transportation						
Domestic freight volume(7)	- 1.2	0.5	- 2.0	- 1.0	.	.
Railroad	3.6	3.1	0.0	- 0.5	.	.
Inland shipping	-10.0	- 5.3	10.0	6.3	.	.
Road transport	- 3.8	- 1.0	- 2.9	- 1.5	.	.
Electrified rail routes(8) (km)	120	295	111	298	97	.
Retail trade, turnover (9)						
Essential/nonessential foods	3.4	4.2	4.4	4.1	3.0	4.0
Industrial goods	2.3	2.8	2.6	2.7	.	.
	4.5	5.7	6.1	6.0	.	.

Foreign trade, turnover(9,10)	5.2	3.6	- 0.3	0.1	- 4.2	6.0
Imports	6.3	3.8	0.1	4.3	- 4.8	.
Exports	4.2	3.4	- 0.6	- 2.1	- 3.6	.
Difference (billion VM)	+ 2.11	+ 6.79	+ 1.79	+ 1.04	+ 2.20	.
People's net cash income	3.0	4.0	4.6	4.5	4.0	4.0
Investments (11)	- 2.9	3.7	8.5	5.3	0.0	- 2.0

* Preliminary data, some estimated.

(1) Up to 1986 calculated from monthly index data, in other words by refiguring original data--adjusted by working days.-- (2) 1985 from index data.-- (3) Based on net production.-- (4) 1987 plan figure for centrally and locally managed construction.--(5) Output in the respective period.--(6) Total of cows, other beef cattle, pigs, sheep and layer hens; census taken May and November; ascertained on the basis of the GDR's large cattle unit key.-- (7) Total freight volume excluding marine shipping and civil aviation; some half year results estimated.--(8) Increase in the respective period. However, the data in the plan fulfillment periods are evidently too high, because the 1986 Statistical Yearbook, for example, indicates as net increase for 1985 a length of only 202 km.-- (9) Prevailing prices.-- (10) Including inner-German trade.-- (11) Excluding major overhauls; at constant prices. 1987 value estimated.

Sources: GDR Statistical Yearbooks.--Statistical Indicators of Short Term Economic Changes in ECE Countries, Geneva.-- 1987 Economic Plan (GB1 DER DDR, Part I/1986, No 36).-- 1986 Plan Fulfillment Report (NEUES DEUTSCHLAND, 19 January 1987).-- Plan Fulfillment Reports for the First Half Years (lately NEUES DEUTSCHLAND, 17 July 1987).-- DIW calculations and estimates.

Development of Industry

The plan fulfillment report for the first half reports the following important indicators for centrally managed industry (in the sphere of the industry ministries): Industrial goods production (+ 4 percent), net production (+ 6.4 percent), production of finished commodities for the general public (+ 3.8 percent). Success is also claimed with regard to the reduction of factory costs (1.3 percent), the plan advance (M1.2 billion for industrial goods production) and the volume of products with the "Q" quality mark (more than M47 billion). Taken as a whole, GDR industry has failed to achieve the growth rates envisioned in the annual plan. However, this failure is understandable in view of the severe winter.

This journal has previously described the difficulties with regard to the index figure net production.(5) The method of its ascertainment in the GDR makes it unsuitable to describe growth: It includes price effects (to an unknown extent), strongly reacts to assortment changes and, moreover, removes some sections from production consumption in order to emphasize the "own contribution" of enterprises.(6) The sections removed also affect the exceptionally increased consumption of prior services--due in part to climatic conditions. The high growth rate of net production in the first half is

therefore not identical with the actual increase in the enterprises' net product.

The figures for the manpower employed in industry had slightly declined in 1986 (for the first time). This development continued in 1987. In the construction industry, too, the labor force has decreased--a trend that began there in 1983. On the other hand, more people were employed in farming, transportation and commerce. Shifts have occurred in industry. Since 1980 employment has risen most in the two specially promoted sectors--energy and electrical engineering/electronics/device construction. The food, light and textile industries recorded only a slight increase--in some cases indeed a decline.

Development by industries is reported only for net production. The brief monthly reports by the Central State Administration for Statistics show that turnover dropped last January in the specially weather or energy dependent industries such as coal, chemicals, glass/ceramics. At the beginning of the year, the chemical industry lost production in the open-air facilities of basic chemicals. Added to this were some technical breakdowns. Net production in this industry therefore rose by only 2 percent in the first half (1987 plan target: 12 percent). On top of all this and against the plan targets, factory costs have been on the rise again.

The need for special efforts for the production of high quality and modern products is stressed for most industries. Special emphasis is given the successes achieved in the development of "key technologies." Growth rates with respect to microelectronic subassemblies, computers and accessories are respectable. The stock of CAD/CAM work stations has risen to 31,000 (from 24,700 at end 1986). The figure for industrial robots in operation has grown to 73,000 (from 69,000 at end 1986). So far that has not made much difference in terms of overall growth, because this equipment so far holds only a minor share in total industrial output. Moreover, its average efficiency is still below western standards.

At the Fourth SED CC Plenum in June 1987, it was reported that the Politburo had decided on targets for the development of farm machine construction through 1990 and beyond. Farm machinery is produced by the "Progress Farm Machines" Combine with 35 factories and around 60,000 workers. The combine has enjoyed a good reputation for many years, and its output is competitive on international markets. The Soviet Union is its main customer. It was reported in 1983 that cooperation with the Soviet partners had been agreed through 1990.(7) At that time the main concern was to further develop the equipment, reduce the weight of the products, improve their efficiency and lower energy consumption. Evidently this program has not been satisfactorily carried out. In 1985 swath forming mowers were cited as examples of products wasteful of materials.(8) However, the plan fulfillment report for the first half 1987 stresses important growth rates for combine harvesters and potato harvesters. On the other hand, output growth of soil cultivation machinery and equipment as well as tractors is described as insufficient. Open complaints were to be heard at the Thirteenth Farmers' Congress in May 1987 with regard to the performance of farm machine construction.(9) It may well

be that the presumably secure Soviet market has seduced this combine, too, into being careless and neglecting technical innovations. Now, of course, the demand for quality has definitely come to the fore everywhere.

In the construction industry both gross production (+ 2 percent) and net production (+ 3.8 percent) fell below the 1987 plan targets (3.3 percent and 5.6 percent respectively). Specific cement consumption has been reduced as planned (5 percent), but the drop in the consumption of rolled steel (3 percent) was less than planned (6.4 percent). The construction industry's growth rate for reconstruction and repairs amounted to 5.5 percent, its share of construction output rose to 26 percent (1986: 25 percent).

Some 51,000 new residential units were constructed, 50,600 modernized. Emphasis has continued to shift to modernization, specially in the inner cities. The plan of building repairs was overfulfilled. The Fourth SED CC Plenum mentioned a Politburo decision on 1986-1990 housing construction. This 5-year plan period represents the last stage of the GDR's extensive housing construction program dating from 1973. In these 5 years a total of another 1,064,000 housing units is to be completed, 600,000 representing new construction, the others modernizations. The original planning will then be fulfilled in numerical terms. What remains is the task to rehabilitate the old building stock. The new decision apparently aims at the concentrated use of available resources. The proportion of modernization may well be raised once again at the expense of new construction.

Farming successes in the first half can be judged only by "livestock performance." According to the plan fulfillment report, state yields were overfulfilled for all headings. Livestock holdings developed as planned; pig stocks declined by about 5 percent. The report stresses that improvements were recorded in the performance of livestock as well as in fodder management. The Thirteenth Farmers Congress resolution affirmed the priority of crop production and the intensification of animal husbandry.

As for transportation: Road freight traffic has been further reduced. The transport volume was lowered by 2 percent. No comparison with the previous year is available for the performance of the railroad. It is certain, though, that the problems plaguing the railroad were exacerbated by the severe winter. It is reported that great efforts had been made "to improve the stability of the track network and the progressive elimination of operating restrictions.

Distribution and Utilization

According to the plan fulfillment report, total net money income rose by 4 percent. Family allowances in the GDR were increased considerably as of May 1987. The allowance for the first child is now M50 (formerly M20), for the second child M100 (M20), for the third and subsequent children M150 (M100). Some M2 billion per annum have been appropriated for this purpose.

The retail trade has not been unaffected by the problems encountered in production. Retail trade turnover rose by 3 percent. No breakdown by the

major groups--essential and nonessential foods as well as industrial products--is available; it was merely reported that the availability of essential and nonessential foods has been further increased, that supplies of commodities in daily demand were stable, and the offer of new industrial consumer goods has again grown.

The development of services has been emphasized for some time past. In this connection private trade and private craftsmen are once again encouraged. The plan fulfillment report makes special mention of the fact that around 2,000 business licenses were granted for new craft enterprises in the first half 1987.

Total national investments at prevailing prices are reported at M30 billion, slightly more than in the first half 1986 (M29 billion). Calculated at 1985 prices, this means stagnation.

One change has occurred in investment financing: The introduction of an investment fund to be self-generated and used by the enterprise on its own responsibility.(10) The GDR economic leadership has made much of this innovation. Allocations to the fund represent a standardized percentage of write-offs and net profits. Resources may also be increased by loans and used independently for projects to a value of no more than M5 million each--primarily for the enterprise's own rationalization and construction. State controls still apply to investments outside rationalization and construction. It is a new feature for the regimenting planning and distribution of investments to be complemented by the earning of internal investments. Before this law was enacted, there was only a far more restrictive opportunity for financing investments from moneys in the performance fund. This latter will in future serve only social and cultural ends.

Aspects of Foreign Trade

With regard to the topic "foreign trade," the plan fulfillment report merely mentions turnover (exports plus imports: 83 billion valuta marks [VM]) (11) and a total export surplus of VM2.2 billion. On the basis of ECE statistics for the first half 1986,(12) this signifies a 4 percent decline in turnover: GDR exports have dropped by almost 4 percent, imports by almost 5 percent.

The major share of the short section on foreign trade is devoted to the links between the Soviet Union and the GDR on the basis of the "long-range program of cooperation between the GDR and USSR in the field of science, technology and production for the period through 2000." This program, agreed in October 1984, provides for cooperation in virtually every sector of the economy. Concluded in the meantime were 170 government and ministerial agreements as well as 33 industry programs. Without going into details, the plan fulfillment report stresses the advances recorded in the field of science and technology. In November 1986, the GDR and the USSR concluded an agreement on direct scientific-technological production relations among enterprises in the two countries. Another agreement regulates the establishment of "joint collectives of specialists." Here also many agreements were subsequently concluded (approximately 100). The establishment of joint ventures--like

direct relations these are an essential element in the CEMA complex program of December 1985--also seems to be proceeding. According to some reports, two such enterprises each are envisioned in the two countries.

Details on the development of foreign trade are sparse in the plan fulfillment report, too. It only mentions turnover with the socialist economic region (VM57 billion). Not enough statistics from the partner countries are as yet available for 1987, and it is therefore impossible to arrive at a reasonable description of foreign trade.

Data are only available for inner-German trade. FRG deliveries stagnated in January-June; GDR procurements dropped by 10 percent. The GDR had reduced earnings especially at the beginning of the year: At that time revenues from deliveries of oil products had declined due to the drop in oil prices as compared with the previous year. In the meantime energy prices have recovered. The turnover decline is now shrinking each month. The annual result will therefore be improved by the second half growth rates.

On the Further Development of the Economic Mechanism

So far the GDR has shown a great deal of official reserve with regard to Soviet reforming attempts. Typical for this reserve is Erich Honecker's address to the traditional conference of the SED CC Secretariat with the first secretaries of kreis leadership organizations.(13) Honecker underlined the high standard of efficiency of the GDR economy ("exemplary achievements by our national economy") and emphasized that "the system of our socialist planned economy is operating very well, it is efficient and flexible."

By comparison with the other CEMA planned economies, the efficiency of the GDR economy is indeed great. It must also be admitted that the GDR is constantly endeavoring to repair weak points in the economic mechanism. Especially following the establishment of combines in the early 1980's, a veritable flood of changes has spread across the economy.(14) The emphasis of the new measures has now shifted quite evidently to indirect controls: Economic accounting, including self-generation of resources, and the classifications costs, prices, profits, credit and interest. The gradual advance of indirect controls has most recently been reflected in the new law on the investment fund. This law will take effect in 1988, and plan drafting is already to be based on it. At the Fourth SED CC Plenum in June 1987, it was also reported that 17 industrial combines are "to comprehensively apply the principle of the self-generation of resources."(15) Other remarks disclose that this also includes foreign trade operations, in other words the free use of some of the foreign exchange yield for imports. According to some intimations, four combines are even now working on these principles (acting as test enterprises). Provision has also been made for the transition to multi-year normatives of net profit tax payments. Up to now net profit tax payments are fixed as an absolute amount prior to the beginning of the plan year; this makes the pursuit of a longer-range policy quite impossible.

Of course the GDR still has a long way to go before the achievement of the genuine self-generation of resources. The Soviet Union provides in this connection for all spending of an enterprise--including investments--to be

financed by its own resources and loans. Unprofitable enterprises are initially to be granted further subsidies but in amounts that will be lower every year. The USSR does not even exclude the liquidation of enterprises.(16) No such plan is on the horizon in the GDR. On the contrary--the development of the national budget presents an impenetrable thicket of subsidies and support payments to enterprises, and this thicket is getting more and more extensive.

The reform of the price system would be the indispensable prerequisite for reorganization. Though the GDR has almost constantly tinkered with changes in price formation ever since 1976, prices are still fixed predominantly by the administrative authorities. The economic structure--based on large combines--in fact admits of no other solution on the domestic market, because the combines enjoy a virtual sales monopoly.(17) Such a structure excludes price fixing by competition among various enterprises. No market prices to serve as control data are therefore available to the national economy. Nor does competition provide an incentive. The GDR instead trusts in balancing ("the core of planning") and mandatory annual plans; though it has steadily improved its system "by small steps," no fundamental change has occurred. Until persuasive successes from other CEMA countries are available, we cannot expect the GDR economic leaders to perceive any incentive for fundamental reforms.

FOOTNOTES

1. NEUES DEUTSCHLAND, 17 June 1987.
2. NEUES DEUTSCHLAND, 22/23 November 1986, p 9.
3. NEUES DEUTSCHLAND, 19 June 1987, pp 3ff.
4. "Order No 3 on the Supplementation of the Order of Planning of the GDR Economy 1986-1990," GBL DER DDR, Part I/1987, pp 67ff.
5. See "On the Situation of the GDR Economy at the Turn of the Year 1986/1987," edited by Doris Cornelsen, DIW WOCHENBERICHT No 5/1987, pp 57ff,
6. Collective of authors, "Performance Appraisal, Method for the Management of Comprehensive Intensification," BLICKPUNT WIRTSCHAFT No 1/1987, p 63.
7. PRESSE-INFORMATIONEN, 15 May 1984, p 3.
8. NEUES DEUTSCHLAND, 21 June 1985, pp 3ff.
9. NEUES DEUTSCHLAND, 22 May 1987, pp 3f.
10. "Order on the Planning, Formation and Use of the Investment Fund to Be Self-generated and Used," GBL DER DDR, Part I/1987, pp 15ff.

11. The valuta mark (VM) is an artificial accounting unit used in GDR foreign trade. The VM's ratio to the domestic currency is not known. Its ratio to other currencies is ascertained by way of the transferable ruble.
12. Economic Commission for Europe, "Statistical Indicators of Short Term Economic Changes in ECE Countries" (monthly).
13. NEUES DEUTSCHLAND, 7/8 February 1987, pp 3ff.
14. See Doris Cornelsen, Manfred Melzer, Angela Scherzinger, "The GDR Economic System: Reform by Small Steps," VIERTELJAHRSHEFTE ZUR WIRTSCHAFTSFORSCHUNG, No 2/1984.
15. Particularly important and efficient combines were selected, for example Carl Zeiss Jena, Robotron Combine VEB Dresden, Microelectronics Combine VEB Erfurt, Quality and High-Grade Steel Combine VEB Brandenburg, Esda Hosiery Combine VEB Thalheim, Petrochemical Combine Schwedt VEB, Communication Electronics Combine VEB Berlin, "Werner Lamberz" Printing Machine Combine VEB Leipzig.
16. "Economic Reforms in the USSR: Status and Prospects," edited by Ulrich Weissenburger and Heinrich Machowski, DIW WOCHENBERICHT, No 9/1987, pp 113ff.
17. Sven specialized Soviet publications note "negative consequences" of the "monopolization of production by individual combines" in the GDR. See EKONOMICHESKIYE NAUK, No 5/1987, p 9.

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COMBINES GRADUALLY INTRODUCE COMPUTER-ASSISTED MARKETING

Progress Limited to Light Industry

23000354 Bonn IWE WIRTSCHAFTSDIENST in German Vol 28 No 27, 24 Jul 87 p 1

[Text] In most sales departments of GDR industry we seek in vain for electronic data processing. According to the East Berlin review WIRTSCHAFTSWISSENSCHAFT, only a few enterprises have recorded "first experiences in this respect--mainly in light industry (not distinguished by a large sales volume). Examples are the combines cotton, shoes, Deko and hosiery as well as the Interpelz [furs] foreign trade enterprise. The review considers the lack of computers to assist marketing in most enterprises a distinct competitive disadvantage for GDR industry on international markets. It pleads almost plaintively for the speedier introduction of personal and office computers in sales departments. Furthermore it asserts that it does not say this because it is "modern" to set up data processing systems, but because past experience indicates the importance of custom built systems for processing demand and market relevant data.

No industry or service sector may disregard this development. It exerts a strong influence on combine and enterprise marketing and, in close conjunction, the operations of domestic and foreign trading organs. This arises primarily from the objective to secure a high standard of responsiveness to concrete demand, to even better include in decisionmaking all available information about markets, to even more efficiently use circulation for speeding up the marketing of innovations. It is of little use for production preparation and manufacturing changes to proceed at top speed, while marketing and sales operations take unduly long. It is therefore not simply a matter of producing merchandise at the highest level of productivity--the decisive need is for sales, for effective realization on the market.

According to the review, the first GDR experiences of the use of office and personal computers have yielded "notable results." Modern data processing has led to the "speed-up of the entire reproduction cycle," primarily to a cut in the time taken from the first solicitation of orders to the receipt of payment after the sale. "Special effects" are demonstrated by considerable savings of time in processing inquiries, offers and orders and the potential for quickly elaborating, calculating and assessing various possible marketing and

sales strategies, the gain of time resultant from sales staffs being relieved of routine work on statistics and plan reporting and, consequently, the opportunity to devote more time to customers.

Progress Toward Computer-Assisted Analyses

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 35 No 7, Jul 87 pp 1003-1024

[Article by Horst Model and Manfred Wilke: "The Application of Microelectronics--An Important Prerequisite for Flexible and Effective Marketing"]

[Text] Summary

Modern information processing largely influences the marketing operations of combines and firms and, consequently, of domestic and foreign trade organizations. The main reason is the necessity to ensure the ability to respond to concrete demands at a level required on international markets, make better use of market information for the decisionmaking process and to make circulation a more effective means to initiate and accelerate the introduction of innovations on the market. It is necessary to develop gradually a sales-oriented and market-related information system within the framework of an integrated information system in the industrial combines. An essential element are computer-assisted work stations in the marketing departments of manufacturers. They must take into account the objectively determined interlacement of information relations in these departments with other departments in the firm, supra-organizational management bodies and extra-organizational institutions.

International and national experience underlines the appropriateness of a gradual approach related to individual elements, in building such an information system. The proposed steps envisage first the computer-assisted processing of bulk data for sales accounting and marketing statistics. They lead on to computer-assisted analyses and short-term planning and computer-assisted commercial operations to the solution of complex problems in combining demand analyses and market research with strategic long-term operations up to optimizing sales profiles and sales operations and computer-assisted work stations for managerial staff to facilitate the decision-making process.

