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JPRS-EEI-84-102

10 September 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

CONTENTS

YUGOSLAV-SOVIET SCIENTIFIC-TECHNICAL COOPERATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 26 Jun 84 p 3

[Article: "Collaboration in New Types of Steel; Scientific-Technical Cooperation Between SFRY and USSR"]

[Text] Soviet Science and Technology Days in the SFRY, which were held in Belgrade, are a continuation of the successful cooperation between the two countries in these fields. The first government agreement on cooperation in science and technology was passed in 1955, and the current program (in effect for the period 1981-1985) is composed of over 100 subjects from 24 fields.

Most of the cooperative effort has developed in research projects which benefit production. Specifically, this is expected to mean the construction of about 40 new machines, parts, and equipment. Over 30 complete sets of technical documentation and about 20 new texts will be compiled.

Several hundred scientists and specialists are visiting in both countries while working on these projects. This number does not include those working on long-term projects (of which there are about 100) who are a part of interacademic and university cooperative efforts.

Cooperation in production, and conservation in energy and materials have become apparent in collaboration which has developed successfully between Rade Koncar and Electrosila-Leningrad (generators); Energoinvest and the Institute for Industrial Processes Management of the USSR Academy of Sciences, Moscow, have also done well in their cooperative efforts. The collaborative efforts in obtaining two new types of steel, one of which is already being produced in Yugoslavia and the other in the USSR, are also important. The use of clear pastes for covering floors, as well as the technology for modification of resins, and others, have also been developed.

Recently, Iskra of Ljubljana has been developing programmed operation systems for lathes and machines with an increasing number of Soviet work organizations. The Kikinda iron foundry and corresponding Soviet organizations are jointly producing high-speed grinding shafts on lathes. The positive results of direct long-term scientific-technical cooperation are also illustrated by the fact that 12 agreements have begun to be implemented which are based on this cooperation. These agreements concern cooperation and specialization in production of machine energy, tool manufacture, production of construction and highway machinery, wood processing industry, and others.

The Soviet Union is among the top three countries with which Yugoslavia is developing scientific-technical contacts. Cooperation in these areas has been going very well on the whole, and in addition, the economic results are considerable. It is also thought that the prospects for these cooperative efforts from here on out are favorable.

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CSO: 2800/395

SKOPLJE ENTERPRISE TRADE WITH BULGARIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Jun 84 p 2

[Article: "Together on Other Markets; Cooperation Between Yugoslav and Bulgarian Textile Workers"]

[Text] Interimpeks-Promet, Skoplje, acting as agent for the Vranje and Teteks cotton factories, recently carried out negotiations on long-term technical and production collaboration with representatives of Industrijalimport, the agent for Rila, the largest association of readymade clothing producers, in Sofia, People's Republic of Bulgaria.

It was agreed that the cooperation will encompass an exchange of fabrics for finished, readymade clothing products, raw materials, as well as joint disposal of goods on other markets. A complete line of products in the areas of sportswear, fabrics, and semifinished materials was agreed upon.

Specific commercial negotiations concerning business and technical collaboration and cooperation which also encompass exchange of technical and technologic achievements, creations, production of patterns, professional-personnel assistance and the like, will be carried out.

Cooperation with the Bulgarian textile workers is initially expected to last for a period of 2 years, that is, 1984-1986, and subsequently for a period of 5 years. The cooperative effort agreed upon is expected to begin during the third and fourth quarter of this year.

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CSO: 2800/395

MACEDONIAN TRADE WITH ALBANIA

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 27 Jun 84 p 2

[Article: "Significant Increase in Exchange of Goods; Commercial Cooperation With Albania"]

[Text] Representatives of Metalimport, Tirana, recently visited the Interimpeks-Promet Trade Organization in Skoplje, where in the metallurgy, construction materials, and equipment division they discussed the export of ferric alloys and steel sh-et metals with a value of $800,000 to this country. An agreement was also signed with their Albanian partners on the export of aluminum, copper, and steel products worth $1.2 million from Macedonian producers.