Efficient and rational business operations are steadily more dependent on modern data processing on the basis of microcomputers, the widespread use of user friendly, job relevant and dialogue capable office and personal computers in conjunction with large ESER [CEMA uniform electronic data processing system] computers. The Eleventh SED Congress therefore drew the necessary consequences. It decided on the "increased application of modern computers, in particular for computer-assisted planning, design, production preparation and implementation (CAD/CAM) as well as the thorough rationalization and automation of production, information and service processes, including routine processes in management and administration, specially by the widespread

introduction of personal and office computers, automated text processing and transmission, model solutions for local networks and industrial screen texts as well as the provision of the software required."(1)

No industrial or service sector may bypass this development. It exerts a strong influence on combine and enterprise marketing also and, consequently, on the work of domestic and foreign trade organizations. This arises primarily from the objective to secure a high standard of responsiveness to the actual demand on the international market place, even more efficiently include market information in the decisionmaking process, use circulation even more effectively to initiate and speed-up the marketing of innovations. Friedrich/Kozioliek call for orienting computer use to "manufacture...in accordance with market needs," "the rapid market efficacy of new products," "flexible response to customer wishes and changes in demand." "The growth of efficiency thereby proceeds by way of innovative products manufactured in response to customer demand and in great variety, at the highest possible quality, short delivery dates and cheaply and subsequently marketed at advanced scientific-technological standards."(2)

National and international experiences teach us more and more insistently that modern data processing exerts a significant influence on responsive and efficient sales operations. The use of microcomputers for marketing/sales means the more rapid procurement and processing of data, skilled sales analyses and sales planning, provides help for efficient sales management and, not least, the computer-assisted control of material processes. On international markets, modern data processing is increasingly becoming a direct factor in competitiveness, because growing turnover dimensions, decreasing reaction times and the exchange of specific documents can now be managed only with the appropriate equipment.

Far reaching demands on flexible sales management arise mainly from the gradual emergence of CAD/CAM work stations. Considered from the aspect of circulation or sales/export operations, CAD/CAM involves mainly the need first of all to generate new developments at a faster and faster rate (by, for example, computer-assisted ideas development, data banks for ideas, computer-assisted design and technological production preparation and, secondly, to secure the greatest possible extent of flexible production (by, among others, the quick specification of customer orders, the rational production of small series, computer-assisted jobs for experts in technology, that guarantee the rapid conversion of changing market needs to technical documentations). To that extent, CAD/CAM work stations also respond to the main concern of sales and marketing operations--that is to ensure a quick response to the actual demand on domestic and foreign markets. Practical experiences have confirmed this.(3)

At the same time CAD/CAM solutions do more than facilitate sales; they also compel a higher standard for all activities with respect to circulation. It is useless for production preparation and production conversion to proceed at top speed, if salesmen and correspondence clerks dealing with inquiries work too slowly. It is therefore imperative by the use of microcomputer equipment to exploit every opportunity to accelerate the economic circulation, to cut the reproduction cycle. The purposeful application of modern computer

equipment for the analysis, planning, management and organization of circulation processes must be directed to even more completely relate to market oriented product innovations, short delivery dates, the reduction of stocks of finished goods, the reduction of sales costs, greater speed in turning over circulation funds, the reduction of contract fines and overdue claims, cuts in order processing, the speed-up of the receipt of foreign exchange.

The Current Task: The Establishment of Computer-Assisted Sales Work Stations

Enterprises have the duty to establish computer-assisted sales work stations, taking into consideration the experiences already available. These must be conceived from the outset as elements of a sales oriented and market relevant information system. It will be useful to prepare the computer-assisted sales work station using the available hardware (BC 5110, BC 5120, BC 5130, PC 1715, A 7100), based on basic software (SCP) and, particularly, the standard software (REDABAS, calculation program and text processing system). The decisive task is the elaboration and exchange of user friendly software.

When organizing a computer-assisted sales work station, it is necessary to start from the objectively determined interaction of the information relations and other enterprise departments, supra-enterprise management organs and outside institutions. Sales provide data and information to other departments and, at the same time, obtain and process other data and information from other enterprise departments and outside organizations. The provision of sales relevant information largely satisfies the need for information

- With respect to the demand and market specific justification of management decisions and complex objectives for the entire reproduction process (fundamental efficiency indicators, production and market definition);
- With respect to the planning of important enterprise departments (materials management, manufacture, R and D). The market economic justification of tasking workbooks and product surveys, for example, requires data on foreign exchange prices, final consumer price groups, target markets, market introduction dates, customer services, and so on;
- With respect to the management, planning and direct control of the sales processes as such--differentiated in turn by the needs of the enterprise, the management sphere, the sales directorate of the combine.

Specially close relations prevail between sales and R and D departments. These result in far reaching consequences for a joint information base, the steady exchange of information and, possibly,--due to the requirements of modern data processing--to qualitatively new variants of the management structure (such as joint need, demand and market research, product-related management structures complete with the partial amalgamation of product development and sales).

The mastery of innovation processes, in particular, requires the close cooperation (securely based on information) of cadres working in circulation--sales experts, purchasing agents and salesmen in domestic commerce, foreign trade specialists--with researchers, developers and designers. This cooperation ranges across the entire innovation process, from ideas for new products to their introduction on the market and mass distribution. It integrates the systematic collection of market data to provide the impetus for more innovations and as a basis for efficiency calculations.

First Experiences of Sales Department Work with Office and Personal Computers

Positive experiences of the use of modern microcomputers in sales departments of industry and foreign trade are already available. To be mentioned specially are the successes achieved by the use of office computers in light industry, for example the cotton, footwear, Deko and hosiery combines as well as the Interpelz foreign trade enterprise.(4)

The introduction to user friendly basic and standard software in further education courses for managers, for example, inspired the head of the leather goods department in the Interpelz foreign trade enterprise immediately following the introductory course to seek further instruction for himself and his staff with respect to REDABAS software and, in this process, to actively utilize the office computer to rationalize commercial operations in the foreign trade enterprise. Up to that time, the available office computers had been used only to collect data on contract obligations--as input for central contract processing by the ESER computer. In the course of about 3 weeks, the department head and two of his staff (export salesman and export processing clerk) set up a data bank that describes a total of 949 items of the leather goods export assortment, classified by 27 different features. The establishment of the data bank and the collection of primary data simultaneously served as a learning process and the accomplishment of a concrete task. Parallel to the above, the substantial tasks of sales operations continued to be carried out by the traditional method. The results were persuasive and motivated other departments in the foreign trade enterprise also to begin preparations for the use of office computers for commercial operations. The computer-assisted use of the data bank facilitated roughly 20 important operations following the once-only compilation of primary data. To be specially mentioned are the following:

- The production of the sales offer in the shape of properly designed and printed lists;
- The compilation of negotiating documents for the export salesman;
- The provision of specific information for the evaluation and preparation of price negotiations;
- The production of export commission contracts and export contracts;

- The working out of dispatch addresses--specifications;
- The analysis of the efficacy of the sales offer by enterprises, assortments, materials, and so on, from the aspect of enterprise and national economics;
- The analysis of the development of enterprise prices as related to the development of foreign exchange proceeds;
- The elaboration of price limit applications.(5)

The sales specific BC/PC [office computer/personal computer] projects available to industry include extensive partial services: Registering and adjusting contracts, bringing original data banks up to date (cost units products, customers, countries, currencies), accounting, returns of early deliveries and delivery arrears.

The BC/PC inland sales project in the Planet Underwear VEB, Eppendorf, has resulted in notable rationalization effects. It includes such services as "upkeep of the item data bank," "upkeep of the customer data bank," "preparation of delivery notes," "accounting," "data transfer to the computer center," "cancellation program for invalid invoices," "adjustment of finished goods stocks" and "the printing of inventory lists."

Earlier work with office computers has taught us that they are particularly effective when the specialist administrator constantly and directly collaborates with the problem analyst and the programmer, or when the specialist administrator--trained in user friendly standard software use--himself works out programs and subsequently organizes collaboration with the program analyst on this basis. The primary considerations are exact process investigations, weak point analyses, the definition of concrete needs for information, the modeling of the optimum course of data processing (working out computer instructions, algorithms, input and output data table) as well as the optimum utilization of the available hardware and software, the association of large-size computers and office computers.

By connecting office computers to central ESER computers, the Robotron Bookkeeping Machine Works VEB was able to rationalize the entire process of replacement part manufacture up to and including the ultimate sale. The project includes contract conclusion, stock management, contract supervision--in particular dispatch management and the control of time schedules--as well as contract implementation. It is possible at all times to check existing stocks and contract items still outstanding. The mechanical preparation of surveys, such as the allocation of items still outstanding to contracts, the agreement between contract and plan dimension as well as the compilation of lists of shortages--subdivided by merchandise and in-firm production--meant that this project has become a reliable operational and management tool. The time taken for sales offers was significantly cut.(6)

Specific stages are discernible with regard to the use of office and personal computers. First are calculations of bulk data as needed for plan accounting

or statistical reporting. These result in remarkable time savings by comparison with traditional manual operations. Another stage in BC/PC work is characterized by the fact that it is now possible to tackle operations that have long been known to be necessary but tended up to now to be neglected due to the lengthy period needed to make available data from stack processing on large-scale computers (demand forecasts, optimalization, decision models, and so on).

When we summarize first experiences of the many and varied uses of office and personal computers in sales departments, the results are quite remarkable. Modern data processing offers significant assistance in discovering reserves that may speed up the entire reproduction cycle, especially accelerate the process from the initial sales effort to the receipt of payment following the sale. Special effects are demonstrated in considerable time savings with respect to the processing of inquiries, offers and orders, to the opportunity for quickly calculating and evaluating various decisions relating to marketing or sales strategies, to gains in time by relieving salesmen from routine work on statistics and plan accounting, thereby enabling them to devote themselves more exclusively to their customers. We have strong evidence for the improvement of the reliability of information by ensuring that data are correct in factual and arithmetic terms (diminution of the error rate, savings in manual computation and clerical work, the possibility of quick adjustments if basic data are changed, the orderly and user friendly arrangement of printed data (tables, graphics, texts).

We are justified in asserting that efficient commercial performances include or even assume the appropriately high standard of data processing. Assessments by sales experts, our own studies and evaluations of publications indicate that it is already impossible to rationally cope with sales tasks without job related microcomputers. Of course, the placement of job related computers in sales departments is bound to raise new issues with regard to their efficiency, the ratio between results and costs. Current perceptions and experiences do not yet suffice to enable us to determine all effects, let alone all costs and results. In fact, we must not underestimate the costs involved for the sales department and production preparation and implementation by the introduction of modern data processing equipment. Our use of the term "costs" involved in the introduction of this equipment implies first the financial costs of the purchase of hardware and system software, secondly the costs incurred for the purpose of carrying out organizational changes for the efficient use of the new equipment, and third the costs of training the staff. Business management research will therefore have to place greater emphasis on the development of practical tools for precisely ascertaining and assessing the costs required in the stages of the working out, transfer and mass utilization of compatible software solutions as well as for further improving cost/profit thinking with respect to the general use of the new equipment.

Penetration of the entire enterprise reproduction process by the new information and computer equipment involves increased once-only costs in the introductory stage. This needs to be more than compensated in the stage of the broad utilization of the new equipment. Benefits arising for the enterprise reproduction process are not reflected only in direct cost

reductions or savings of credits for financing working capital or the interest payable on them. In sales departments, specially, the use of office and personal computers represents an indispensable requirement for the maintenance and expansion of the competitiveness of our combines and enterprises on international markets. It makes feasible the skilled preparation of negotiations (the most rapid possible calculatory checks of inquiries and bids with regard to the use of working time, machinery and materials funds), the confirmation of the performance assessment of export salesmen, representatives, personnel of the outside sales organization and, not least, the provision of data by true time processing at a much higher speed than that of the traditional stack processing of information with costly data input. The establishment of a sales oriented and market relevant information system enables us to significantly improve our responsiveness to changing demand on domestic and foreign markets. At the national level, the use of modern information processing equipment tends toward the greater reduction of wholesale trade stocks. Again from the aspect of the national economy, the improved adjustment of delivery cycles in industry to the purchasing cycles of the wholesale trade, coupled with greater attention to the strength of demand, in turn results in less need to nail working capital, improves the management of circulation and fund turnover.

The time needed for sales-side circulation affects the time working capital turns over. If we are successful in lowering stocks of finished products, significant impulses for the speed-up of the turnover time of circulation arise as a consequence. It has been possible to prove by means of empirical analyses that it is possible to sharply reduce the daily fixation of working capital or, more precisely, the daily stock of finished products that are not seasonal and, at the same time, secure greater responsiveness. The more closely the item to be manufactured or the order volume to be produced nears the end of the enterprise production process, the greater is the economic pressure for speeding up the turnover process, the more profitable such a speed-up.

On the Establishment of a Sales Oriented and Market Relevant Information System in the Combines

In our opinion, any resolute gearing to market requirements, the orientation to demand with a view to long-term and short-term decisionmaking, increased responsiveness to the development of demand call for the establishment of a specifically sales oriented and market relevant information in the combines of industry. Market relevancy and sales orientation are imperative for the consideration of the domestic demand (whether of the general public or the economy), the commitment to the concrete sales potential on foreign markets as well as for the assurance of efficiency terms (profit, net product, profitability) by market utilization, influence and organization. We do not claim this because it is "modern" to establish data processing systems but because all earlier experiences confirm the need for quite specific solutions for the processing of demand and market relevant data. This also takes account of the necessity for greater emphasis on the potentials of circulation with respect to the speed-up of fund turnover and cuts in the reproduction cycle.

At the present time the theoretical and practical approach to speeding up fund turnover is still unilaterally directed to the production process. Economic publications have long tended to fairly narrowly deal with the management of time and, in this context, dwell on labor productivity from the aspect of working hours and the desirability of cutting these in the course of the production process.

Working time consumption is decisive for the process of value formation. However, the process of value formation and the process of value realization are one. While the point in time and period of time of sales operations do not exert a dominating influence on the process of value formation, they significantly affect the realization of value. The enterprise reproduction process is complete only when the commodities produced are realized on the market. It is therefore not so much a matter of manufacturing just any commodity with the greatest possible productivity in the production process--the crucial issue is that of sales, the effective realization of the commodity on the market.

The influence of the circulation processes on intensification is growing in current and future reproduction and, especially, market conditions. This arises from the increasing dimensions of commodity circulation at the national and international level, the dynamic development of needs, demand and markets, scientific-technological advances and the requirements of their mastery in terms of sales and also from the complex situation of foreign trade, the exacerbation of the problem of resources, the new demands on the efficiency of commodity movement.

Market dynamism in indissoluble connection with social and technical developments is reflected in a rising flood tide of information. We only need to remember the plethora of external data on market indicators, product parameters, market terms, export, import, wholesale and retail prices and competition. The estimate goes that, at international level, the volume of relevant data rises by 7-10 percent annually. The volume of information confronting sales management is almost unmatched by any other aspect of business management. There is also an enormous amount of sales specific data arising from the planning, balancing and coordinating functions of the combines, and these--in turn--must be broken down by the needs of the combine management, management departments and enterprises.

It is necessary, therefore, on the one hand to cope with the rising tide of data and, at the same time, filter the really relevant information from that flood. On the other hand we have the growing wish of general directors, enterprise managers, sales managers, directors of foreign trade firms and domestic trade institutions to procure for themselves direct and specific information on markets, needs, prices and competitors, to work out their own forecasts and carry out efficiency computations while observing various factors--"playing out" alternative decisions on market strategies. A sales oriented and market relevant information system is characterized mainly by the following:

1. Its inclusion in the comprehensive system of data processing within the combine. This presumes guidelines issued by the combine management for the

organization of the entire information system, taking account of the objective interlinking of all information, the hardware available and the basic and standard software to be used. The entire information equipment must be properly incorporated in the complete informational structure of the combine. This arises from the objective relations between all stages and elements of the reproduction process, the necessity for significantly assisting the rapid response to market demand by a steady flow of information--from the development of commodities to their dispatch. The use of modern office and personal computer equipment facilitates the preparation and use of logistics systems that include the enterprise sale of products as an integrating element of the entire reproduction process. This presumes the existence of the respective interfaces of the sales and market related information system with the other stages of the enterprise reproduction process. Such logistics systems comprise the management of the available resources of materials, machine time funds and working time funds, including the procurement and evaluation of the respective information.

The working out of logistics systems aims at the integration of enterprise specific partial systems in a total system of materials, commodity and information flow. This applies very particularly to the enterprises' horizontal and cooperative relations within the framework of cooperation chains and technological cycles and ranges to the sale of the appropriately produced commodities on the market, to the organs of the wholesale and retail trade. Once the guidelines for the organization of a comprehensive information system are set, the production of software--totally relevant to partial and isolated solutions--can begin. The essential prerequisite is the definition of the interfaces, in other words the points of connection of the peripherals to the central computer or special units for data input and output. The exchange of data between office computers/personal computers and large-scale computers must at all times be guaranteed.

2. Its specific orientation to sales and market relevant data and conditions. We are justifying this specificity primarily by the enormous volume of external data describing the market situation. They involve information on market indicators, customers, countries and competitors, currency regions and prices--all of them needing to be tied in with internal data. This very characterization indicates the necessity of consciously using the benefits of socialist production conditions for the establishment of external data storage (thus ensuring the combines' access to macroeconomic information, to data on price developments, to the manual on economic market data, to important time series, and so on, by way of diskettes and other data carriers). Specificity is also displayed in the duty to in this field carry on the exchange of data beyond the sphere of the combine--with management organs and carriers of circulation. This foreshadows a task that may be very important in the future: The achievement of better responsiveness to concrete demand by way of modern data processing and data integration, related to foreign trade firms, export departments, department stores, wholesale trade enterprises, factory-to-consumer stores and central commodity departments. This also involves the standardization of nomenclatures and the reduction of parallel reporting.

Specificity finally also reflects the special features of modern information processing in sales. Direct one-to-one communication continues to be crucial in the commercial sphere. Psychological factors and social elements are very important indeed for sales. Modern data and text processing are therefore primarily of aid in the process of sales preparation and accounting. Let us also point out that the benefits of some processes (such as various market operations) are not easily quantifiable, and that the substantiation of perceptions in the processing of external data is apt to raise some problems.

First experiences are available with regard to the purposeful conception and realization of such a specifically sales oriented information system. The sales department of the Deko Combine VEB has a skeleton conception that takes into account the use of ESER computers and office/personal computers. By 1990 a uniform and completely coordinated concept of rationalization for sales management, planning and operating processes will be in place for the sales directorate of the combine and the sales departments of the enterprises, offering them the opportunity for the multiple use of the primary data once they are available.

The "architects" of this information system assume the necessity for providing links with the comprehensive information system of the combine and other external information systems. They also take into account that the constant review of processes suitable for rationalization and computable needs to become the governing principle of the work of all sales department managers and staffs. In fact the latter have observed this principle for some years, and the necessary advance preparation for the managerial and process organizational penetration of functions and activities is therefore in place. Fruitful cooperation has arisen among specialist managers and problem analysts or programmers.

Systematic preparations for the sales oriented information system were carried out in two ways. To begin with, user software was worked out for sales specific information processes. Product, firm and country information as well as sales, currency, production and price statistics were stored. They may be called up on the screen or printed by means of a search system, multilaterally interlinked in accordance with the specific need for information. A regular information service for senior cadres was also created on this data base.

Secondly there is already a software fund for the analysis and planning of sales, the preparation and evaluation of sales variants. Among the programs available is one for the drafting of assortment conceptions (consideration for various targets, the organization of printed lists for volume and value developments in various configurations, flexible price group analysis), one for the elaboration of sales conceptions that provides data on profitability developments, and a comprehensive planning program with a significant expansion of operating services for the combination and evaluation of data input.

Orientation to a computer-assisted job in sales is not linked to any particular kind of organization. It would be advantageous to instal the office

or personal computers directly in the sales department (for example the sales statistics, sales planning or market research sections). A coordinated time schedule for the various staff members' work on the computer is imperative. Under no circumstances should individual sales cadres be granted the sole right to work on the computer. However, this requires the extensive training of many staff members, related to the use of hardware and software. Illustrations 1 and 2 describe the basic software complexes of a sales work station and the respective computer-assisted operations in the sales department.

When a computer-assisted work station is conceived, external information relations need to be emphasized--not just internal interfacing (with the production management, science and technology, the administration, materials management, and so on). Involved here are links to the combine management (sales directorate), the foreign trade enterprise (AHB) or the foreign trade firm (AHF), to domestic trade organizations and other external sources of information (for example the Institute for Market Research).

We will deal in greater detail with the computer-assisted sales operations described in Illustration 1 when we go on to explain the fundamental spheres of the information system.

Fundamental Spheres of a Sales Oriented and Market Relevant Information System in the Combines

International and domestic experiences teach us that it is useful to begin the establishment of a sales oriented and market relevant information system by single building blocks rather than attempt to quickly achieve a perfect whole. On the contrary, the latter may easily result in delays, make excessive demands on the experts, and undermine staff motivation by the postponement of success.

It makes perfect sense to stick to a definite sequence in the organization of building blocks, nor does this necessarily exclude the parallel installation of software packages. The proposed sequence does not necessarily arise from logical, function and process related groups of sales operations (such as need research, demand and market research, sales planning, marketing or sales preparation and sales implementation). It tends rather to flow from the requirements of integrated information processing that advances from simple tasks to complicated problem solutions. The organization of a sales oriented information system in the enterprise or combine should therefore begin with the rational computer-assisted processing of incoming bulk data for sales accounting and sales statistics. By way of computer-assisted analytical work and short-term planning this will then lead via computer-assisted commercial operations to the solution of challenging problems involved in the combination of demand and market research with long-term strategies, the optimization of sales profiles and processes as well as the organization of decision oriented and computer-assisted management work stations.

Illustration 1: Computer-Assisted Sales Work Station of the Enterprise--The Basic Cell of the Sales Oriented and Market Relevant Information System in the Combine

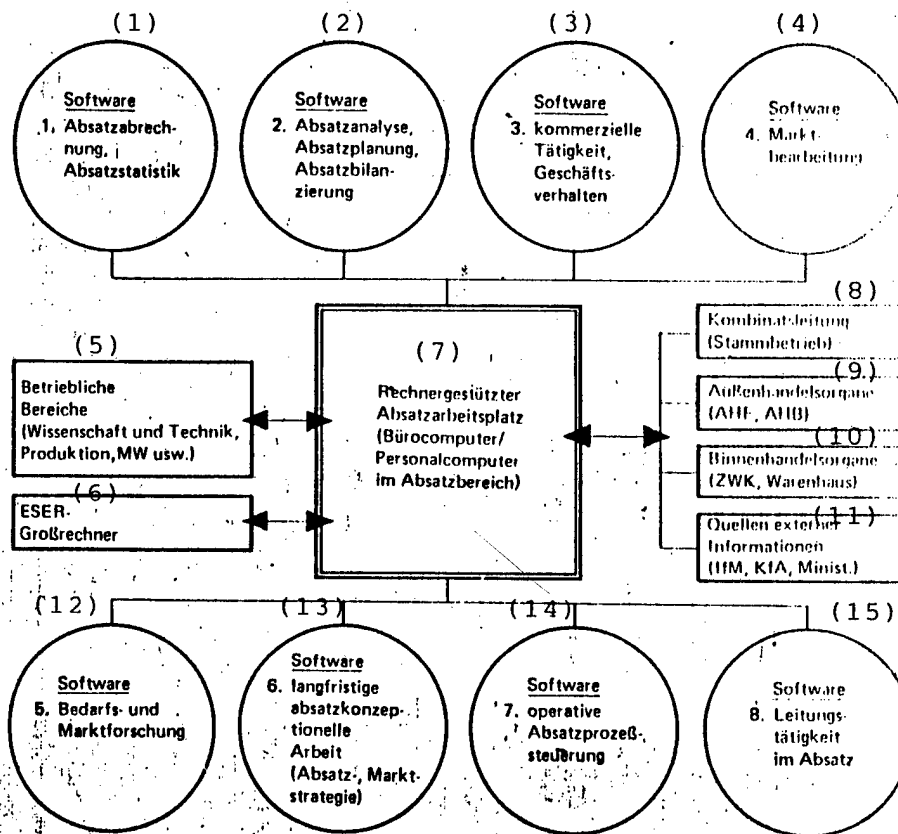


Abbildung 1: Rechnergestützter Absatzarbeitsplatz des Betriebs – Grundzelle des absatzorientierten und marktbezogenen Informationssystems im Kombinat

Key:

1. Software: 1. Sales accounting, sales statistics
2. Software: 2. Sales Analysis, sales planning, sales balancing
3. Software: 3. Commercial operations, business conduct
4. Software: 4. Marketing work
5. Enterprise departments (science and technology, production, materials management, and so on)
6. ESER large-scale computer

[key continued on following page]

7. Computer-assisted sales work station (office computer/personal computer in the sales department)
8. Combine management (parent enterprise)
9. Foreign trade organizations (AHF, AHB)
10. Domestic trade organizations (ZWK [central commodities office], department stores)
11. External sources of information (IfM [Institute for Market Research], KfA [Chamber for Foreign Trade], ministries)
12. Software: 5. Demand and market research
13. Software: 6. Long-range sales conceptual work (sales, marketing strategy)
14. Software: 7. Operational sales process control
15. Software: 8. Management operations in sales department

Illustration 2: Computer-Assisted Sales Operations

(1) Sales Accounting and Sales Statistics

- Contract accounting
- Sales data compilation
- Export reporting
- Documentation for plan reports
- Accounting
- Balance settlement
- Export records

(2) Analyses, Planning and Balancing of Sales

- Comprehensive factor analysis
- Sales cost analysis
- Demand-revenue analysis
- Stock accounting
- Sales plan preparation
- MAK [not further identified] balancing
- Assortment conception
- Operational sales planning and production control
- Sales efficiency accounting

(3) Commercial Operations, Business Conduct

- Sales control
- Preparation of negotiations
- Evaluation of negotiations
- Work with customers and representatives
- Performance assessment of the sales organization
- Product comparisons
- Checks on money (foreign exchange) received

(4) Marketing

- Advertising, publicity
- Catalogues, prospectuses, bids
- Customer information leaflets
- Business correspondence
- Congratulatory letters and reminders
- Customer service documentations
- Contract workshop lists
- Replacement part lists
- Market introduction of new products (network plan)

(5) Demand and Market Research

- Long-term demand research
- Trend analyses
- Regression accounts
- Export market research

- Operational market research
- Ideas bank
- (6) Long-Range Sales Conceptual Work
(Sales and Marketing Strategies)
- Long-range commodity fund balancing
- Assortment optimalization
- Commodity-country optimalization
- Working out and assessing market strategies
- Sales conceptions
- Long-range assortment conceptions
- Simulation models
- (7) Sales Process Optimalization, Sales Process Control
- Dispatch optimalization
- Transport optimalization
- Stock optimalization
- Warehousing models
- Process control (for example high-stack storage)
- (8) Sales Management Operations
- Comprehensive analysis programs
- Performance comparison
- Expert systems
- Strategy appraisal
- Measure and time schedule planning
- Performance appraisals
- Reporting system
- Status of contractual obligations
- Control of time schedule
- Network planning

At the present time it appears that one-sided concentration on sales accounting and sales statistics still tends to predominate. Attention devoted to all building blocks would produce practical orientations for future work. This is demonstrated by the following survey of building blocks:

1. Sales Accounting and Sales Statistics

This is the "classic" field of operations of data processing with regard to sales. Bulk data are recorded and classified to meet the needs of plan accounting, statistical reporting or operational plan reports. Mainly involved are the collection, storage and processing of data on finished processes to be used for periodic standard reports.

The following are the fields of application: Contract accounting, order recording, recording of total commodities available, export reporting, stock accounting, trade fair accounting, balance accounting, document preparation. Considerable rationalization effects have already been achieved with regard to these tasks by enterprise and supra-enterprise ESER large-scale computer stations handling stock processing. On the other hand, this type of processing was confined to evaluations of contract conclusions by regions only and subject to delays with regard to contract obligations. They were therefore useful only to a very limited extent when it decisions on further contract obligations were required. Work with office and personal computers at the site of central sales operations will allow contract conclusions to be immediately registered, evaluated from various aspect and decisions made quickly.

The evaluation of computer-assisted contract data recording guarantees substantial labor savings, facilitates multiple evaluations of the extensive data stocks. At the same time, the sales personnel will continue to manually check the contractual capacity utilization of the offer, the observance of machine capacities, materials resources and plan targets--a circumstance operating in favor of a further step toward computer-assisted sales control.(8)

Smooth flowing contract accounting is a very important field of application for job related microcomputer equipment. The establishment of a contract data bank classified by features such as contract number, country, customer, production enterprise, delivery date, foreign exchange price, enterprise price, industry delivery price, delivery terms, payment terms and others permit various evaluations to be elaborated by user friendly menus and printed out (for example contract obligations by enterprises, customers, commodities, economic and currency regions, export profitability and delivery dates).

2. Analyses, Planning and Balancing of Sales

On the basis of existing bulk data of sales accounting and statistics as well as additionally procured information it will be possible to resolve computer-assisted analytical problems, carry out short and medium term sales conceptual work (assortment conceptions), sales planning and balancing (materials-equipment-consumer goods-balancing). Sales oriented performance comparisons and efficiency accounting are other crucial fields of application for computers. To obtain knowledge we need simple plan-actual comparisons, use basic computing as well as complex algorithms and mathematical-statistical procedures. The use of office and personal computers offers sound prerequisites for facilitating the better analytical preparation of sales planning such as called for by the planning order and skeleton directive as relating to the sales plan, export plan, plan of demand and market research and marketing plan.(9)

Equally satisfactory conditions are present with regard to the assurance of a fast and time schedule-appropriate flow of customer orders in the factory by way of the computer-assisted combination of operational sales planning and production control.

Job-related computer equipment also enables us to raise performance comparisons and the exchange of experiences to a higher level. We may now proceed from the point by point comparison of various sales oriented indicators and their external complementation by analyses to performance comparisons that include in a single overall complex comparisons as well as analyses, ending with target establishment. The following are some sales relevant indicators in the performance comparison: Commodity production, net production, supplies for the general public, exports, degree of innovation, quality, freight costs, stocks of finished products, number and period of turnovers of the stocks of finished goods, export rate, export profitability, contracts, sales costs. Sales specific performance comparisons are well suited to the generalization of best experiences, the preparation of normatives, the drafting of measures for the reduction of "arrears values" vis-a-vis international standards.

We must also (and not least) indicate specific sales oriented efficiency accounts. By this we mean computer-assisted investigations of the amount and structure of sales costs, comparisons between the cost and effect of specific sales operations, investigations of export profitability (foreign exchange yield indicator, foreign exchange profitability of the materials used, foreign exchange profitability of live labor, net foreign exchange proceeds, and so on) and calculations of the sales efficacy of science and technology, in other words comparing the economic targets of new and further developments with those "genuine effects" that can be demonstrated only by sales in the marketplace. The prices obtained on domestic and foreign markets are the decisive criterion. No doubt this is a complex task requiring us to systematically evaluate how well or badly our products do in the marketplace. It is advisable to proceed in two directions (10): Investigations may be carried out at the aggregation level of the combine management, with the aim of providing efficient strategic variants of sales (analysis of the relation between the innovation rate and export efficiency, between innovation rate and export rate, the calculation of various indices of export profitability). A yardstick for the spread of good experiences with regard to innovations is offered by those combines where high assortment renewal rates and intensive R and D efforts are reflected in above average sales results. However, it is imperative to keep in mind the difference in the evidential value of various important indices (research intensity, renewal rate, foreign exchange price indicator).

Furthermore it is extremely important to assess the sales efficacy of R and D work for concrete products and to arrive at the appropriate conclusions. The crucial indicator here is the foreign exchange price obtained in the marketplace. The product-relevant appraisal of market efficiency may be based on export prices per kilogram or export prices per piece compared with the prices obtained by the competition, comparisons between the export profitability of the new products and that of their predecessors, the analysis of relations between sales efficiency and turnover volume.

3. Commercial Operations (Business Conduct)

This is an important field for office and personal computers to show off their usefulness and will assume even greater importance in the future. Data and information processing incorporates all operations directly involved in sales, specially the preparation, conclusion and implementation of contracts. In addition to numerical information, verbal information--relating to actual customers, representatives, commodities, markets and producers--is increasingly processed. Knowledge of these matters are essential for sales, taking into account actual market and competitive situations.

Without modern data processing in the field of commercial operations it is possible to only a very limited extent and at unjustifiable levels of manual labor to constantly assess the efficiency of outside and inside sales organizations, institute the performance oriented stimulation of salesmen and make sure of market oriented foreign exchange pricing. Forthcoming targets are the establishment of interacting sales data banks and the development of the appropriate user software by means of the REDABAS standard software. This applies to data banks relating to contracts, customers, representatives, commodities, markets, producers and performance. (See Illustration 3)

A customer data bank should essentially include the customer number and address, the country, currency region, type of business, the characteristics of important contacts, the terms recorded, causes of complaints, assessments of solvency, realized trade margins, rates of commission, trading assortment and purchasing policy. In the case of mathematical operations, numerical data on turnover and complaints must also be provided. Assisted by user friendly standard software, the marketing specialist or salesman is able himself to evaluate the usefulness of travel and trade fairs, work up sets of data for projections, set up simple and complex programs, report lists and menus, develop new data banks from old ones or combine data banks.

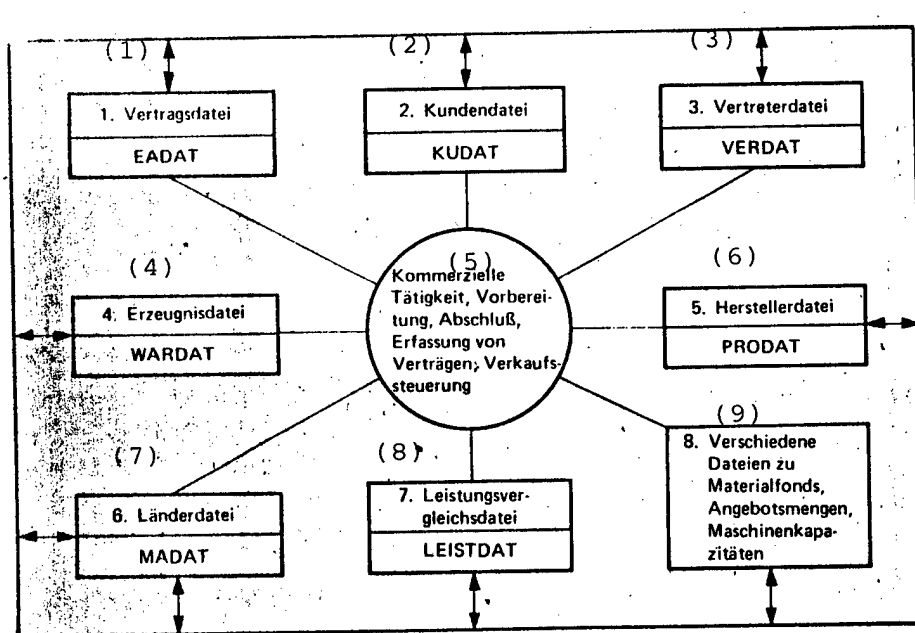
User friendly menus of a customer data bank help solve important problems of commercial operations. Possibilities range from printing complete customer address lists or lists selected by special criteria, from the selection of customers by set turnover volumes, from the customer specific record of export profitability indicators, to the calculation of complaint percentages and the record of causes of complaints.

The transition to computer-assisted sales control represents a significant advance in computer-assisted contract accounting, as intimated in building block 1. It is obviously not possible to carry through without amendments an enterprise offer calculated before the actual sale. However, it is impossible to manually compute alternatives to contract obligations in the course of the sales process. As a result we are all too often confronted with excess demands on capacities and funds, and in the enterprises this results in contract cancellations, changes and other special and uneconomic measures. It will therefore be necessary to develop computer-assisted sales control on the basis of job related computer equipment for the use of the sales personnel proper.

The main objectives of such sales control are the following:

- A constant comprehensive view of the status of contract obligations and offers still open at the location of contract obligation as per individual models and delivery terms;
- Making sure of the immediate availability of information on the utilization of capacities, materials and on the back-up for the economic objectives;
- Making sure of the ongoing representation of the effects resulting from changes in offers and contract obligation (materials funds, capacities, economic results) and, consequently, the creation of essential bases for securing the balance of the contracts;
- The definite reduction of manual labor required of the sales personnel;
- The provision of the necessary connecting pieces for more computer-assisted connecting solutions in sales (for example checks on contract fulfillment) or for supra-enterprise evaluation projects.

Illustration 3: Survey of Linked Data Banks in the "Commercial Operations" Software Package



Key:

- 1. Contract data bank
- 2. Customer data bank
- 3. Representative data bank
- 4. Product data bank

5. Commercial operation, preparation, conclusion and registration of contracts, sales control
6. Producer data bank
7. Country data bank
8. Performance comparison data bank
9. Various data banks on materials funds, offer volumes, machine capacities

4. Marketing

Marketing primarily refers to the functions of advertising, publicity and trade mark work, technical-economic advice to customers and customer service. It is closely linked to the work on offers and presents important possibilities for rationalization and efficiency improvement by the use of computers (standard software text processing). We should also point out the prospect of the use of video equipment in this sector and other fields of sales operations.(12) The Robotron text processing system is suitable for the production and upkeep of sales catalogues, bids, customer information leaflets, direct mail, reminders, lists of addresses, business correspondence, sales documentations, organizational projects, customer service information, contract workshop registers and lists of spare parts. The initial marketing of innovations confronts marketing with challenging demands. To limit commercial risks, it is necessary at an early stage to draft market introduction conceptions for new products. It is inadmissible for the results of creative R and D work to be wantonly put at risk, because nothing is done by the marketing people. An effective sale is less and less the result of a single negotiation or persuasive argument but rather the end result of well prepared and energetic marketing efforts. The legislature has provided clear regulations (Article 5 of the Tasking Workbook Decree). Parallel to the targets of the tasking workbooks it will be necessary to initiate measures for developing markets and preparing sales. The skeleton directive on 1981-1985 planning already asserted the duty of combines to plan market preparation. However, much improvement is still needed in this field. The following are essential elements of market introduction conceptions:

- The description of the new product (use value parameters, prices, arguments, and so on);
- Spelling out sales targets by markets, customers and market introduction dates (taking into account the competitive or market situation);
- Setting out the main activities of marketing, including the assignment of time schedules, responsibilities and the necessary financial resources.

The planning of the main activities of marketing--such as description, advertising, publicity, traveling, customer service, the training of sales personnel, the provision of packaging, sales tests--require the precise coordination of all measures. Suitable for these operations is the computer-assisted preparation and calculation of network plans for market introduction at stages K1, K2 or K5.

5. Demand and Market Research

Informative demand and market research is necessary to gear production to the demand and to sales opportunities in the long, medium and short term. Office or personal computers installed at the work station of the market researcher are eminently suitable for dealing with a variety of problems. Some limited programs for market research tasks have for years been prepared with the use of large-scale ESER computers. Now job related data processing has created new opportunities for the further development of demand and market research. The hardware and software now available provides all the prerequisites for assigning its proper place to demand and market research. Many and varied problems remain to be resolved. We favor demand research directed to early preparatory work, using not only traditional mathematical-statistical methods but employing modern creativity techniques such as market and sales tests, polls of consumers, the demand appropriate establishment of materials, equipment and consumer goods balances, annual sales plans, assortment conceptions and long-range sales strategies, the assessment of the likely demand from actual target groups, indications of opportunist assortments, the establishment of proper ratios of low, medium and higher price groups, the market economic justification of research and development tasks, and so on.