An agreement was concluded through Interimpeks-Promet's metallurgy, construction materials, and equipment division for the import of 40,000 tons of chromium ore from Albania for $3.12 million. Similarly, it was agreed upon at this time to deliver proposals for collaboration and the conclusion of new contracts by the end of September of this year.

The chief director of Interimpeks-Promet, Djordji Gosev, was invited to visit Tirana in October in order to solidify further collaboration between exporters in Tirana and Skoplje. For this year alone, the metallurgy division of Interimpeks-Promet has planned $4 million worth of exports to neighboring Albania.

Representatives of the import firm Albimpot, Tirana, also visited Interimpeks-Promet. An agreement was concluded with this firm on the export of products from Tekstiln, Medvod, from Alkaloid of Skoplje, Sileksa of Kratovo, and 11 Oktomvri of Prilep, with a total value of $600,000. Also agreed upon was the export of products from Zorka of Sabac, and OHIS of Skoplje with a value of $41,000. Bitolateks will export polyesters and wool with a value of $220,000. The export of other products from Yugoslavia, for which there is an interest in Albania, was also agreed upon.

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CSO: 2800/395

ACTIVITIES OF BULGARGEOMIN DESCRIBED

Sofia IKONOMICHESKI ZHIVOT in Bulgarian 1 Aug 84 p 8

[Article by Ivan Bogdanov: "Ever Greater International Recognition"]

[Text] Bulgargeomin State Economic Trust. I don't know what this name conveys to other Bulgarian citizens, but to me it is a remarkable fact of national significance--a striking example of the rapid and comprehensive economic rise of our socialist homeland!

We all know how in the first years after the Ninth of September victory Soviet geologists surveyed the natural resources of our country. Thus with their first-hand fraternal assistance the map of Bulgaria's physical resources took shape. Then what bourgeois Bulgaria had left undone for decades had to be made up for at a rapid pace.

And not only that. Under the new socialist conditions Bulgarian geologists matured, learning from the experience of their Soviet colleagues. They very rapidly acquired experience and skills and, lo and behold, in the middle of the 1960's the first geological expedition crossed the boundaries of the homeland; it set foot on Mongolian soil in search of mineral resources. Twenty years have passed since then. Our specialists have worked in many countries. They have accumulated abundant experience. And now the strongest confirmation of their prestige is no doubt the number of projects on which they have worked abroad.

The solid scientific and personnel potential that had been created, on the one hand, and the great opportunities that had emerged for foreign geologic surveying activity, on the other, necessitated the setting up of Bulgargeomin State Economic Trust in 1976.

Comprehensive Engineering Services

The enterprise specializes in comprehensive engineering services in geological explorations for mineral and nonmineral resources, for oil, natural gas and coal, geological-engineering and hydrogeological surveys, technical and economic appraisal and laboratory analyses, the design and construction of extractive and concentration enterprises, pipelines and storage facilities, pumping stations and bridges, tunnels and roads. To this truly wide repertory that Bulgargeomin has to offer, we must add the rendering of technical assistance and the instruction of national cadres.

Actually, the period of the trust's existence is short, but the scale of its activity, in a manner of speaking, exceeds its years. Bulgargeomin specialists are now employed on projects in 12 countries, with 18 countries they have entered into contracts, while in 28 they are carrying out the so-called stage of preliminary explorations. The emblem of the enterprise can be seen in the Near East and Africa, in different parts of Asia and Central America. It is impossible to tell everything, especially about the specific, sometimes extremely difficult natural conditions under which the Bulgarian specialists work. And yet we must rest our attention on a few of the projects and the successes that have been achieved.

For example, in Mozambique deposits of graphite and other valuable minerals have been discovered; in Tunisia, lead and zinc; in Angola, phosphates. Here Bulgargeomin will build enterprises to extract this valuable raw material, with some of it delivered to our country. Our geologists work very successfully also in Central America--in Cuba and in Nicaragua, where under difficult conditions they are restoring abandoned mines in Northern Zelaya. The trust's activity has been exceptionally fruitful in Libya. Suffice it to mention the more than 500 boreholes sunk for water, which already are yielding 5 million cubic meters of water annually. For us it is quite difficult to imagine the importance of this life-giving moisture for the agriculture of the dry Libyan soil.