Computer-assisted proposals on foreign exchange prices and industry prices⁽¹³⁾ appear useful for any marketing of new and further developments. Such proposals must follow on skilled computer-assisted price observations. Computer-assisted and efficient demand and market research is quite essential for the improvement of materials, equipment and consumer goods balancing. Only by quickly processing data relating to demand and its factors of influence will the combines in their capacity as important carriers of national balancing responsibilities be able to demonstrate genuine demand and, on that basis, ascertain the extent of demand satisfaction achieved or to be planned. No one-sided consideration of the "nationally justified demand"--often reflecting only the yield potential affected by capacities, import possibilities, degrees of urgency and the establishment of priorities--is adequate to provide long-term and medium term orientation to the resolute abolition of the contradictions between output and demand, offer and demand. Studies of various practices reaffirmed our belief that the balancing organs consider knowledge of the demand insufficient for arriving at balance dimensions and plan indicators. The definition of the objectively established real demand by the use of modern computer equipment will largely contribute to objectively describe consumer demand, improve demand defenses and work out demand normatives. This does not replace the planning of demand satisfaction, the evidence of the "nationally justified demand." The latter, again, is the decisive prerequisite for any market observation relating to use value, assortment, region, price and time frame, so that the requirements on the possible market offer may be concretized.

6. Long-Term Conceptual Work, Sales and Marketing Strategies

The use of office and personal computers, linked to a large-scale computer, is specially suitable for the continuing improvement of long-term conceptual work in the sales sphere. Nobody would dream of disputing the necessity for carrying on and continually improving long-term conceptual work in the sales

departments of combines and enterprises. The goals and tasks of enterprise sales management are worked out by means of long-term conceptual work, in coordination with the ways and means for their implementation. It is therefore imperative to be able to consult the data banks of sales statistics and demand/market research, broken down by products and product assortments as well as by public consumers up to market spheres, economic and currency regions, countries and customers. The computer-assisted compilation of such data has already been emphasized in the preceding points. They are urgently needed to assist the working out of sales and marketing strategies provided that prompt access to the data material is available in the daily work of the sales departments. The linkage between large-scale and personal computer to be achieved due to the necessity of the administration, upkeep and utilization of very large data stocks offers assistance to the manager by way of empirically based analyses of sales operations. The information obtained from the computers, including sales forecasts, provide efficient decisionmaking aids with respect to the drafting of long-range strategic objectives.

The systematic analysis of relevant markets is the basis for long-range conceptual work in sales departments. This includes the study of need and demand development on the respective market and a subsequent forecast of its future development. The knowledge thus gained is used to arrive at a strategy for assortment organization. This latter then provides the basis for the planning and realization of demand and production appropriate assortments. It also includes the demand appropriate renewal of the production assortment for the production of highly processed commodities that are suitable and profitable in terms of exports.

We consider it useful with the aid of office and personal computer equipment to analyze the actual production program from the standpoint of sales. This will make it possible in good time to initiate changes in the production assortment for the domestic market and foreign sales. Computer-assisted assortment optimization, for example, offers such possibilities. These assortment optimizations must be carried out steadily, with the aim of disclosing weak points and reserves in the assortment organization of the combine or enterprise and, from the standpoint of sales, outline concrete targets for R and D. Our investigations in the Plauen Lace VEB confirmed the feasibility of this procedure. It would also be possible with the aid of office and personal computers to make even better use of realizable simulation models for the elaboration and appraisal of marketing strategies.

At the present time software is available for office and personal computer equipment to rationalize and improve sales planning. This may be done by the utilization of heuristic suboptimization methods derived from transport optimization and geared to the concrete situation of the planning of commodity movements, exports and foreign exchange yields.(14)

7. Operational Sales Process Control

The tools and aids used for operational sales process control are also undergoing increasing changes. The goal of operational sales process control is the demand and contract appropriate availability and delivery of all commodities. It is a matter of equalizing the existing time differences

between the smooth output rhythm of production and the rhythm of dispatches, the latter being geared to demand.

The earliest possible delivery date must be ensured on the national as well as the international marketplace for commodities that are not seasonal. Seasonal products require punctual delivery. It is therefore important to draw up computer-assisted variants for optimum stockkeeping. Our own studies have enabled us to draft the first empirically based beginnings of computer-assisted sales stockpiling. The turnover period of sales-side circulation can be significantly cut with the help of computer-controlled transport, handling and warehousing processes (for instance for the coordination of the route plan in the case of decentralized warehousing) and the efficient administration of finished goods warehousing. At the same time improvements are achieved in the demand and contract appropriate delivery of the commodities. This, in turn, helps speed up the entire enterprise reproduction process.

We are concerned here with the computer-assisted direct control of material processes in circulation as well as with the corresponding management and accounting operations. A computer-assisted dispatch work station in the hosiery industry, for example, enabled the enterprise by means of office computers to rationalize the entire process of operational finished goods processing.

The work station handles the daily statistics on the arrival of commodities, stocks of finished products, the printing of delivery notes, packing sheets, invoices, credits, package labels, proofs of delivery and complaints analyses. We should point out that relations with CAD/CAM are very close in just this field, and that CAD/CAM methods integrate the control of material sales processes. "The broad employment of CAD/CAM equipment must be largely considered in its unity with computer-assisted process and production control, quality control, stockkeeping and computer-assisted transportation."(15)

8. Sales Management

In the field of sales also it is imperative to gradually develop the potential of computer-assisted management operations. This by no means contracts the great challenge to the socialist manager for intensively working with people, for molding, motivating and organizing personalities and collectives. On the contrary. Computer-assisted management operations rationalize work, relieve the manager of costly routine operations, leave him more time for personal contacts. The computer helps the decisionmaking process, allow the manager more time for reflection and results in the greater persuasiveness and intelligibility of instructions. Differences need to be observed in the organization of sales specific management jobs: On the one hand it is necessary to help the general directors and enterprise directors to prepare comprehensive sales or demand oriented decisions; on the other hand sales directors, directors of foreign trade firms and domestic trade organizations must be effectively assisted in the management of their special departments. Software development or employment must be based on the fact that the concrete demands on a computer-assisted sales management work station are objectively and subjectively determined. Objectively, information processing procedures are generated by the management functions relevant to sales operations.

Insofar the specific algorithms of target definition, comprehensive planning, decisionmaking, organization, motivation and stimulation, and supervision are the objective of the preparation of manager friendly software.

However, the demands on a computer-assisted management job are defined also by the necessary adjustment to subjective aspects of the respective manager's work. His personal management style is of the utmost importance. Some managers devote a lot of time to conceptual work, the consideration of strategic variants. Others are more concerned with performance comparison and performance appraisal.(16) Many managers accord the highest priority to the meticulous preparation of reports, preventive time schedule supervision and plan-actual accounting. A computer-assisted management work station must take all this in account. It will therefore offer many and varied menus--adapted to the manager's need for information. The analysis of the manager's informal work processes should therefore be an important consideration in the establishment of a computer-assisted management work station. Also to be always emphasized is the decisionmaking oriented preparation of software. This guiding thought must be kept in mind, although in actual practice--and quite understandably so--, much pressure is exerted in direction of rationalized plan accounting and reporting. The orientation to decisionmaking processes also counteracts the danger that new data mountains may be created and make the work of managers harder instead of easier.

For the organization of computer-assisted work stations for sales directors we suggest to initially take over selected data (relevant to sales) from the existing information system (for example contract status, contract fulfillment). Subsequently additional building blocks may be selected, that --though of special importance for sales management--are already available as elements of computer-assisted sales work stations.(17) Finally to be developed is a specific management-appropriate software, geared to the preparation and assessment of sales strategies and marketing conceptions, the provision of documents for the preparation and conduct of negotiations, for the performance assessment of salesmen, and so on. Friedrich/Kozirolek's article deals with a significant trend in the organization of computer-assisted management work stations. Though still underdeveloped at the present time, it is bound to rapidly gain importance: This is the manager-appropriate preparation of typical decisionmaking situations, linked with the possibility to quickly examine and test various variants.(18). Also to be taken in account are the differentiated needs for information at various management levels. The general director negotiating with the board chairman of a corporation needs different information from that required by an export salesman dealing with the purchasing officers of an enterprise.

In summation we estimate that the use of microcomputers in circulation provides many opportunities for the ongoing efficient organization of the enterprise reproduction process, in particular with regard to the speed-up of the circulation and turnover of funds. It will be most important to use the existing favorable examples on a far broader basis.

FOOTNOTES

1. "Direktive des XI.Parteitages der SED zum Fuenfjahrplan fuer die Entwicklung der Volkswirtschaft 1986-1990" [Eleventh SED Party Congress Directive on the 5-Year Plan for the Development of the National Economy 1986-1990], Dietz Verlag, Berlin 1986, p 32.
2. G.Friedrich/H.Koziolek, "On the Influence of Modern Information Technology on Socialist Management," WIRTSCHAFTSWISSENSCHAFT, No 1/1987, pp 1f.
3. The CAD/CAM solution of the hosiery industry on the basis of a new automatic flat knitting machine makes it possible to design and select products for sales by means of an office or personal computer. In a dialogue with the computer, the designer designs in accordance with customer wishes and modifies the fixed symbols put in. The model diskette then serves to directly control the machine. This CAD/CAM solution involves many and diverse economic effects. In addition to reducing set-up and retooling delays and making it possible to economically manufacture small series, this means mainly a faster response to customer wishes and cuts in delivery times.
4. In citing experiences we also apply the perceptions of a software study conference on sales, conducted in May 1986 at the Institute for Socialist Management of the Bruno Leuschner College for Economics. Such study conferences aim at encouraging exchanges of experience on software developments in this field. A second software study conference is to be organized and, in addition to representatives from the light industries, will involve also interested parties from other industries.
5. See H.Heinecke, "On the Practical Possibilities for Using Office Computers in the Commercial Sphere," software study conference on sales as before.
6. See G.Grabia, "On the Utilization of Automated Data Processing in Sales Management," *ibid.*
7. See J.Michel/H.Mueller, "On the Use of BC/PC in the Sales Department of the Plauen Deko Combine," *ibid.*
8. See H.M.Wieder/D.Meichsner/B.Streit, "On Aspects and Concepts of Computer-Assisted Sales Control for the Clothing Industry," *ibid.*
9. See "Order for the Planning of the GDR National Economy 1986-1990-- Planning Order," GESETZBLATT DER DDR, Part I No 1/1985, special issue No 1190a-r; "Skeleton Directive for Planning in the Combines and Enterprises of Industry and the Construction Industry--Skeleton Guideline," *ibid.*, Part I/1985, special issue No 1191.
10. See K.Mueller, "Active Collaboration of Sales Management in the Process of Product Development and Its Functions in the Marketing pf New Developments by Industry Combines," dissertation A, Bruno Leuschner

College for Economics, Berlin 1985.

11. See H>M>Wieder/D.Meichsner/B.Streit, as before.
12. In future sales departments will emphasize the use of the intimate interaction between microcomputers and video equipment within the framework of integrated communications. Video-assisted sales work stations (camera, video recorder, monitor) in addition to marketing work (such as bids, advertising films, publicity) will handle market research problems also and allow salesmen to be better prepared (video-assisted training in conducting negotiations, model films).
13. See Grosshoff, "Program for the Calculation of the Foreseeable Costs and Prices of Products to Be Developed," Institute for Socialist Management, Wilhelm-Pieck University, Rostock, teaching material.
14. See K.Boegel, "On the Preparation of Export Plan Decisions by Means of a Suboptimalization Model," software study conference on sales, as before.
15. G.Friedrich/H.Koziolk, as before.
16. The Institute for Socialist Management, Rostock, established excellent foundations for manager specific performance comparisons by means of office and personal computers. Systematic research conducted for many years resulted in practical and diversely applicable software. This enables managers at every stage of planning and starting from basic or primary indicators put in to carry out extensive efficiency comparisons and analyses of the causes of variations in performance development. The dialogue enables managers to compare the chief indicators of performance development: Calculations of normal performance; the conduct of a factor analysis as well as factor divisions and index analysis; conclusions as to targets for selected indicators in the form of variant calculations; statistical calculations (mean value, standard deviations, variation coefficient, the sorting of indicators, correlation and regression analyses); (see S.Hoeftmann, "Work and Study Aids," Institute for Socialist Management, Wilhelm-Pieck University, Rostock).
17. A computer-assisted "sales work station" serves the rational handling of basic and special operations in the preparation and conduct of sales. It takes in account the special information needs of staffs and departments concerned with sales (market researchers, sales planners, balancers, salesmen, contract clerks, travel cadres, dispatchers, and others).
18. See G.Friedrich/H.Koziolk, as before, pp 14f.

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HUNGARY

ECONOMIC

CEMA RESTRUCTURING, LESS STATE CONTROL OF ECONOMY URGED

Budapest NEPSZABADSAG in Hungarian 1 Aug 87 p 5

[Interview with Rezső Nyers, member of the MSZMP Central Committee and chief adviser to the Economic Science Institute of the Hungarian Academy of Sciences by Zsuzsa Gal: "What Are The Chances of the Hungarian Economy?"]

[Text] Turning point, stabilization, evolution. These new concepts became a part of the terminology used in economic policy discussions as a result of the CC's latest pronouncements in July. New--perhaps they are only seemingly new. We have known these terms for long, they have only been forgotten. Even though various people interpret them in different ways, their reappearance conveys the sense of another era. An era which in many respects demands changed conduct by all of the economic actors. It involves households as well as enterprises and state economic management. NEPSZABADSAG chief correspondent Zsuzsa Gal questioned Rezső Nyers about the background, the causes, the directions and the objectives of these changes.

[Question] What is the condition of the Hungarian economy--what circumstances prompted the party to proclaim a program of evolution?

[Answer] The features of the 1970's have returned: the lack of both an external and an internal balance, excessive regulation by the state, the survival of weak enterprises and a reluctance on part of strong enterprises to take chances by starting new ventures. A series of changes in the global economy, together with a sense of helplessness in Hungary resulted in an inability to maintain our standard of living; our ability to accumulate resources was reduced, and we incurred significant foreign obligations. The national income we produce proves to be insufficient to simultaneously finance these three areas. Waste is still very much part of our economy. Only household savings remained at significant levels, thrift is not a watchword at the enterprise and the state levels. Decisions related to production were on

the conservative side: they followed global trends only to a small degree. They called for production development in fields which on the global scale were no longer developed, moreover, ones that were being counter-developed.

Market Adaptation

[Question] In what ways could we adapt more successfully to the global economy?

[Answer] At present, during the so called 'years of stabilization' we must take an approach that is somewhat different from what we will take thereafter, during the period of evolution. To a certain extent it would be desirable to combine the two periods so that stabilization contains some of the elements of evolution, particularly in terms of economic direction. Stabilization and evolution will nevertheless become two distinct periods of economic development. During the three or four years of stabilization we could initiate certain favorable changes in the production structure, but we could hardly expect structural change to determine the improvement of our external balance. The opportunities available for changing the standard of living will also be different during the two periods.

In order to comprehend the premise of our adaptation we must clarify our understanding of what constitutes the global economy. For Hungary that term represents four spheres: the CEMA nations, socialist nations outside of CEMA, the OECD countries (OECD: developed capitalist countries which are members of the Organization for Economic Cooperation and Development--ed.) and the third world. We must adapt to all four of these at the same time, but each requires a different kind of adaptation. All four must be considered as having the same level of significance, we must abandon the long standing idea that we can retreat from momentarily unfavorable markets and instead enter more favorable markets. In earlier periods we believed that we could retreat from the capitalist markets and proportionately increase our activities in the CEMA countries. More recently we felt that the European region showed a slower pace of development than the Asian region, therefore, we directed our efforts to the Far East. Repositioning of this kind must play a lesser role in our adaptation than the structural development of our supply of merchandise and services. From our viewpoint the global economy is centered in Europe, and that will remain unchanged. But at the same time our relations outside of Europe can and must be intensified.

[Question] By adaptation we mean the modernization of our export structure. Does this requirement too extend to all four spheres? Is it valid in the context of exports to CEMA countries?

[Answer] Absolutely. In our relations with CEMA the respective export structures are extremely old, and the replacement of products is very slow. In many instances product specialization is a mere formality, it represents a method by which certain product shortages are remedied. Only to a small degree is it a means for the development of technological efficiency. Our CEMA relations are determined mostly by what other nations do not produce. This leads to monopolistic situations, and as we know, monopolies lead to technological complacency and conservatism. The CEMA cooperation of the

future must be based on a different footing, but in order to accomplish this it is necessary for the various CEMA member nations to adopt national economic mechanisms that accommodate cooperative ventures.

Based on these new foundations, CEMA cooperation has new opportunities to offer. If we want to improve the structure of our domestic production, we must reduce the manufacture of items whose production involves high costs, and instead concentrate on items whose unit production costs are lower. We could accomplish this if in the future we were to import a large part of the items not manufactured in Hungary from CEMA nations. We could do so, if CEMA nations would agree to open their respective markets to each other. In other words, this would require cooperation based on specialization that is not determined by the respective states, but rather by enterprises on grounds of prevailing market conditions. This would permit products manufactured at lower costs and with more modern processes to squeeze out cost intensive products. This means that we would have to compete in terms of efficiency, and this can be enhanced through long-term reform efforts.

[Question] Does this mean that we cannot increase our share in CEMA trade?

[Answer] Even today, the Hungarian economy is closely tied to CEMA. In this respect Hungary is not significantly behind its neighbors. It would seem, however, that under today's conditions Hungary's proportionate share of the trade volume could not be increased because we lack the structural foundations for such increase both in terms of exports and imports. On the other hand, the conditions for increased participation may be established by way of changing the conditions of cooperation. We could be more effective in the CEMA market if relationships were cultivated at the operational level of enterprises.

[Question] How should we go about our relationships with the remaining three spheres?

[Answer] With respect to socialist countries outside of CEMA--and this applies primarily to China and Yugoslavia--there are significant opportunities for economic cooperation. Taking advantage of these opportunities, however, requires a separate program. Different price conditions and foreign trade structures serve as obstacles to exploring these opportunities.

Our economic cooperation with developed capitalist countries must be made part of the overall politics of Europe. It has diplomatic, cultural, scientific and economic implications. We need organized, long-term relationships based on international agreements both with the Common Market and the EFTA countries, as well as their respective communities. We incur high risks mainly with respect to the export of product categories not covered by long-term agreements. Since raw material markets are as unstable as they were in the 1970's, we must establish long-term relations to cover the processing industry in particular.

Our approach to developing nations too must be adjusted from time to time, because their respective market conditions, economic policies and ability to

pay are subject to changes. The latter is particularly unstable. Throughout the world trade relations are becoming increasingly unstable, while risk factors play an increasing role. The reason is that throughout the world we are witnessing changing production structures and changing economic policies--these are restrictions--and by necessity, the actions taken in various national economies impact upon the cooperating countries.

Efficiency Begins With Investments

[Question] To what extent can we improve our adaptation already during the stabilization period?

[Answer] We can do so to the extent that we are able to rapidly and successfully take advantage of our export capacity, which should be higher than what it is today. We will be able to improve our situation if our convertible currency exports increase at a higher rate than our international payment obligations. In other words the ratio between our exports and foreign debt must improve. For this reason, over the coming two or three years we must continue to pursue some of our less efficient exports, while gradually decreasing the ratio of such exports. We must establish strict rules of efficiency whenever we organize production for export, and especially when we decide on investments related to export production. In other words, we must not initiate investments which result in production that requires a forint investment higher than the expected foreign exchange income per unit produced. Such investments would be beyond the established threshold of efficiency. This, of course, is theory only. Market conditions and technological requirements will have changed in the meantime, nevertheless efficiency must be ensured beginning at the investment stage.

[Question] Was this not so in earlier periods?

[Answer] Today's unfavorable export structure is definitely a result of earlier investments. Enterprise investments were accomplished with the help of state subsidies. Promises were made while bargaining for the subsidized investments, and when those promises were not fulfilled it was the state, rather than the responsible enterprise that absorbed the costs. The reversal of such losses to enterprises would be one way of making economic direction more stringent.

[Question] Even if an enterprise goes bankrupt?

[Answer] Yes, in most instances. Our grave dilemma emerges, of course, when otherwise successful enterprises make bad business decisions. We cannot become our own enemies. We must assist such enterprises, nevertheless demanding that they do as much as possible to help themselves. But the threat of loss reversal in itself represents a cautionary sign for enterprises. The fact that the state would not rescue the enterprises automatically should suggest precaution. We must note, however, that major investments aimed at export development carry extremely high risks because they are based on future market conceptions which may change. In earlier periods we felt that these investments were most secure, and that smaller investments offered less

security. The opposite proved to be true. The technological conception of long-term major investments too carries high risks. Hungary does not determine world market conditions.

[Question] Will the bargaining for investments and the competitive system for export projects remain in effect during the stabilization period?

[Answer] Competition for export projects is a crutch for which there will be a continued need during the transitional period. This is so because the conditions of profitability do not accurately reflect the interests of our national economy. The profitability of the domestic market and the CEMA market is generally more favorable than that of the convertible currency market. This is related in part to foreign exchange rates, but more so to the internal structure of economies.

Competent Leaders

[Question] The enterprises count on the further devaluation of the forint. Are such measures truly necessary?

[Answer] Whether exchange rates are truly competitive is always the function of the ability to compete in the marketplace of goods and services. In the context of foreign tourism for instance, the value of the Hungarian currency is lower than it should be. From the commercial viewpoint, however, it is the opposite. For this reason, during the period of stabilization we should continue to pursue a policy of devaluation. Since uniform exchange rates have produced contradictions, I would not rule out the possibility of reverting to a dual exchange rate--one for trade transactions and another for matters other than trade. A dual exchange rate would not be damaging. Under these conditions we could modify the exchange rate applicable to foreign trade transactions without affecting our foreign exchange income derived from tourism.

[Question] Let us revert to income production. What obstacles do you see in the way of more efficient production?

[Answer] The mistaken role of the state, as perceived earlier, continues to have a retarding effect. The state contributes little to the development of the infra-structural environment of production, it over-regulates distribution and too often intervenes dangerously into productive processes. These interventions are based on simulated monetary conditions, but in the end slow down production. By now, the free and rapid flow of information has become a condition of efficiency. In this area too the situation is unsatisfactory.

Also the method by which leaders are selected is too rigid. Elections by enterprise councils did not produce a situation in which real competition for leadership posts exists. There is little mobility between various areas of the economy and between professions--it occurs too frequently that the candidate from within the enterprise receives preferential consideration. We are unfamiliar with the practice of selecting leaders on the basis of suitability to perform a certain job. Not too long ago NEPSZABADSAG reported on the foreign practice of utilizing so called crisis resolution managers.

These managers are brought in from other enterprises, or are contract employees from management consulting firms. We should provide an opportunity for this kind of mobility among our cadres, at a level that fits our situation, of course.

[Question] In principle there is no obstacle to do so.

[Answer] But in practice there is. Why is it, for instance that the so called 'heavyweights', in disregard of their high level of competence, only seldom shoot roots in our economy? The local community does not accept them, but frequently not even our broader society provides sufficient recognition of their services. Competence must come first when it comes to the management of a production process. Enterprise councils are meant to provide worker participation in management. They serve this purpose very well. But we could enter yet another important societal interest into the leadership selection process: one that is interested in assets on a societal scale, rather than in the earnings of an enterprise only. I have in mind banks, co-investors, for instance.

[Question] What other, non-personal conditions are missing for the achievement of greater interestedness in the workings of enterprises? How could we tighten financial control for instance, and consequently relax certain economic restrictions?

[Answer] Under proper circumstances, efficient production, efficient exporting, and the payment of decent wages to workers is in the interest of enterprises. But the enterprises do not have adequate opportunities to invest and to import, nor do they have at their disposal adequate materials needed for production. They do not have a free choice in selecting their cooperating partners. In addition, in the process of income distribution the state withdraws huge amounts of money. Even if the enterprises were able to break through the above mentioned limitations they would not be interested in doing so. The state should manifest some self-restraint with regard to all of these matters.

[Question] Will tax reform produce such self-restraint?

[Answer] Tax reform itself will not change the present situation between the three economic spheres--the consumers, the enterprises and the state. At the same time, the people's economy plan will have a redistributive effect on income. A majority of the people will see themselves as losers as a result of the new taxes. But tax reform will have achieved its anticipated result if the state restrains itself not only in regard to the distribution of income, but also by interfering less than it does today into the economy through various restrictive measures. It is necessary that in cooperative endeavours between enterprises the local specialized markets develop so as to achieve a balance between supply and demand, or a slight unbalance--an excess on the supply side. In this way an enterprise which produces a given product in direct or indirect cooperation with 40 or 50 other enterprises, will have a choice. That enterprise will be able to say what it wants, when it wants something, and how much it is willing to pay. Enterprise tax reform will have a beneficial effect only if it coincides with an improvement in market conditions and with a reduction in the number of restrictions. Conversely, if

restrictions are not reduced, enterprise tax reform will not have a beneficial effect on structural transformation, on efficiency, or on the ability to export. Insofar as tax rates are concerned: I do not believe that high taxes enhance the national economy.

[Question] Can we look forward to a substantially improved economic environment already during the stabilization phase?

[Answer] Although this would be desirable, it depends on a number of circumstances. It depends, for instance on whether the market will respond to the planned measures. I vividly recall an earlier period that is somewhat similar to what we have today. That involved the stabilization of the Hungarian currency.

[Question] Today is the first day of August. The forint was introduced on the first of August.

[Answer] Yes, it has been forty years, to the day. There was great excitement, no one was able to predict the consequences. In retrospect it may seem that the introduction of the forint was based on some scientific work. In reality it represented a rather risky undertaking. Everything depended on whether the market would respond pursuant to expectations. They accumulated reserves, they took significant steps to influence the market, and the state was able to create a tremendous shortage of money. Prices could thus be influenced in a way that for a year or two the forint held its value. We are going through a somewhat similar process today. The puzzle remains the same: will the market respond to the actions taken. If not, the new taxation and pricing systems will not perform their intended functions. Even then the outcome should not be bad, but there will be no significant improvement.

[Question] Focusing on this issue: what improvements can we expect during the period that begins now? What do we mean by stabilization under today's circumstances?

[Answer] Stabilization first of all calls for the improvement of the convertible currency trade balance to an extent that the international balance of payments is even, and that the volume of Hungary's foreign debt has stabilized by the end of the period. The second task is to reduce to a minimum the sources of loss-production, and to substantially reduce direct or indirect state subsidies. Third, the domestic budgetary deficit must be gradually reduced, and we must achieve a near balanced budget. And since at present we are allocating higher than optimum levels of funding for purposes of consumption and investment, 2-3 percent of the national income must be used in the form of export surplus. In addition to the above, during the period of stabilization we must factor in some elements of economic management development so as to enable the second phase: the evolution of market conditions and the development of an economic management system which opens the door to an efficient, profitable business environment.

A New Starting Point

[Question] How could we reduce the sources of loss-production at a time when there exists no realistic, sufficiently indicative pricing system?

[Answer] A realistic pricing system in its pure form cannot be designed at the Office of Materiel and Price Control. It may come about in the framework of real market conditions within a few years. And after all, we are not that uncertain regarding these matters, because we know that whatever constitutes a loss operation in the rest of the world, will most certainly constitute a loss operation in Hungary too. Equipped with this knowledge and with the planned pricing reform we can start our selection within the manufacturing structure.

[Question] I can see how selection can begin, but how about the development of the future branches of industry? How can we begin dealing with those considering the severe restrictions on imports?

[Answer] This is a complicated question indeed--import restrictions do have a self-perpetuating effect. The larger the shortage, the more severe the restrictions become. This can produce a vicious circle. This is why policies of stabilization cannot be built upon the concept of import restrictions. Such measures may be used temporarily, but the emphasis should increasingly shift toward the increase of imports. At present the government envisions this by way of selective import liberalizations, measures that authorize imports for those who export efficiently. It is a logical idea, but difficult to implement. It requires stringent fiscal, credit and budgetary policies which by virtue of financing retard inefficient production, and the establishment of uneconomical export capacities. With respect to policies that have a stabilizing effect, the breakthrough by which exports are increased is the most difficult to achieve. One cannot construct a secure theoretical model for this scenario. The realization of this requires the knowledge of the art of governance. But let us not think of this as an impossible task. Even if we are unable to provide an accurate theoretical plan, we must simply decide that we will break through our difficulties. And break through we must.

[Question] Actually what is it we must break through? Why do we have to break through? What explains the need for stabilizing policies?

[Answer] We must break out of the constrained situation in which we know that we should be producing more, but cannot produce more because increased production would reduce income. A crunch in which we know that we should be importing more, but instead we must reduce our imports. A squeeze in which we know that we should invest more money in a better way, but investments must be discouraged. A pressed situation in which the level of cooperation should increase, but there exist thousands of barriers to cooperation. Stabilization means the creation of a new starting point, which is compatible in the arena of international competition, enhances the utilization of our energies, and raises our standard of living.

DLUGOSZ DESCRIBES RESTRUCTURING PLANS IN FOREIGN TRADE

Warsaw RYNKI ZAGRANICZNE in Polish No 87-88, 22, 24 Jul 87 p 8

[Interview with Stanislaw Dlugosz, deputy chairman of the Planning Commission, Council of Ministers, by Bogda Zukowska]

[Text] [Question] When we were making an appointment for this interview, you mentioned the need for three restructurings in Polish foreign trade. Would one have not been enough, if that one that was well-prepared and scrupulously carried out?

[Answer] In speaking of three restructurings, I was referring to three areas, or fields of operation, in foreign trade, which should be reconstructed if we really want to enlarge Poland's share in world trade.

Let us begin with the fact that a pro-export, production-oriented rebuilding of the economy is essential, and development--but not by administrative methods--of export specialties. The second area deals with transaction techniques. Generally speaking, if we want to expand our world trade, even complex and long-term purchase and sales transactions are no longer enough. New forms of cooperation are needed, i.e., new selling methods.

Finally, the third area--personnel qualifications. Here, too, another approach is needed and people must be prepared for expansion of export.

[Question] Export specialties. A great deal was said about that a few years ago, just as today there is talk about restructuring. Back in 1982, a special "Report" was prepared in the Planning Commission, in which 22 directions of specialization were proposed. Then nothing more was heard about the entire matter.

[Answer] At that time we believed that export specialties could be defined in just that way and the selection and instigation of the central authorities would be of decisive significance. Now, and I particularly want to emphasize the time factor, other conditions make it necessary to take a much deeper approach to the problem. They put the function of the selection of export specialties primarily in an autonomously operating enterprise. One of the most important factors in determining the need to reconstruct our economy is its low efficiency. If we add to that the unsatisfactory competitiveness,

especially from the standpoint of quality on the world markets, than we must even talk about regression. Let us remember that investment import, which is one of the main carriers of progress, has been dropping since 1977. Even now, it is much less than needs dictate. These are matters which are generally known and unquestioned.

The second factor which makes it necessary for our economy to be more aggressively pro-export, is the growing quality requirements set forth by our partners, not only from the West but also the CEMA countries. We cannot remain indifferent to the progress being made by our neighbors. Already, some of our enterprises are being unpleasantly surprised by the rejection of their offer because it simply turns out to be outdated. The Soviet Union, which has entered into a period of radical economic transformations, is raising its requirements. We must meet them. Especially in the oncoming 1991-1995 5-year plan.

At the same time, we will have to deal with a shortage of investment funds to the end of this 5-year plan. This is the basic problem which we must contend with during the pro-export reconstruction of the economy. I would also say that the intensive application of innovative technical ideas is equally important. We are faced, therefore, with the job of finding sources of funds beyond those which have already been established.

[Question] Some economists are of the opinion that even these, already existent, funds could be invested more effectively, with greater benefit to pro-export reconstruction. I am referring to the criticism of the investment structure provided in the National Socioeconomic Plan for 1986-1990. Let us remember that in the central investments, almost 57 percent of the outlays for continued construction are allocated to the fuels-and-energy industry. Its share in newly-begun buildings is even higher, amounting to 77 percent. Are you not afraid that reinforcement of the traditional structure of Polish industry, energy-intensive and capital-intensive, will not delay the modernization process in other branches?

[Answer] We often hear this accusation. But after all, only 11 percent of the planned investment outlays during 1986-1990 are allocated for central investments listed in the 5-year plan, and over 40 percent are for the enterprises' own ventures. Anyway, supplying energy to the economy is the basis for development. It was precisely the coal mining and power industries which were the most strongly affected by the overall drop in investment outlays after 1980. Of course, along with the new production-oriented investments we should strive to reduce the energy- and materials-intensiveness of our economy. Much is being done in this area, but it is a long process.

But let us return to the basic subject. I would like to mention just one more factor, a fourth, which determines today's low inclination of producers to export. I am referring to the seller's market in our country. Under these conditions, the incentive to export appears to be too weak in the face of the competition from the domestic market, which is very absorptive and whose requirements are not high.

[Question] Experience shows that enterprises tie the growth of export to the obtainment of funds for modernization, because they do not have enough money of their own, particularly foreign exchange. Where will the additional funds to finance these types of endeavors come from?

[Answer] It seems to me that on this question we must develop a new approach, one based on a more intensive, than heretofore, accumulation of funds from outside sources. I am referring to obtaining partners, both from the East and the West. This is how we obtained several hundred million transferable rubles to maintain the production and export of sulfur. This was one of the first experiences. Another example is the credit agreement with the USSR--in transferable rubles and dollars--last year, on the strength of which we can complete several important investment undertakings which had been begun in the 1970's. The law passed a year ago on foreign-capital-share companies, as we remember, is supposed to help pro-export ventures.

Next, as a source of funds for pro-export restructuring I would mention foreign credits, despite the fact that there are many limitations here due to our payments situation. Realizing that, I would still not exclude the possibility of converting part of our debt in convertible currencies to zlotys and shift these funds to investments of a clearly pro-export nature. We are already familiar with the experience of Mexico, the Phillipines, and Brazil, in this regard.

Finally, we cannot ignore the possibility of a flow of foreign exchange surpluses between domestic producers. Updated foreign currency auctions, organized by the Export Development Bank, are already being held.

[Question] Where, in your opinion, can we expect difficulties in getting the economy quickly and efficiently on the "pro-export tracks?"

[Answer] There are several such places. We still see little interest on the part of the producers themselves, and too much passivity. On the other hand, we see a tendency on the part of the central authorities to employ "manual control" instruments. Yet it is the central authorities' primary task to create conditions under which resourcefulness will grow. And then let the enterprise shift for itself.

I also see a barrier rooted in habits, in human mentality. It is hard for employees, including managers in industry as well as in trade, to change and adapt themselves to new requirements.

Finally, although I would not want to discuss this subject at length, we are dealing with faulty parameters, on the basis of which production and trade decisions in plants are made. I am referring primarily to prices and exchange rates. At the same time, I must admit that I do not yet know how the exchange rate mechanism should be modified. I am not convinced, for example, that we really know what the effect of changes in the exchange rate is on domestic prices, and whether successive changes in the exchange rate, and actually the devaluation of the zloty, will stimulate export or possibly only lead to its decline.

[Question] There are reports prepared by scientists, based on multi-variant, computer-verified accounts, that changes in the exchange rates will have a negligible effect on the level of domestic prices.

[Answer] There are other reports, equally well-documented, which say just the opposite. And after all, we must try to unravel this issue, because otherwise the enterprise will not be able to correctly make a cost-effectiveness analysis of modernization designs, investment projects, and others, relating to credit-borrowing or the creation of joint ventures. Correct forecasting of prices, investment and operation costs, is a problem of primary importance, but to this day it has not been completely solved in practice. We are not prepared to evaluate these criteria and make decisions. The best proof of this is the difficulty in preparing economic reports which are indispensable for the evaluation of the efficiency of joint enterprises. In this case, enterprises must be guided by their own common sense. Therefore, it seems to me that it is very important that decisions on pro-export restructuring of plants or entire subsectors be made jointly by representatives of foreign-trade and industry. In order to do this, it is also essential that as much trade knowledge as possible filter down to the producers, and knowledge on production technologies and techniques, filter down to trade. I mention this in the context of the NOTEX '87 conference organized in April by the Chief Technical Organizations. This was a much-needed event as an education process. Its leading theme was industry-capital coproduction with foreign countries and the transfer of technology. But it seems to me that its participants concentrated too much on cooperation with countries in the West.

[Question] That should not be surprising considering that that is where we owe over \$35 billion dollars, and that is where the main technical innovations flow from.

[Answer] I do not share that opinion. It seems to me that the discussion was the result of too much fascination with the West and the failure to take current realities into account. Such realities, for example, as the deepening policy of embargoes applied towards socialist countries. The counterweight to this type of conduct may be the cooperation of the CEMA countries. We have development programs in this field which go to the year 2000.

[Question] I suggest that we discuss the second field in foreign trade which, in your opinion, should be completely restructured. I am referring to forms of contacts with foreign partners.

[Answer] As I already mentioned at the beginning of our conversation, if Poland's export expansion is to be success, we must be prepared to offer our partners all possible forms of cooperation. In addition to the ordinary purchase-sales contracts, we must strive to establish coproduction and specialization ties, form trade and production companies, enter into interdisciplinary ties (capital, financial), organize leasings, etc.

This will mean that we must depart from two principles on which our foreign trade has based its functioning for years. First, we must reject the principle that every official in charge of a department is the manager of his

own contract. What is most important here is skilled team work, in which specialists from various fields of technology and trade participate. Second, I would suggest that we depart from the so-called "subsector peculiarities."

[Question] As far as I know, the most difficult struggle is with various "parochialisms" and "lobbies."

[Answer] They will be most easily overcome if the producer is able to choose a foreign trade office or if he himself applies for a license. Companies should demand that issuance of licenses be made much more simple, but there are not many who are eager to apply. The fear against taking responsibility is too great. On the other hand, it is said that the foreign trade apparatus is not satisfied with the simplification in this area.

I see a chance that foreign trade will be really decentralized. Obviously, it cannot come down to that producers will be able to import, on their own, small quantities of goods which everyone needs. The classic example of this are bearings. Consignment warehouses, for example, should be used to a greater degree than heretofore.

[Question] People, their motivations and qualifications, must adapt themselves to the transformations about which we have spoken.

[Answer] That, in my opinion, is the third area of foreign trade--and not just there alone--where deep changes must be made. We touched on this before when we talked about the need to appoint teams to solve concrete problems. New forms of sales also require nontraditional preparation and an innovative approach to problems of cooperation abroad.

[Question] Foreign trade employees are probably thinking that you are underestimating their qualifications and commitment.

[Answer] I am not underestimating them, but we will not achieve the expansion of export that we need to survive by employing traditional methods of work. That is why we should train a new type of trader. The new traders must have greater knowledge as regards production, be more familiar with the legal and financial bases, strive more boldly than heretofore for new sales techniques, and finally, be accustomed to working as a team.

To establish, in today's conditions, export specialties or products which meet world competition, we must build an entire marketing sales strategy. This cannot be done by traditional "cottage-industry" methods. That is why we must set very high requirements for the people who will be responsible for this.

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TASK FORCE REVIEWS PRODUCER GOODS DISTRIBUTION SYSTEM

Warsaw RZECZPOSPOLITA in Polish 3 Aug 87 p 5

[Position paper by party-government commission task force on organizational structure of producer goods distribution system]

[Text] I. Present Status

1. In the flow of producer goods to enterprises (raw and other materials, fuels, and machinery and equipment) almost two-thirds is by way of direct procurement by purchasers from producers. The remaining one-third of the producer goods used is obtained through enterprises which specialize in commodity turnovers. The turnover of producer goods has a special role to perform in the economy. It ensures production-trade ties between producers, stabilizes economic processes, and alleviates the effects of disruptions occurring in the flow of materials to specific elements of the national economy. In the second stage of economic reform, the distribution of producer goods should make full use of commodity-money relations and be implemented on a balanced market. Wherever it is economically justified, direct turnovers between producers should be developed. The gradual social division of labor, the greater size of production and the extension of production series, the larger carrying capacity of transport, and similar results of technical progress, means that intermediaries must function in the turnover of producer goods, i.e., trade enterprises. Their primary function should be to procure, at their own risk, goods from producers (in mass quantities) and to sell them to the final buyers in suitable, smaller batches, and in the assortments and at the times which correspond to the wishes and needs of the buyers. This is the only interpretation of producer goods trading that is justified. The enterprises, on the other hand, should become a reliable and flexible source of supplies, particularly for small buyers, for whom procurement from a producer, because of the size of the need and frequently the distance, would not be economically justified.