Among the trust's contracts we must not overlook the one with Syria, which exceeds $180 million. According to the contract that has been entered into, Bulgargeomin has undertaken to explore and appraise the natural gas reserves at Djibissa (Syria) and to bring about conditions for their industrial utilization, with plans to be worked up and the necessary treatment plants built. Implementation of the plan is being carried out successfully.

We must observe at once that among its clients the trust is known as an organization which performs first-rate and on-time explorations, laboratory analyses and appraisals and promptly builds the necessary installations. Thus it already enjoys the well-merited recognition as a reliable partner, and the name Bulgargeomin is a certificate of work well done in accordance with world standards.

Naturally the economic results and the prospects for the enterprise's development are important for us. Let us venture to cite a few illustrative figures along these lines. During the Seventh Five-Year Plan the activity of the Bulgargeomin State Economic Trust more than doubled abroad. In the elapsed period of the Eighth Five-Year Plan (1981-1984) it has doubled again. The trust's capital assets are developing at a rapid rate, too: 2.8 times during the 1976-1980 period, 60 percent in 1980-1984. This year the enterprise's production capacity is being used with exceptional intensity, which is an excellent testimonial to the enterprise's capability and prestige.

Efficiency Growing

The efficiency of the work that is done is constantly growing, too. In this regard Engineer Petur Petrov, deputy general director of the trust, told me, "We have adopted and are carrying out a program of renovating and modernizing our equipment and machinery, which operate under exceptionally severe conditions. We are endeavoring to introduce the most modern, highly efficient technology, with which we are achieving better profitability and technical and economic results with a reduction in the amount of fixed production capital. Our efforts are to equal in this regard the indicators of the leading world firms."

An ever greater contribution along these lines is being made by the internal profit-and-loss accounting and the brigade organization of labor that have been introduced at the projects. In accordance with the requirements of the economic approach and its mechanism, the use of incentives and penalties for quality and even flow of the work is being expanded. The Bulgargeomin State Economic Trust's close contact with science is yielding rich fruit, too. The enterprise has productive and promising collaboration with the Bulgarian Academy of Sciences and the Higher Mining Geological Institute in the area of new technologies in geological survey work. For example, in Libya the extremely efficient Bulgarian method of foam drilling was employed. Useful for future VMGI [Higher Mining Geological Institute] specialists is the practical production experience which students gain at the trust's projects.

Decisive Importance

Of decisive importance, to be sure, for the results of the enterprise's operations are the people--those 3000 Bulgarian specialists, who far from the homeland, in scorching desert or tropical jungle, by their labor every day are building the prestige of Bulgargeomin. Therefore, ever greater attention is being paid to personnel selection. The management is at great pains to create ever better conditions of work, rest and recreation, of a richer social life for personnel. In addition to literature, newspapers and other materials, videotapes with sociopolitical, cultural and sports programs are being prepared and sent from the homeland. More and more amateur activities are being promoted among the personnel. Let us mention only the children's group in Libya that tours the boreholes with an interesting program.

In Angola, Tunisia, wherever they are working, Bulgarian specialists share their experience and instruct and aid local cadres. Good cooperation has grown into new forms--for example, last year a competition in production activity was organized between the Bulgarian and Tunisian crews. A friendly attitude towards the local population naturally engenders friendly feelings towards the envoys of socialist Bulgaria.

We have made an attempt to introduce the Bulgargeomin State Economic Trust to our readers. No doubt many more interesting things can be told about this modern enterprise of ours. We should like, however, in closing to emphasize once more its rapid rate of development, its growing production efficiency, and the ever greater recognition which it is earning by its work at world standards.

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CSO: 2200/174

STATE OF COAL RESERVES, EXPLOITATION EXAMINED

Sofia RUDNICHAR in Bulgarian 2 Aug 84 pp 1, 2

[Article by Prof Georgi Vulev: "Construction Over . . . Coal?"

> [Text] It is well known that our country has limited coal reserves. The brown coal in the Pernik and Pirin Basins is at the point of exhaustion. Under very difficult geological conditions high-calorie coal is being extracted from the "Balkanbas" [Balkan Basin] and "Antratsit" [Anthracite]--Svoge, where the seams are faulted and deformed. Even the Bobov Dol Basin, which was expected to replace the Pernik Basin, is being developed under difficult geological and mining-engineering conditions (great evolution of gas and a tendency of the coal towards spontaneous combustion). This impedes the use of modern high-efficiency mechanization --mainly for extractive systems. Our great hope now is the Dobrudzha Basin for black coal. Some of this is coking coal, in view of which we hope that we will therewith solve the question of coke that is so necessary for our ferrous metallurgy. Here too, however, we still face many unknowns, for the Dobrudzha Basin shows signs of being unique in the difficulties of bringing it into production.

At present the reserves of the lowest-calorie coal--lignite--are the greatest. They are over 80 percent and are concentrated mainly in the Eastern Maritsa, Sofia, Lom and Elkhovo Lignite Basins. According to forecasts that have been formulated, the country can have coal for 100-120 years. It is utterly clear that this is by no means a very long period.

Hence arise the duty and great responsibility of our generation for future generations of rationally using these low-rank coal reserves beset by difficult geological conditions. Today we are using them as energy fuel and to a very slight extent as raw materials for the chemical industry. Tomorrow, however, they may prove to be a basic raw material for chemicals.

Indeed, we face the great responsibility of rationally using these limited coal reserves. Raising and solving this problem is urgent, for postponing it increases the losses to the national economy every year. These losses are tolerated for several reasons. Here let us cite only one of them.

It is known that our above-mentioned lignite basins date from the Pliocene epoch and are situated in agrarian regions with not only intensive cultivation, but also intensively developing conurbations and associated communications. This is especially characteristic of the Sofia field where thick lignite seams occur. According to the preliminary geological surveys, three coal-bearing sectors were formed in the Sofia field. The largest is the Balsha sector. It is located west of Novi Iskur, beginning at the village of Aleksandur Boykov and ending west of Obedinenie and Kostinbrod. Its northern boundary is above Balsha and Kutina (and before Dragovishtitsa), while its southern boundary proceeds in an almost east-west direction (south of the village of Mramor). Within these boundaries its total area is around 157.5 sq km. A coal seam occurs here, the thickness of which is 50-60 m, and in one sector as much as 100 m. This also explains the considerable reserves of the Balsha sector, causing it to rank second after the Eastern Maritsa Basin. The depth of the bed is from 20-25 to 560-600 m.

The second important sector in the Sofia field is the Novi Khan sector. Here in an area of about 60 sq km occur six coal seams from 1.5 to 3-4 m in thickness.

The third--northern--sector is still smaller and takes in the territory of the villages east of the Iskur River: Gnilyane, Podgumer, Voynyagovtsi, Iokoreko and part of the village of Kremikovtsi. There is one more--the smallest--sector below the villages of Gorni and Dolni Borov, the reserves of which are small, however, and at present are of no industrial interest.

Situated on these coal-bearing sectors, however, are 23 conurbations, including the cities of Kostinbrod and Novi Khan. The location of these conurbations (in the territory of Sofia Okrug) predestines their intensive development. In less than 20 years their population has doubled, as well as their available housing. As early as 1975 they had about 15,000 inhabitants, whereas in 1965 there were about 10,000. What is disquieting, however, is that the two largest conurbations in the rayon (Kostinbrod and Novi Khan) according to the plans of the Sofia People's Council are supposed to develop into satellite cities, each with a population of 25,- to 30,000 inhabitants. Construction of them has even begun; in Kostinbrod 13 apartment complexes (from six to eight stories) have already been built and three are under construction. Their cost averages about 350,000 leva each.