2. In the light of these general conditions, the Task Force on the Structure of Organizations in the Economy, made a review of the organizational structure of producer goods turnovers. The review covered 330 organizations in most of the state enterprises which perform an intermediary function in the

distribution of means of production. Despite all of the organizational diversity, three types of enterprises dealing with distribution of producer goods can be distinguished:

- 1) sales enterprises, whose main function is to arrange the sales of production from specific types of producers; these are usually enterprises which operate on a nationwide scale,
- 2) wholesale trade enterprises, which usually operate regionally,
- 3) supply enterprises, which operate for a specific group of buyers.

Some enterprises combine the function of sales and wholesale trade. The dominating form of turnover which the sales enterprises implement, is transit, while the wholesale trade enterprises deal in warehousing turnovers and partly in retail sales.

3. The functioning of the producer goods distribution apparatus reveals many negative features which are responsible for the low efficiency of the enterprises and the entire materials and engineering supply system. The chain of intermediaries becomes longer. The operation of many turnover organizations is characterized by a bureaucratic attitude towards buyers, the abuse, generally, of their monopolistic position, especially in setting delivery conditions which are not favorable to the buyers, and overstating costs, margins and commissions. Regardless of the disruptions of balance on the producer goods market, which limit the activity of the contract system and are conducive to the formation of a seller's-market atmosphere, low efficiency in the functioning of turnover organizations is caused mainly by:

--the improper official status and the position of the structural part of the organizations conducting centralized sales or supplying specific subsector groups of production enterprises,

--extreme dispersal and inadequate potential of wholesale trade enterprises.

The present organization of the producer goods turnover apparatus is in large measure the residue of the orders-directive system. It is also the result of the vital processes of the adaptation of independent production enterprises to the difficult conditions produced by materials shortages and the everlasting state control over some raw and other materials and machinery and equipment. A large number of these types of intermediaries arose during 1982-1986.

4. The role and importance of producer goods turnover enterprises in the system of supplying the national economy demands that urgent and decisive action be taken to greatly improve their functioning, eliminate unnecessary organizations, and reduce turnover costs.

II. Main Directions of Change Are Aimed At:

--accelerating the development of wholesale trade,

--strengthening the role of economic instruments which exert an influence on turnovers,

--changing the organization structure of the producer goods distribution network and eliminating unessential organizations.

1. Organization of Wholesale Trade

The following measures are considered advisable and economically justified:

1) Further development of wholesale and retail trade and the enterprises performing these functions in the economy as elements in its functioning.

2) Acceptance of the general rule that enterprises involved in the wholesale trade of producer goods should not be part of the producers' sector-branch ministries.

2. Proposals of Economic Impact

1) Margin rates, sales commissions and supply surcharges on all products should be so fixed as to prevent the collection of frequent, imposed payments for trade services and the unsubstantiated rise in the price paid by the final buyer.

2) Official margin rates and sales commissions should be applied--at least until 1990) on certain articles sold at contractual prices. A list of typical articles is shown in enclosure 1.

3) Credit preferences should be given to wholesale trade enterprises, particularly giving them greater access to low-interest turnover credits (in comparison to the basic rate).

3. Proposals Dealing With Legal Ramifications in Organizations

1) The following should be deemed advisable: The further functioning of sales or supply enterprises which play a particular a special role in the economy because of their turnover of such groups of materials as are of primary importance to the economy (coal, coke, liquid fuels, iron and steel and nonferrous metal products) or those which satisfy the needs of specific groups of buyers (schools, health centers). Examples of such enterprises are given in enclosure 2.

2) The pertinent organizations in the state administration should be instructed to gradually create the economic and structural conditions for the elimination of sales and supply organizations whose functioning in the second stage of reform is not essential. Examples of such organizations are given in enclosure 3.

3) As regards sales and supply enterprises not covered by a detailed regulation (enclosures 2 and 3), it is deemed proper that the following changes be made:

--sales enterprises should be transformed into joint enterprises (or companies) of a specific group of producer-suppliers, for whom the sale of products is being arranged,

--centralized supply enterprises should be similarly transformed into joint enterprises (a company of a specific group of buyers).

Lack of consent by suppliers or buyers to the formation of a joint enterprise (which would require the outlay of specific funds from the development fund) would lead to the liquidation of these enterprises. The state treasury should withdraw the financial means on which the operation of these enterprises is based.

4) In all enterprises which operate on a nationwide basis and which arrange sales of production, supervisory councils should be appointed to exercise the necessary control functions. Through the participation of representatives of the central authorities in these councils, the implementation of the state's policy on supply as it relates to raw and other materials and fuels, which are of crucial importance to the national economy, should be assured.

5) The composition of the groups which do the preliminary and consultative work on the establishment of a new producer goods distribution enterprise, must include a representative of the Office of Materials and Fuels Management. It would be the task of this group to oversee the proper development of a network of producer goods turnover organizations based on the following primary principles:

a) The creation of new turnover enterprises should be deemed advisable if:

--their exclusive or primary task is to conduct wholesale (or wholesale-retail) trade and will result in the establishment of real competition in specified segments of the market,

--they will improve the supply efficiency of a specific group of enterprises at their expense (joint enterprises) and without detriment to other buyers,

--through concentration of order-taking, it will make for a real growth in production (better utilization of production capacity).

b) The creation of a new organization should not be deemed advisable if:

--it strengthens the production and trade monopoly of a specific group of producers and results in a worsening of delivery conditions,

--it extends the supply process and increases its costs without physical contact with the goods (transit) and without documented benefits for the buyers,

--it creates the possibility of protectionism in supplying specific groups of buyers,

--the social costs of the supply process are higher than the social benefits derived from its operation.

7) The obligatory affiliation of enterprises of a trade character should be eliminated by not renewing the applicable Council of Ministers resolutions on their formation, which expire this year.

8) Exclude from the obligatory affiliation of producers all enterprises dealing with the turnover of producer goods by making the appropriate changes in the Council of Ministers resolution on their formation.

9) Cause the elimination of turnover organizations operating in the offices of associations of production enterprises and appointed by these associations to arrange (for reimbursement) supplies or sales. If such arrangements are-- from the viewpoint of that association--indispensable, they can be conducted (without reimbursement) in the association's office.

10) Instruct that all enterprises involved with intermediation and trade in producer goods turnovers be verified from the standpoint of the propriety of their being included in the "supply trade" sector or "industry" (this is very important in applying the specific financial system).

11) Examine the turnovers of wood, paper, raw materials, textile and leather materials, trucks and truck spare parts, in which a large number of intermediaries appear which use these same articles.

Warsaw, June 1987

Examined and approved 19 June 1987 at a meeting of the Task Force on the Review of Organizational Structures in the Economy under the chairmanship of Zbigniew Szalajda, deputy chairman of the Council of Ministers.

Enclosure 1. Examples of contractually priced goods, on which the application of official margins is proposed.

1. Central heating radiators
2. Cast iron and tin bathtubs
3. Cast iron and tin drainboard sinks
4. Cast iron and plastic connectors and fittings
5. House network fittings
6. Lacquer products
7. Plastic tubing
8. Cement
9. Tar paper
10. Hardwood timber and coniferous timber
11. Wood flooring
12. Plastic flooring
13. Wood composition panels

Enclosure 2. Examples of indispensable producer goods turnover enterprises involved with sales and supply.

1. Coal Sales Office, Katowice
2. Mining and Power Industry Supply Office, Katowice
3. Petroleum Products Office --headquarters, Warsaw
4. District Veterinary and Animal Husbandry Supply Enterprises (15 enterprises)
5. CEZAS School Supply Enterprises (18 enterprises)
6. CEZAL Medical Supply Enterprises (18 enterprises)
7. Metallurgical Supply Office, Katowice
8. Nonferrous Metals Sales Office, Katowice
9. Steel Sales Office -- headquarters, Katowice

Enclosure 3. Examples of producer goods turnover enterprises, whose advisability of functioning in the second stage of economy reform is doubtful.

1. METALBUD--Enterprise Supplying Construction With Metallurgical and Metal Products, Katowice
2. Metallurgical Construction Supply Enterprise, Czestochowa
3. CENTRODLEW Forged Products Sales Office, Radom
4. POLCEMENT Production Sales Office, Sosnowiec
5. Spare Parts Delivery Plant, Construction Ceramics and Motor Industry Association, Gniewkowo
6. Technical Materials Supply Plant, Nationwide PGMB Association, Lodz
7. Social Services and Supply Enterprise, Association of City Transportation Enterprises, Tuszyn, Piotrkow Province
8. Sales and Supply Plant, Association of Air Technology Equipment Enterprises, TOPOZBYT, Katowice
9. Flax Industry Supply Plant, Lodz
10. Technical Supply Enterprise, MERINEX Association, Lodz
11. Construction Ceramics and Silicates Sales Service Enterprise, Warsaw
12. Commodity Turnovers Office, PAPIER [Paper] State Enterprises Association, Lodz
13. ELBOT Asphalt Industry Completion and Coordination Enterprise
14. KRUSZBYT Aggregate Industry Export and Turnovers Enterprise, Warsaw
15. BAZA Knitting Industry Supply Enterprise, Lodz
16. POLAM-ELEKTROSPRZET Lighting Equipment Sales Office
17. PROFAMOT-ZREMB Delivery Completion and Supply Enterprise
18. Furniture Industry Sales Enterprise

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CENTRALIZED PLANNING, SOCIALIST OWNERSHIP DEFENDED

Bucharest ERA SOCIALISTA in Romanian No 10, 25 May 87 pp 6-10

Article by Univ Prof Dr Aurel Negucioiu: "Socialist Ownership and Socioeconomic Management Entirely Based on the Unified National Plan"

Text The dialectical connection between socialist ownership of the production means and uniform management of all socioeconomic activity on the basis of the Unified National Plan is one of the permanent questions of economic theory and practice in the countries building the new social order. The necessity and usefulness of studying this question are closely associated with the facts and requirements of the present stage of Romanian socialist society's development and with the need of accelerating the all-around progress of the new order and further improving planned socioeconomic organization and management. Nicolae Ceausescu says, "Socialism has reached a developmental level that calls for a critical analysis of the course taken and determination of the measures needed to improve and renovate socialism... But it must be done on the basis of past experience and practice of socialist construction and on the principles of scientific socialism," (1) to say nothing of the fact that, as the party secretary general says, "In recent years there has been much international discussion of matters of ownership, methods of socialist construction, and the need of better economic management and planning. The ideologists and apologists of capitalism are trying again to present capitalist ownership and the society divided into oppressors and oppressed, which has outlived its historical time so to speak, as a higher form of social and production relations." (2)

And last but not least the interest in studying ownership problems is explained by the fact that ownership relations are central to the whole system of economic relations. They reflect the vital economic interests of the social classes in all systems and have always been their vital problem. Marx showed that "Depending on the degree of industrial development, ownership has always been the vital problem of a certain class. In the 17th and 18th centuries, when feudal ownership relations were being abolished, ownership was the vital problem of the bourgeoisie. In the 19th century, when bourgeois ownership relations were being abolished, it was the vital problem of the working class." (3) Ownership has always been a form of power, namely economic power. From this standpoint capital is just power over exploited and oppressed foreign labor, just as in socialist society public property reflects the associated producers' common power over their united labor.

Objective Necessity of Replacing Capitalist with Socialist Ownership

The communist production method is based on a particular form of ownership of the production means, namely workers joint ownership. Abolition of capitalist ownership of the production means and formation and development of workers joint social ownership of the material factors for production are objective necessities and fundamental economic laws of socialist revolution and construction and of socialist and communist construction. Showing a profound understanding of socio-economic development on the historical scale of progress and generalizing the vast national and international experience in social evolution from lower to higher forms, Nicolae Ceausescu says that "Socialism and communism can be built successfully only on the basis of workers joint social ownership of all production means." (4)

Detailed study of the operational and developmental dialectics of the production method based on domination and exploitation of salaried labor by capital enabled the founders of scientific socialism to demonstrate comprehensively and in depth that by the very internal logic of its evolution, at a certain historical stage bourgeois society makes the abolition of capitalist ownership and its replacement by joint social ownership of the production means objectively necessary, really possible, and inevitable.

Certainly the increasingly social nature of the production forces and of the technical production method created and developed by capital and the aggravated contradiction between the nature, level and structure of the production forces and those of capitalist economic relations, as well as the aggravated basic economic contradiction of capitalism (that between the social nature of labor and of the production forces and capitalist appropriation of the results of social production) make it necessary to replace that form of ownership with a new and higher form. As Marx noted, "The monopoly of capital is becoming a chain on the production method that once flourished with it and by it. Centralization of the production means and socialization of labor are reaching a point where they are becoming incompatible with their capitalist cover, which has been fragmented. The clock has struck for private ownership. The expropriators are being expropriated." (5) Elimination of the conditions for capitalist ownership and creation of those for establishment and development of socialist ownership of the material factors for social production are two interrelated "aspects" but they are nevertheless two distinct revolutionary processes. The former is destructive because it chiefly means destruction of the economic base of the rule of capital, while the latter is constructive and creative.

Abolition of capitalist ownership of the production means and conversion of the latter to objects of joint ownership of the members of society are indispensable to construction of the new society. As Nicolae Ceausescu says, "The whole development of human society shows that every social system has had and has its own form of ownership of the production means. Socialism brings a new form of the latter, namely workers joint ownership." (6)

The main task of socialist revolution is to shift the power to the hands of the working class, to overthrow the rule of the possessors of capital and the great landowners, and to deprive them of the economic sources of their power, which is an obstacle to socialist construction. In Marx' and Engels' words, the first step in socialist revolution is "to raise the proletariat to the rank of a

ruling class and to seize power. The proletariat will use its political power to take all capital away from the bourgeoisie step by step, to centralize all the production tools in the hands of the state, that is in the hands of the proletariat organized as a ruling class, and to increase the volume of the production forces as rapidly as possible." (7) Accordingly the socialist revolution is the most pronounced break with the former ownership relations.

Past experience in socialist construction in Romania and other socialist countries as well shows that the abolition of private ownership and the institution of joint ownership of the production means most fully and graphically reflect the radical reform of the whole system, a reform objectively based upon development of the production forces. The facts prove that social ownership of the production means is the most important feature of socialism, permitting total emancipation of society and its members. Actual experience is the most cogent refutation of the attempts to discredit socialist ownership of the production means and to prove on that basis that, as the American author A. Gerschenkron says, that ownership has become less important in the last 70 years especially, that "It is more than doubtful that we should see it as a contributing factor in the development of the system," (8) or that socialist ownership is "inferior" to capitalist ownership. For example, the West German economist J. Messner maintains that "Complete socialization of the production means is becoming a means of enforcing the major human rights... which are guaranteed in a free society by the very existence of the private institution" (sic!). (9) It is also maintained that "The lack of a capital market in the socialist economy as well as the lack of the capitalist system for financing investments not only paralyze the enterprise managers' initiative... but also retard technical progress." (10)

In flat contrast with these assertions and others like them, the actual situation in Romania and in other socialist countries as well shows that abolition of capitalist ownership of the production means and institution of socialist ownership of them, characterizing the removal of economic power from the hands of the bourgeoisie, as well as elimination of the economic dominance of that social class along with the liquidation of the capitalist class, opened the way to rapid progress in all activities. The production forces ceased to take the socioeconomic form of capital, and the law of surplus value ceased to operate. Socialist ownership correlated the way products are obtained with the social character of production, which is subordinated to the major aims of the new order, namely the fullest possible satisfaction of the material and cultural needs of all members of society and the full and free all-around development of each one's personality. Socialist ownership also gives rise to collaboration and mutual aid among the social classes and categories and members of society. The main purpose of socialist production and reproduction as well as collaboration and mutual aid are not only the most important and far-reaching spurs to social progress but also the elements that harmonize the general interests with the personal and group ones. And socialist ownership also makes planned socioeconomic management and organization possible and necessary. The party secretary general says, "Socialist ownership of the production means fulfills the aspirations of every social class and stratum and every individual and coordinates the general interests of society with the individual interests of the citizens. Development and success of socialist ownership are the sources of the masses' welfare and happiness and guarantee full use of their ability, energy and talents as well as fulfillment of the personality." (11)

Planned Development As an Objective Law of Socialist Economics

Planned organization, performance and development of all socioeconomic activity are essential features of socialism. As Engels said, when the social production forces "are used according to their eventually recognized nature, social anarchy in production will be replaced by planned social regulation of production according to the needs of the community and of each one of its members as well." (12)

Planned organization and performance (planned character)* of labor are typical of any joint activity in the form of cooperative labor to produce material values regardless of the socioeconomic conditions and forms of ownership of the production means. They take the form of purposeful distribution of labor and production means and are accordingly present in all collective microeconomic processes and in all systems known to history, in a particular social form in each system of course. Not to dwell upon this point too much, we mention only that Marx made an in-depth analysis of planned organization of production within the capitalist enterprise, wherein "the iron law of numerical ratios or strictly determined proportions" (13) reigns, as he puts it. F. Engels, in his criticisms of the draft program of the German Social-Democratic Party in 1891, demonstrated the planned, organized character of the work within the capitalist trusts. (14) In his turn V. I. Lenin, in investigating the monopoly stage of capitalism's development, demonstrated that production is purposefully organized within the monopolies and brought out many characteristic features of capitalist planning as well as its contradictions and limitations." (15)

State monopolist capitalism broadens the scope of directed organization and performance of social production. Planned and directed organization and performance of production go somewhat beyond the basic entities of the capitalist economy, namely the individual capitalist enterprises and the capitalist monopolies, and take the form of elements of planned macroeconomic organization. But they are only elements of macroeconomic planned character. Due to capitalist ownership of the production means, the "atomized" structures of the national economies, the capitalist character of the social division of labor, and the competition and anarchy in social production, capitalism makes planned organization and performance of all social production and reproduction objectively necessary but it does not make such organization possible. Therefore capitalism cannot provide for the planned character and purposeful regulation of the production process on the scale of society as a whole.

Planned organization and performance of social production and reproduction on the scale of society as a whole, or totally planned character, become possible and actual only in socialism, being characteristic features of the communist production method. In the first place, the concept of planned character reflects in theory the general form of socialist economic development and of organization, operation and promotion of the new order in step with progress. In the second place, planned character is inherent in socialist cooperative labor, and in the third place it indicates an economic relationship peculiar to the communist system.

As a general form of socialist economic development, planned character is the purposeful social form of organization, performance and regulation of the social process of production and reproduction on the macroeconomic level. As contrasted with the anarchic, haphazard economy wherein "What is rational and what is a

*[Plannitate]

natural necessity take effect only as a blindly operating medium" (16), socialism accomplishes this regulation purposefully and in advance. In the new order the chief need of society and its members are determined on the basis and by means of the Unified National Plan, as well as the distribution of resources for production among the vertically and horizontally determined "components" of the social division of labor, and society's total working time as well as the working time socially necessary to produce each product are estimated and allowed for.

In this sense planned character is a general feature inherent in all the main economic processes, in the entire system of socialist economic relations, and in the operation of the economic laws governing economic development in socialism. It accordingly reflects the nature and operation of the whole system of social production and reproduction relations. Understood in this light, macroeconomic planned character is total but not absolute in socialism. It is the general and prevailing way to include the material, manpower and financial resources directly in local and national economic circulation and to organize and develop cooperative labor in the basic entities of the national economic complex and on the scale of the whole national economy as well.

Planned organization, operation and development of the economy incorporate the main objectively necessary, general, permanent and stable features of socialist production and reproduction and no incidental chance phenomena. Planned character is objectively determined, exists and functions as a necessity determined beyond people's will and awareness.