The Sofia Lignite Basin, according to the forecast for bringing it on stream, is supposed to produce 1 million tons annually in 1995, and 12 million tons in 2025. The possibilities even alone of the Balsha sector, on the basis of its reserves, are far larger--as much even as a production of 15 million tons annually. And together with the Novi Khan sector, the basin can easily provide an annual production of 20-25 million tons with one surface and two underground mines (5 million tons each). The basin clearly, regardless of its proximity to the capital, promises to become the future successor of the Eastern Maritsa Basin and this is something we must reckon with. Its proximity to the capital makes it attractive to the work force. Fears that the natural environment of the Sofia field will be violated are groundless. The surface mine will gradually be filled by means of inside spoil heaps and after it closes down, there will be no trace of it.

Our attention is now concentrated on the problem of the injury that the national economy will suffer in bringing the Sofia Lignite Basin into production unless the construction of housing in these territories is halted. As said above, according to the forecast, exploitation of the coal is supposed to begin in 1995 while the probability of a postponement to a later time is high. So much the worse! Whereas in 1975 there were over 15,000 houses on the coal sectors, in 1995 there will be over 30,000, of which 20,000 will be under 30 years "of age." As is presumably known, even a rural frame house lasts over 60 years, but frame houses are no longer being built now; construction is monolithic, with reinforced concrete, and is rarely one-story.

It is not difficult to estimate what it will cost to raze alone this housing stock built over 30 years. Even without increasing the rate of construction (and it is about 5 percent), 15,000 dwellings will be erected in this period. Unless construction is halted in the conurbations situated in the coal-bearing sectors, over 200 million leva will have to be appropriated from the country's national income for the buildings constructed in this period alone (estimated at present prices). The same number of dwellings, built before 1975, will be razed, thus increasing the damages.

Some specialists are of a different opinion and this opinion was one of the alternatives in the "Comprehensive Long-Term Technical and Economic Survey," worked out by Minnoproekt [Mine Designing] in 1980. According to this viewpoint, shaft pillars of coal must be left above [sic--"nad"; under, "pod," seems intended] towns and villages, main communications (of international significance) and other important facilities. The considerable depth, the great thickness of the seam and the small angles of movement in caving predestine the large size of these pillars, however. And this means that up to 54 percent of the reserves will remain in shaft pillars. In the Balsha sector alone, half the reserves will not be recovered. Economically, this is not justifiable. Given the present production cost of extracted coal of this type, the losses will amount to more than 9 million leva. That is what a simple calculation shows.

The question arises: Do we have to build wherever we find a vacant plot and where somebody has already started to build since he did not know that millions of tons of coal lie underneath? This is unjustified now that we know about this coal regardless of the fact that it has not been confirmed as reserves by the State Reserves Commission of the Planning Committee. Nobody gives us the right to waste either our national income or our natural resources, especially if they are nonrecoverable.

But what will be the social effect of razing these 15,000 dwellings? New construction sites will have to be found for families; both construction materials and manpower will have to be provided. This will inevitably affect the morale of hundreds of families. The national economy will suffer additional losses.

The case of the Sofia Lignite Basin is not unique, however. A similar solution was likewise envisaged during the laying out of the Eastern Maritsa Basin--a layout which was revised at the suggestion of the originator and the seven mine fields were unified, whereby over 700 million tons of coal in such pillars (including the pillars between mines) were transferred from underground to surface mining. Thereby the national economy gained over 4 billion leva from the difference in production cost, and besides the loss of more than 200 million tons of coal was averted (in underground working of these 700 million tons composed of thick seams, losses are 40 percent at a minimum as against 5 percent in surface mining).

This problem exists in the Elkhovo Basin, too. According to the data of the geological surveys, there are 170 million tons of coal under the territory of the city. The city has 11,000 inhabitants and about 3000 dwellings. There is no need to calculate where the loss to the national economy is greater--from the coal or from the relocation of the city.

From the foregoing it is clear that the great problem of the future of the conurbations situated over thick coal seams must urgently be solved. To begin with, construction over coal reserves must immediately be prohibited. In the future, as soon as geological survys find reserves of mineral resources in a certain region, the construction of residential buildings and economic projects in its territory must not be permitted, and executives who authorize such construction must be called most strictly to account.