In his in-depth study of the causes that generated and required planned socioeconomic organization and operation, Nicolae Ceausescu made a substantial theoretical-methodological contribution to demonstration of the objective necessity and real possibility of macroeconomic planned character in socialism, to thorough knowledge of the operation of the objective law of planned development, and to its formulation in keeping with the requirements of science and the actual conditions. As the party secretary general said 20 years ago, "Planned socioeconomic organization and direction are necessitated by the material conditions of modern production themselves. The progress of the present technical-scientific revolution, the rapid development of the production forces, and the intensified social division of labor, concentration of production, and development of its social character all make direction of the economic processes an objective necessity." (17)

Indeed the objective reasons for planned socioeconomic organization, operation and development lie primarily in the social character and content of the labor and production forces. "A violinist directs himself, but an orchestra needs a director" (18), said Marx, who demonstrated that "With some exceptions, machines ... operate solely through directly socialized or collective labor," and that accordingly "The cooperative character of the labor process becomes... a technical necessity dictated by the very nature of the means of labor." (19)

Development of the production forces and of the means of labor especially, and of the social division of labor as well, keeps increasing the interdependences among the "components" of production and the technical necessity of expanding cooperative labor and accordingly the social character of labor. All this accentuates the need of purposeful, planned organization and regulation of labor on the macroeconomic scale. Furthermore the entire people's socialist ownership of

the production means objectively requires planned macroeconomic organization, operation and development. That kind of ownership reflects macroeconomic socialization of economic relations and the new production method. The socialist economy no longer has an "atomized" structure. In the course of its economic administration acquires societal, national-state dimensions. The producers and owners are united on the scale of society. In fact society as a whole is now the general producer. Cooperative labor also acquires societal dimensions in socialism, as a component of both the production forces and the system of economic relations.

Socialism not only makes planned development objectively necessary but also permits its implementation, which also lies in joint social ownership of the production means. The party secretary general says, "Social ownership of the production means and the collaboration characteristic of the socialist system provide for planned management on all levels of the economy including that of society as a whole, and they make it both necessary and possible to coordinate the entire reproduction process uniformly, to direct production and distribution purposefully, to distribute the resources among sectors and production units, and to apply contemporary technical and scientific progress on a wide scale." (20)

Planned Character and Planning

Objective socioeconomic laws and necessities are fulfilled through people's activity. The unified national plan for each country's socioeconomic development is the objective form of planned organization and performance of socialist production and reproduction. The plans are, to be sure, the results of specific purposeful activity reflecting certain socioeconomic conditions and developmental trends. In that respect they are they subjective images of the objective socioeconomic world.

Uniform planning of socioeconomic development is an objective necessity for socialist society, and in that sense it is not dependent upon anyone's will or awareness. People are not aware of the causes of it, although its implementation passes through their awareness. As Nicolae Ceausescu said in his Speech at the Reception of Secretaries for Organizational Problems of the Central Committees of Communist and Workers Parties in Socialist Countries, "We attach great importance to planned management and to improvement and consolidation of the forms of uniform planned management of all activities, which in our opinion do not contradict but enhance the rights and independence of the enterprises. But all the latter must work uniformly for general social development and for socialist and communist construction.

The RCP does not regard planning of economic development primarily as or limited to planning techniques and models or to hypotheses and forecasts of future socioeconomic development. The plans for national socioeconomic development contain and primarily reflect the macroeconomic options and decisions of society. They set the chief goals and the ways, means and resources for accomplishing them and the major quantitative and qualitative standards, determined in space and time, of the activity of society and its members and of socioeconomic development. In that sense it is true that the plan is only in the realm of social awareness, the active social awareness that reflects a certain socioeconomic reality with its laws, contradictions and trends and also the attitude of society and its active, transforming option. But drafting and adopting the plan still do not mean

activating the factors for production, organizing production directly, or including the factors for it in economic circulation. Activity organized and performed by plan is the characteristic socialist form of management and economic administration and of circulation, use and reproduction of social property.

The objective character of planning is not limited just to the objective necessity of drafting the plan. It also involves the nature of the plan provisions, of the direction of development, of the goals set, of the material, manpower and financial allocations, and of the ways and methods of action. Science has discovered and actual experience has proved that the provisions of a plan are not objective and accordingly not realistic unless they truthfully reflect the objective laws of the socialist economy's development and are in accord with them and unless they truthfully reflect and accordingly allow for the socioeconomic needs and vital interests of society and its members and the progressive trends of socioeconomic development and provide for optimal correlation of the social needs with the potentials that society has at a given point and will have in the future. That is because it is also an objective necessity for the Unified National Plan to reflect and allow for the operation of the set of objective economic and social laws. That is the only way it guides the actions of society and its members in accordance with the objective course of history and reflects the knowledgeable use of the objective laws, while economic planning is the chief component of the mechanism for efficient management of socialist society.

The distinction between the objective character of the necessity of planning and that of the plan provisions indicates the truly vital importance of realistic, scientific determination of the provisions of the plans for socioeconomic development and of promoting a correct, scientific economic policy. As Nicolae Ceaușescu says, converting society from something imposed by nature and history to a free action "calls for thorough study of the objective laws of social development and the actual constantly changing conditions and, accordingly, preparation of the measures best suited to the requirements of those laws and use of society's whole experience and the national human and material potential to meet the demands of social progress." (21) Since the plan for socioeconomic development is the chief instrument for implementing the party's economic policy, full use of the advantages and superiority of the socialist system "critically depends upon promoting a correct, scientific policy suited to the conditions and particulars of of each stage of social development." (22)

Superiority of Uniform Planned Management Over Any Other Systems

Planned socioeconomic management, organization and development is one of the clearest instances of the superiority of the socialist production method over all previous social systems. But contrary to the logic of the matter, some non-Marxist ideologists who see socioeconomic facts in the distorting mirror of bourgeois ideology identify macroeconomic planning in the socialist countries with planning in the capitalist countries and capitalist commodity production with that in the socialist countries, and they try in that way to erase the differences between the two production methods. The Austrian economist K. W. Rotschild says, "Capitalism and socialism on the one hand and the market economy and the planned economy on the other are not interchangeable pairs of categories." (23) According to that author, "Intervention of economic planning is necessary in capitalism in order to correct the anarchy of the market and its short-term prospects," while in socialism "The market elements have to overcome the results of

the inadequate information and flexibility of the planning staff." Due to this mixture of market and planning elements, he does not think it likely in the future that it can be determined whether a country is socialist or not." (24)

In this case we have to deal with a theoretical construction that arrives at a refutation of the profound and essential distinctions between the two production methods, as we can plainly see, by creating the impression that it is based on a fact, that is the existence of planned and market commodity production in both the capitalist and socialist countries, in order to maintain that the economies in both the capitalist and socialist countries are "converging," "mixed" etc. But this construction is based on a false methodology. In the first place it ignores the essential socioeconomic distinctions between capitalist commodity production, which does not produce just commodities but commodity-capital, and commodity production in the socialist countries, which is not subordinated to production of the greatest possible surplus value but to the fullest possible satisfaction of the material and cultural needs of all members of society and to all-around development of the personality. That difference is not just one in scope and degree but primarily one in nature.

The actual situations in the capitalist and socialist countries prove on the strength of the facts that planned character and accordingly planning are not and cannot be total or all-inclusive in capitalist society because of capitalist ownership of the production means, which "atomizes" the economic structure of society and gives rise to conflicting economic interests, anarchy and competition.

As contrasted with capitalist ownership, socialist ownership of the production means completely unites the producers on the national scale and makes cooperative labor, planned character and economic planning general throughout society. And since the differences between capitalist and socialist planned character and planning are not only in scope and degree but primarily in nature, their identification is radically wrong in theory, ideologically apologetic, and contrary to fact.

Socialism's opponents are "discovering" many major "courses" of socialist planning and of planned management of the socialist economy. The French sociologist R. Aron maintains that "In the (socialist) planned economy the state commands by the method of military orders." (25) To the same effect, W. Keizer states that in socialism "The chief rule of behavior is obedience, based on faith, to the orders received by the economy, which is organized on a military basis." (26) The fact that the production means belong to the state, which sets the annual and five-year plans, guarantees nothing according to M. Goldman (27), and French economist G. Grellet considers the compilation of the annual and five-year plans "an absurdity" because "Production of all goods and geographic distribution of all kinds of activities cannot be planned." (28)

In expressing these unwarranted and malicious opinions about socialist planning, their authors maintain that the root causes of its deficiencies lie in the centralized nature of the socialist planning system, which is allegedly based in its turn on "ideological dogmas," the bureaucracy's interests," and the "effort of the ruling elite" to retain all power in their hands. To these "arguments" the bourgeois ideologists often add their generalizations about the so-called inadequate training of socialist managers, the peremptory and compulsory character of the plan tasks, and the direct involvement of the socialist state in planned socioeconomic management.

Examination of these ideas and comparison of them with the actual socioeconomic situation in Romania and in other socialist countries as well and with what characterizes the profound essence of socialism primarily reveal the metaphysical interpretation of the facts and the identification or confusion of the essence with the phenomenon, of regularity with chance, and of freedom interpreted as a clear necessity with subjectivism and voluntarism. Accordingly the theories to the effect that the annual and five-year plans are "absurdities" that "guarantee nothing," as well as those identifying capitalist with socialist planning, betray misunderstanding or disregard of the fact that planned development is an objective law of the socialist system, necessitated by the social character of production and labor, by cooperative labor throughout society, and by socialist ownership of the production means.

In transferring the production means to joint ownership and in instituting that form of ownership throughout the national economy, the socialist revolution completely and permanently solved the basic economic contradiction of capitalism by correlating the method of acquisition with the social character of production, and economic relations with the state of the production forces. Along with that and by it the socialist revolution also resolved the other contradictions reflecting the basic economic contradiction of the old order. Generalizing social ownership throughout the national economy did away with the causes of anarchy in material production and generalized economic planned character throughout society. The social anarchy of social production and reproduction was replaced by their purposeful social regulation in accordance with the vital interests and needs of society and all its members.

In Romanian socialist society the Unified National Plan is the chief means of social regulation of production and reproduction and an objective necessity. It is not merely an arithmetical summation of the plans of the components of the national economic complex. In the RCP's view the Unified National Plan plays a decisive and critical part, while the plans of the centrals, enterprises and local subunits are based on it and are integral components of it. It alone makes it possible to cover all the major socioeconomic activities uniformly, to determine the chief requirements of society and its members, to correlate the resources with the necessities rationally, to unite the entire people's energies and to direct them according to the objective laws governing society's advance on the path of history and socioeconomic progress.

The production means and the material factors for production are owned by the entire people. The socialist state is the representative of the workers and the people and as such it manages the use of public property on their behalf. Therefore the socialist economy by its very nature and its planned operation and development objectively necessitate development not only of the role of the socialist state as the economic center of society and that of uniform centralized management but also of the role and creative initiative of the economic and regional-administrative units, as well as widespread development of workers revolutionary democracy.

In Romania the socialist revolution replaced not only anarchy with purposeful and planned social regulation of production but also domination and exploitation with collaboration and mutual aid, and competition with socialist emulation. Experience tells us that collaboration and mutual aid as well as socialist emulation and remuneration according to work performed and results obtained effectively

encourage the creative activity and initiative of the members of society and workers collectives. Uniform planned management and the initiative of the collectives of producers, owners and beneficiaries are mutually indispensable, interact and form a dialectical unity in socialism. Optimal harmonious combination of centralism with democracy and of workers self-management and self-administration with uniform management of all socioeconomic activity according to the National Plan is one of the basic principles of socialist social management.

Socialist experience proves that the degree of scientific substantiation of the plans for socioeconomic development is one of the controlling factors for their realism and effectiveness. As Nicolae Ceausescu says, "The less realistic the plan is and the less it meets the requirements of the objective laws, the more difficult it is to control the economic processes and the more the economy begins to be subject to chance factors. Experience proves that when the economic plan is not based upon knowledge of the social needs, upon study of the domestic and foreign market demands, and upon the operation of the economic factors, it is liable to conflict with reality and lose control of important economic processes. Careful study of experience and the new phenomena and processes is the main requirement for correct economic management and planning." (29)

Indeed ignorance has been and still is a major source of errors in any field. Just as disregarding reality, underrating the specific conditions and overrating the general principles result in dogmatism, routine and inflexibility, so do underrating the general laws and overrating the specific conditions result in voluntarism in thought and action, with very harmful consequences. The history of socialist construction has not been free of phenomena of this kind, difficulties and errors in planned socioeconomic management and organization. But the main fact is that sooner or later they were discovered and eliminated and socialism continued to make steady progress.

As Nicolae Ceausescu says, if the decisions and aims of the 13th RCP Congress are to be implemented, "All socioeconomic planning and management must be brought up to a new level." (30) In view of that necessity, the RCP has been making a constant effort to improve forecasts of the main trends of national and worldwide socioeconomic evolution, to investigate the economic situation and the operation of the laws governing the national economy's development more and more thoroughly, to apply the generally valid truths to the Romanian particulars creatively, and to formulate the plans for socioeconomic development scientifically and more and more comprehensively.

The socialist state's role in uniform socioeconomic planning, organization and management based on the Unified National Plan for Romania's Socioeconomic Development is growing in the present stage, while the responsibility of the local state organs and the collective management organs in centrals and enterprises in drafting and implementing the plans is also growing.

Consistent application of the new economic-financial mechanism and the principles of workers self-management, self-administration and self-financing is vital to the efficiency of economic activity and to improvement of its quality and effectiveness. For that purpose measures have been taken in the last few years for better standardization of material and labor outlays and of circulating capital and resources, so that it will be known at every point in every unit and in every sector what is produced, why it is produced, on what technical level and with

what inputs of raw materials, materials, labor means and live labor. There is no question that the only way to keep improving all activities is to develop the role of the economic-financial factors throughout the economy, to improve the economic mechanism, and to consistently apply the principles upon which it is based.

In the view of the RCP and its secretary general, greater knowledge of nature, society and the laws governing change in them, as well as that of interaction between the social and natural factors, and closer correlation of the various provisions of the socioeconomic development plan, of the provisions with the needs, and of the possibilities with the objective requirements are indispensable to the scientific basis, realism and effective mobilizing power of the plan and to the clear direction, correctness, rationality and constantly growing efficiency of the workers' socioeconomic activity.

FOOTNOTES

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26. W. Keizer, "The Soviet Quest for Economic Rationality," Rotterdam, 1971,
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27. "The Economic Growth Controversy," L. 1974, pp 98-99.
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CSO: 2700/235

SHORTCOMINGS IN APPLICATION OF WAGE SYSTEM

Bucharest ERA SOCIALISTA in Romanian No 10, 25 May 87 pp 11-13

[Article by Ion Stoichici: "Consistent Application of Socialist Principles of Remuneration"]

[Text] The economic policy of the RCP and the state, of which Nicolae Ceausescu is the brilliant initiator and promoter, reflects an innovative view of the solution of the major problems of encouraging the workers in their new capacity as owners, producers and beneficiaries, the view that distribution of incomes according to work is a lever of greatest importance to socioeconomic progress that is in a dialectical correlation with economic growth and steadily growing labor productivity.

Distribution relations can and must contribute to more efficient use of the labor force and also create better conditions for full use of the entire technical-material base. It is accordingly clear that the present system for remunerating all categories of workers in Romania, being based on the innovating concept of pay on the overall and direct contract systems, reflects a process of improving socialist production relations and correlating them with rapid development of the production forces and an urgent need of promoting the new in all fields and stimulating intensive growth of labor productivity and of economic and social effectiveness.

In order to accomplish these aims, a number of measures were taken during the last 22 years for consistent application of the socialist principle of distribution, including the important measures adopted last year, which were products of the scientific, revolutionary, enterprising and original thinking of Nicolae Ceausescu, upon whose initiative and under whose direct leadership they were devised. Those measures reflect the far-sighted realism of the party and its secretary general and are the results of comprehensive dialectical analysis of the problems of improving socialist labor and distribution relations, as well as new and brilliant examples of application of the objective laws and general principles of scientific socialism to the specific Romanian conditions, principles whose validity has always been fully confirmed by experience. The said measures fully agree with the radical changes that have been taking place in development of the production forces and in continuing modernization of the technical-material base, and they provide for a better quality of socioeconomic activity and for

further improvement of the entire people's material and cultural welfare, which is the supreme goal of party and state policy.

In his Speech at the Joint Session of Workers Councils of Hungarian and German Nationality in February 1987, Nicolae Ceausescu again pointed out the need of consistent application of the socialist principles of remuneration and of the principles of ethics and justice characteristic of the new social system. He said, "Social relations must be based upon differentiation of incomes set for various fields, and on that basis the principles of remuneration and the overall and direct contract systems must be consistently applied in all activities. Higher incomes in any sector can and must be earned solely according to the results of the work! No one can or should live without working or by exploiting others' labor!"

Remuneration of workers on the overall and direct contract systems is one of the series of measures to improve the economic mechanism. It is intended to strengthen workers self-management and economic-financial self-administration, and it effectively encourages creative efforts as well as the workers' greater sense of responsibility for plan fulfillment and prudent management of the material and financial resources entrusted them by society. The measures taken for this purpose in the last few years supplement the existing legislation on remuneration and organization of labor, further emphasize the qualitative aspects and thereby encourage the workers collective's contribution to better use of the technical, economic and manpower potential and better correlate each worker's interests with those of the national economy as a whole. In fact all categories of workers are strongly motivated to produce the greatest possible volume of output with minimal material and live-labor outlays, that is to make the labor consumed by society more effective in order to produce new use values.

On the principle that work is to be an honorable duty of all members of society and the main criterion for evaluating each person's contribution to the development of his unit and to general national progress, and in view of the fact that work is essential to formation and development of the personality, the improvements made in the wage system are based on a number of principles in keeping with socialist ethics and justice. According to the approved provisions, workers are to be paid in all cases in proportion to the work performed and the results obtained. Accordingly the incomes increase as the planned output is exceeded and decrease in proportion to nonfulfillment of the outputs or tasks.

Romanian socialist society guarantees all its members the right to work and enables each one to perform a job in keeping with his aptitudes and training and with the needs of all society's development. Wages are to be closely correlated with growth of labor productivity, and in all cases the latter is to be greater than the growth of individual incomes and those for the unit as a whole.

The present wage-scale system provides for a suitable ratio between minimum and maximum individual incomes. Experience tells us that pay on the overall and direct contract systems gives workers an incentive to fulfill and to overfulfill the planned physical production and that for export, to make better use of raw materials and materials, to increase the proportion of high-quality products, to lower the regulation inputs of raw materials, materials, fuels and energy, to make complete use of machinery and equipment, and to improve the organization of production and labor.

The form of organization and payment on the overall contract system means that the volume of operations or quantity of products at all work places must be based on work norms and standards in keeping with the approved plan tasks and technologies. The overall contract is concluded annually, while the output and the planned levels of the criteria and the terms for producing it are specified monthly. Setting specific responsibilities for implementing physical production according to the varieties specified in the contracts concluded with the domestic and foreign beneficiaries makes it possible to strengthen discipline at work and to use the production capacities, raw materials and materials in the most efficient way.

The democratic character of of the present wage system should be pointed out. For example, the workers collectives in the work units operating on the overall contract system can decide to make the products or perform the operations contracted for with fewer personnel than the regulation number through better organization of the work and to distribute the sums due the unit according to each member's contribution to the tasks. This provides for an optimal correlation of the material factor with the human one in the production process, with favorable effects upon growth of labor productivity, quality and the efficiency with which the enterprises' resources are used.

Implementing physical material production in the planned volume and structure is what mainly determines the extent of the incomes obtained from work. Physical production must be strictly in accord with value production, and every unit is required to implement the specified physical production, while the higher authorities are required to specify the physical production according to types and varieties, creating the use values that the national economy actually needs. To that end the provision was enacted that the planned physical production is not to be considered fulfilled unless all the varieties specified in the plan have been entirely produced and that failure to produce a variety cannot be compensated for by above-plan production of any other variety.

Economic practice shows that some units, industrial centrals and departments still have a tendency (severely criticized, quite rightly, by the party administration) to plan and especially to obtain incomes and value indicators not entirely in the sound way of fulfilling the plan in physical production and lowering manufacturing costs but, to a certain extent, by unjustified increases in the production prices and in the rates of net income included in prices and by exaggerating the technical-economic and operational parameters of new products. Under those circumstances values are acquired without any real physical support, while it is obligatory in all cases for increased incomes to be based on actual gains in labor productivity and reduction of production costs through regular promotion of technical and technological progress, intensified specialization and expanded cooperation, assimilation of products that are better in all respects, scientific organization of labor and production, and strengthened order and discipline.

Complete production of the output for export is particularly important in this connection. Romanian is playing a more and more active part in the international division of labor on terms of full equality and equity and on the basis of the regular requirements of the growing interdependence of the sovereign states' economies. Participation in the international division of labor and in the world exchange of material values are ways of accelerating economic progress,

and they tend to develop and diversify increasingly because of the mutual benefits to the partners. As Nicolae Ceausescu said at the Plenum of the RCP Central Committee in December 1986, "Foreign trade and international cooperation are integral parts of production. We cannot attain the aims of general development without extensive international economic collaboration and cooperative production in various forms."

Production for export is now over 30 percent in many sectors. The improvements made in the economic mechanism and especially in the wage system allow for these facts and provide every economic unit, central and ministry with the material incentive to carry out the general policy of expanding Romania's international economic relations in order to produce a timely and high-quality export output. As designed and improved, the overall contract system also correlates the amounts of the wages of workers, craftsmen and other categories of personnel directly with fulfillment of the export plan and production. If the export tasks are exceeded, the sum due for the entire physical output produced is increased, just as it is correspondingly reduced if the export output is not produced. In order to strengthen plan discipline, the plan for export production and exports is not considered fulfilled unless the export tasks planned for every individual transaction are entirely completed, without permitting "compensations" from one transaction to another.

As an incentive to all workers to try to make the Romanian economy conform to the standards of intensive development and greater economic effectiveness in all activities, remuneration on the overall contract system reflects not only the work performed and materialized in quantitative fulfillment and overfulfillment of the plan tasks but also the efforts to make better use of the raw materials and materials, to improve the quality of the products and make them accordingly more competitive, and to increase and diversify the export output.

The legislation in force encourages the workers to obtain more products or higher values from the same quantities of raw materials and materials. The indicators "planned index of use of raw materials and materials" and "planned proportion of higher-quality output" were introduced as incentives to workers to enhance economic effectiveness, being criteria for raising or lowering the wages earned for physical production and production for export. Previously indicators of that kind were only terms on which wages were paid and lowered in case of nonfulfillment. And in order to keep reducing production costs, the law stipulates that workers can benefit by bonuses for savings in raw materials, materials, fuels and energy up to 30 percent of their value. In order to encourage and implement other qualitative aspects of production, wages are paid in full if the use index of machines and installations and the regulation specific inputs are observed, and for personnel in enterprise managements and operational sections, implementation of net production, labor productivity, planned outlays per 1,000 lei of output, and planned commodity output per 1,000 lei of fixed assets are also taken into consideration.

Encouragement to promote these intensive, qualitative factors and export growth is general in nature, in the sense that the wages of all personnel in industrial centrals, ministries and the other central and local organs, including ministers and the like, are raised or lowered without limit in proportion to the degree of fulfillment of plan indicators representing the sum of the results obtained by all enterprises, factories, plants, sections, shops and subordinate

work units. Among these indicators, specified by law, we note the plan for physical production of industrial goods; the planned indices of use of raw materials or extraction of products; the proportions of the output, set by the plan, according to grades of quality; the export plan; planned labor productivity; the plan for activating investment capacities; maximum planned outlays per 1,000 lei of commodity output; value of planned commodity output per 1,000 lei of fixed assets, and conformity to the norms and standards for consumption of raw materials, materials, fuels and energy.

The series of measures to improve organization of and remuneration for labor on the overall and direct contract systems that have been applied since 1 May 1986 have helped to encourage all workers collectives from enterprises to ministries to take the most effective measures to implement the plan in physical production and commodity output in the varietal structure needed by the national economy and to make better use of raw materials and materials in conformity with the regulation specific inputs of raw materials, materials, fuels and energy.

Previous experience has shown that the generalized overall contract system has helped considerably to obtain good results in production wherever the plan tasks were broken down according to units in close correlation with their capacities, all needed measures were taken to specify and contract for the entire planned physical output for the domestic and export markets, adequate technical-material supply was provided, and the machines, equipment and installations in the inventory were well maintained and operated, while the tasks in the programs to improve labor productivity and the work norms were effectively performed in practice. Where these requirements were met, the overall contract system clearly provided greater opportunities for the units, brigades and work units to perform and exceed the contractual tasks with fewer personnel, obtaining greater production and productivity and accordingly higher wages.

If the organization of and remuneration for labor on the overall contract system is to prove its economic effectiveness in practice, in generalized form, it is vital for all the central organs and managements of the economic units to take firm measures to know the plan tasks in advance, down to the primary units to which the overall contract system is applied, in correlation with the production capacities, the existing technical-material base, and the possibilities of selling the products; for sound determination by all ministries, centrals and enterprises, of the use indices and other indicators that have become criteria for raising or lowering wages (especially since some of these indicators were not closely checked in the past, when they were not criteria for raising or lowering wages); to determine scientifically and consistently apply the wage-scales per unit of output as well as the wage quotas for indirectly productive personnel and those on the operational staff, in order to conform to the wage fund planned and due in proportion to the degree of implementation of production; to fully analyze the causes of discrepancies in some units between the plan indicators of physical production, commodity output and labor productivity and the wage fund and average wage, since it is intolerable for the indices of use of raw materials, which are criteria for raising or lowering wages, to appear as fulfilled when the material outlays are far above plan, and to conclude the overall contracts in advance, with provision for the material conditions for producing the output specified in the plan and the contracts.

The regulations ratified last year make for more consistent application of the socialist principle of remuneration according to quantity and quality of work encouragement of individual and collective initiative, and all workers' greater responsibility for implementing the objectives set by the 13th RCP Congress as well as the guidelines and directions of the party secretary general for efficient management of material and financial resources, full use of production capacities and the labor force, further growth of labor productivity and accelerated growth of the national income, as a sure basis for the nation's all-around progress and a better quality of life for the entire people.

Of course forms of remuneration for labor are not immutable or laid down once and for all. On the contrary, they can always be improved to meet new conditions and situations. As Nicolae Ceausescu said at the Plenum of the RCP Central Committee in December 1986, "We must keep improving the wage system and apply the overall contract system, which secures implementation of the socialist principles of remuneration, more consistently to all activities."

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UNIVERSITY RESEARCH, TRAINING PROBLEMS EXAMINED

Cologne DEUTSCHLAND ARCHIV in German Vol 20 No 7, Jul 87 (signed to press 26 Jun 87) pp 739-743

[Article by Dr Guenter Lauterbach, member of the research staff at the University of Erlangen-Nuremberg's Institute for Society and Science: "On the Status of Research at the GDR's Universities and Colleges"]

[Text] In the coming years the universities and colleges of the GDR are expected to produce more research results to give an enduring push to the development of industry and help establish international standards. These increasing demands will basically have to be met with the same research capacity that is available now. Closer contractual relations with industry are to facilitate the more rapid utilization of research results.

1. Personnel

In the mid-1980's, the 54 universities and colleges in the GDR employed more than 3,100 professors (women account for more than 4 percent of the total). in excess of 3,700 lecturers and just about 30,000 scientific personnel. Compared with the 1975/1976 scholastic year, this is an increase of more than 1,600 college instructors (709 professors, 911 lecturers) and about 5,000 scientific personnel.(1) Similar quantitative and structural changes in the faculty are not to be expected in the coming years.

In 1984 the instructor/student ratio at institutes of higher education was 1 : 16 (excluding extramural students). It will improve slightly, because the numbers of students will decline in absolute terms due to the lower birth rates prevailing since the 1970's. In future some 23 percent of the young people of typical entrance age will be admitted each year for full-time studies at GDR colleges and technical schools.(2)

The early 1990's will also witness a noticeable rejuvenation of the faculty and, therefore, an end to the distortion of the age pyramid. In 1991-1995, more than 1,000 professors and more than 2,000 lecturers will, for age reasons, retire from the 28 universities and colleges subordinated to the Ministry for University and Technical School Affairs. That is three times more than retired in the early 1980's.(3) The demand for replacements will also grow in other scientific facilities, and young scholars in the GDR will

therefore have relatively good opportunities for advancement at the beginning of the next decade.

As regards research, the fate of college teachers in the GDR is similar to that of their fellows in other countries. Their research work is seriously hampered by teaching duties, administrative affairs, meetings, attention to postgraduate students, so-called sociopolitical obligations and, increasingly, duties involving the further education of college and technical school graduates. A poll conducted among 2,600 professors by the East Berlin Central Institute for College Education recorded that college teachers are able to devote to research only 23-29 percent of their total working hours. Professors who have been teaching in colleges 6-10 years have the least time for research; this group is particularly burdened with administrative duties. However, the study reports that the trend is toward more time available for research, the longer the period since the appointment.(4)

According to previous polls, natural scientists are able to devote 36 percent of their working hours to research, social scientists 20 percent and physicians 13 percent.(5)

When we take these percentages for research time in account (they may well be unduly large) and furthermore consider that students also contribute to research, the research personnel of universities and colleges may be roughly estimated at the equivalent of 12,000 full-time employees. Related to the total research and development potential of the GDR (status 1985: 191,000)(6), we see that about 6 percent of the entire R and D personnel are working in the college sector.

2. The Framework

Since the early 1980's, some remarkable administrative, organizational and labor code changes have taken effect in the college system--all of them designed to improve research. All tenured professors, for example and licensed lecturers (B graduated) may now apply for a research semester following 5 years of professional work.(7) The new college year, in effect since 1982/1983, is supposed to provide more consecutive time for research in the course of the semesters. Finally, favorable effects on research are also expected from advertising vacant chairs/lectureships and the multiple proposals required now--as a rule the list of possible appointees submitted to the Minister for University and Technical School Affairs should include three names (in exceptional cases only two). The more consistent application of the "college teacher appointment decree" is intended to do more than institute a "healthy competition" for vacancies. The authorities also wish to more effectively counteract the practice of internal appointments, that is very widespread in the GDR.(8)

Lastly to be mentioned is the attempt in principle to set time limits to research projects. Projects involving basic research, for example, are to be limited to a maximum of 4 years, those dealing with applied research to no more than 3 years. If no result is submitted after that time nor a solution in sight, the work is to be stopped.(9) In actual practice, though, it will probably be rather difficult to efficiently control progress.

3. Time Schedule for Graduation

Currently more than 8 years elapse between the first graduation from college and the acquisition of a doctorate (dissertation). The average age of the next generation of scientists at the time they get their first doctorate is therefore quite high (33.6 years). It is lowest among "research students" who start their dissertation immediately following their examination (28 years), and highest for "extra plan graduate applicants" who return after several years work in production, administration and so on (40 years), thereby exceeding the statistical mean value by more than 6 years.(10) According to the self-appraisal of the GDR officials responsible for education, "the current situation is entirely unsatisfactory with respect to the due completion of research studies and candidacies."(11)

The reasons most frequently cited for the relatively long delays for getting the doctorate are the unduly late establishment of the topic of the dissertation, changes in topics and supervisors as well as the inadequate availability of devices and apparatus. As regards the latter, complaints even arise about the lack of copying machines. The procedures for getting a doctorate are also subject to delays by the inflexible bureaucracy. It is by no means rare for a candidate to wait up to a year after delivery of his dissertation before finally confronting the examining committee. On the average 7 months elapse in the GDR until the procedure is concluded.

The time lag between the conclusion of the dissertation (A doctorate) and admission as a college instructor (B doctorate) also continues to be very long; on the average it takes 8-10 years, in the medical faculty as many as 12-13 years.(12) The long wait at assistant level is demoralizing and often results in the departure of young scientists to industry or other sectors.

Frequent complaints have arisen with regard to the way supervisors look after postgraduate students, but so far no real improvement has occurred. Empirical investigations by the Central Institute for Higher Education have revealed that a considerable percentage of young scholars does not resolutely pursue advanced qualifications--despite state planning of university research: Among 500 persons graduated in 1981 and supposed to prepare for an academic career, the "overwhelming majority" had not even begun their doctoral work in 1984.(13) This example illustrates the fact that "cadre development planning" evidently proceeds entirely distinct from research planning in the departments at many GDR universities and colleges. Though the doctoral candidates are included in the research projects of the departments, their work there tends to have little direct relevance to the dissertation they are supposed to produce.

4. Research Finance

In 1985 it was decreed that research at GDR universities and colleges with respect to natural sciences and engineering should be largely financed by industry. The new research decree states that payment by combines will in future represent the main source of finance.(14) Exempted from this provision are sociological and liberal arts research. The state budget will continue to make money available for these purposes.

So-called cooperation contracts are the bases of financing by combines (long-range skeleton agreements), and so also are performance contracts concluded between colleges and combines. By this new regulation of research financing, the political leadership pursues the goal of even more closely linking the research potential of the university system to industry, have it work even more intensively toward the solution of economic-technical problems. The "economic efficacy" of college research is to be substantially raised thereby.

Doubtlessly the new finance regulations make university research even more dependent on the combines. Quite a few lines of research at the universities will probably have to be abandoned, because the requisite financial resources are no longer available. Above all the new regulation is bound to result in another decline of basic research in natural sciences and engineering. Studies by GDR scholars have made it abundantly clear that combines conclude performance contracts with universities and are ready to finance projects only "if the profit to be expected...is deemed satisfactory."⁽¹⁵⁾ Evidently such profits are more accurately predictable for concrete development projects or industry specific targets than is the case with respect to basic research projects without immediate relevance to production.

In addition to industry, the government is the outstanding financial provider for research at universities and colleges. In the 1981-1985 5-Year Plan period, the state budget made available more than M2.17 billion to natural science/engineering research at universities, colleges and technical schools. Another M500 million (estimated) are reported to have been allocated for sociological research, so that total government spending on university research may be assumed to have amounted to M2.7 billion in 1981-1985.

5. Standard of Research

Some successes cannot hide the fact that--by international standards--research at GDR universities is of no more than average quality. Addressing the assembled rectors of universities and colleges in 1983, for example, Minister for University and Technical School Affairs Boehme complained that most research targets "represent the reinvention of developments already available elsewhere."⁽¹⁶⁾ In 1985, Kurt Hager also noted with respect to information processing and equipment that "we must...realistically acknowledge that, despite outstanding individual achievements, the standard of GDR research on data processing and equipment generally lags behind advanced international standards. The research potentials in the university system are relatively fragmented; there is a shortage of efficient components, appliances and so on."⁽¹⁷⁾ We may generally assert that only a relatively small proportion of research at GDR universities is devoted to basically new solutions.

Party leaders have long called for the conduct of "world standard comparisons" before any research project is begun, in order to catch up with international developments. Nevertheless, when choosing their targets, researchers mostly manage to wangle their way around critical questions about world standards. Scientists as far as possible avoid risky research projects. Instead they prefer targets that promise success. An appraisal of tasking workbooks (on which research planning must be based), carried out by GDR scholars, fully confirms this attitude.⁽¹⁸⁾ According to this study, almost all the targets

shown in the tasking workbooks were actually achieved, and this tends to confirm that few risky projects were planned. The reasons for this defensive attitude are not only to be sought in the mentality of the scholar: Inadequate research equipment, the lack of materials, gaps in the information on the status of research, financial bottlenecks and the method of plan accounting--they all significantly affect the choice of projects.

In recent years, realization has dawned in the GDR that the personality of the researcher is of outstanding importance for advances in the sciences. It is therefore intended in future to provide generous assistance to top scientists of international reputation and also to promising up and coming scholars.(19) To be assisted also is the establishment of "schools of science."

"Technical Departments" have been established in recent years at various universities and colleges, usually with the help of industry. The authorities expect these to benefit the standard of research and help the faster transfer of new scientific-technical results to the production process. Industry makes available research equipment to the technical departments. It also sends researchers to these facilities, expecting them to be able to obtain information about new developments in their specialties and, together with the professors, work on projects for the combine. The Technical Department for Microelectronics at Karl-Marx-Stadt Technical University, for instance, makes 34 plan positions available for members of the university and 45 for researchers from industry.(20) The party leaders think that the technical departments are doing well. The Eleventh SED Party Congress decided to establish more such facilities and expand the existing institutions. At the present time 12 technical departments are operating at universities and colleges (excluding medical academies).

We may expect that the demands on universities and colleges in the next few years will have to be met by just about the same research capacities. "Some restructuring within the manpower plan in favor of natural science-engineering research and, possibly, even reductions with regard to certain research projects, will therefore be inevitable."(21) On the whole the importance of basic research at GDR universities is most likely in the near future to continue to take a back seat by comparison with applied and industry-relevant research.

FOOTNOTES

1. Following the merger of Dresden Engineering College with Dresden Technical University on 5 October 1986, the GDR now counts 53 universities and colleges. On the figures see Hans-Joachim Boehme, "Satisfactory Report by the Universities and Colleges for the 35th Anniversary of the GDR--Stable Basis for Continuing Rise in Performance," DAS HOCHSCHULWESEN No 9/1984, p 238; the same author, "The Tasks of Universities and Colleges in the 1976/1977 Academic Year In Accordance with the Precepts of the Ninth SED Party Congress," DAS HOCHSCHULWESEN No 9/1976, p 250; Karin Hildebrandt, "Women Involved in Scientific Work at Colleges," DAS HOCHSCHULWESEN No 4/1987, p 103.

2. Joachim Garscha, "The 1987 Economic and State Budget Plan--Ensuring Steady Improvements in the Performance of the University System by Qualitatively New Steps," DAS HOCHSCHULWESEN No 8/1986, p 193.
3. Hans-Joachim Boehme, "On the Development and Encouragement of Young Scientists," DAS HOCHSCHULWESEN No 5/1985, p 141.
4. Klaus Daeumichen, "Challenges to the Development and Management of Research from the Standpoint of University Teachers," DAS HOCHSCHULWESEN No 12/1984, pp 321ff.
5. Edwin Schwertner, "On Some Ideological Problems of Research in the University System," DAS HOCHSCHULWESEN No 4/1979, p 99.
6. Siegfried Schiller, "On Management and Motivation," EINHEIT No 9/1986, p 847.
7. Hans-Joachim Boehme, "The Contribution of the Universities and Colleges to Social Progress and to the Strengthening of Our Country's Efficiency in the 1980's," DAS HOCHSCHULWESEN No 12/1980, p 375.
8. Ibid.
9. Hans-Joachim Boehme, "The Scientific and Educational Tasks of Our Universities and Colleges in the 1983/1984 Academic Year," DAS HOCHSCHULWESEN No 9/1983, p 270.
10. Hans-Joachim Boehme as before (note 3), p 148.
11. Ibid.
12. Ibid.
13. Ibid.
14. GESETZBLATT DER DDR, Part I, No 2/1986, p 16.
15. Michael Goerig/Franz Hoche, "Our New Research Criteria for Research Cooperation--A Challenge to Universities and Colleges as Well as to Their Partner Combines," DAS HOCHSCHULWESEN No 12/1986, pp 311f.
16. Hans-Joachim Boehme, see note 9, p 271.
17. Kurt Hager, "The University System After the Tenth SED CC Plenum," DAS HOCHSCHULWESEN No 9/1985, p 247.
18. Karl-Heinz Goiczky/Klaus Daeumichen, "Commitment and Readiness to Take Risks in Scientific Work," DAS HOCHSCHULWESEN No 5/1986, p 108.

19. Karl-Heinz Zieris, "Education and Encouragement of Exceptional Scientists," DAS HOCHSCHULWESEN No 1/1985, pp 1ff; Clemens Burrichter (editor), "Spitzenleistungen in den Wissenschaften" [Top Performances in the Sciences], Erlangen 1985.
20. Kurt Hager, as before (note 17), p 249.
21. Joachim Garscha, as before (note 2), p 193.

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