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CSO: 2200/174

ECONOMIST VIEWS INTENSIFICATION AS ONLY WAY AHEAD

Prague HOSPODARSKE NOVINY in Czech 29 Jun 84 p 8-9

[Article by Docent Eng Valtr Komarek, Doctor of Science: "Two Conceptions of Economic Development"]

[Text] The objective necessity of converting from an extensive to an intensive mode of production is determining the fundamental nature of the current stage of economic development of socialism in the CSSR. This is an inevitable trend in the evolution of real socialism at a certain stage of its economic or, more exactly, its overall socioeconomic maturity. In other words, intensification is an appropriate economic and political strategy for the period of construction of developed socialism. In keeping with these broader socioeconomic relationships, it is important to understand and explain the specific historical dialectic of the continuity and conflicts of the stages of extensive and intensive development of a socialist economy.

The stage of industrial development, its completion and the subsequent leap into qualitatively new trends of economic growth has general historical validity. All of the industrially advanced countries have followed this developmental trajectory, though each has followed its own path. All of them, at a certain stage in their development, have begun to break out of certain established trends and structures, to introduce changes in the role and importance of factors in growth, in the quality and the structure of their needs, in the ways that work is organized, in management and incentives. Theory and practice in both capitalist and socialist countries have gradually begun to react to these few general developmental characteristics and requirements.

Fantasy in Place of Scientific Analysis

In terms of the reaction of bourgeois economic theory, one notes a plethora of growth theories, all of which attempt a basic classification of growth stages and the gradual formulation of theories of a "final stage" in the form of a "postindustrial society," the "technotronic era" of David Bell, Zbigniew Brzezinski, Herman Kahn and others.

For instance, a leading theoretician of economic growth and advisor to U.S. presidents, Walter Rostow, in his monograph "Stages of Economic Growth" classifies recent stages of growth as follows:

--the traditional society stage (based on pre-Newtonian science and technology, with agriculture predominant, and with the conditions absent for increasing the level of per capita production);

--the transition to takeoff period (the foundations for changes appear, new types of entrepreneurs arise, banks are founded along with enterprises for existing processing industry;

--the takeoff period (with rapidly developing new industrial sectors, production-related investments of about 10 percent of national income, accompanied by the formation of a social structure adapted to the achievement of rapid development);

--the stage of maturity, characterized by a rapid growth of capital investment, which accounts for 15-20 percent of national income, the achievement of production increases which consistently outstrip population growth, the development of international specialization leading to the formation of a world economy, along with the creation of new production sectors;

--the stage of high, mass consumption, characterized by a shift to the production of consumer goods and services at a pace determined by population increases, and a shift in attention from problems of production to problems of consumption, overall life style and welfare.

The unscientific nature of this theory, which does not respect the existence and role of production relations, classes, the class struggle caused by extensive social and revolutionary conflicts, the existence of imperialism, the dialectical development of social requirements, etc, is obvious.

Influenced by actual developments of recent decades, bourgeois theory is producing various theoretical conceptions and ideological constructs (all of which, by the way, basically agree with Rostow's) that in one way or another accept and interpret the idea of the "unlimited adaptive and developmental capabilities of capitalist economics." They are all couched in terms of the various characteristics, classifications and analyses of the scientific and technical revolution. They include numerous theories and proposals related to long-term research and development, economic and social prognoses and, in their own way, most of the various futuristic theories and proposals which are being intensively developed and published in a number of developed capitalist states in connection with the application of important research and development discoveries and the process of the scientific and technical revolution.

This bourgeois futurology aspires to the prediction and projection of a so-called total future. The literature of the Western countries is richly supplied with numerous futuristic works and monographs--from scientifically informed works through essays to weird science fiction.

Nevertheless, many contemporary bourgeois futuristic studies contain serious attempts to formulate some kind of an appropriate methodological apparatus. They take the form of questions raised in various ways concerning the methodological conceptualization of trends, secular tendencies, issues of interaction, curves, extrapolations, oscillations, synoptic, operational and stimulative points, the application of additional cybernetic techniques, scenarios for the future, problems of saturation, points of absurdity, deduction and stimulation, a dystopia of critical junctions in the form of "barriers," red lights, "trap doors," interdisciplinary approaches, syntheses, etc. For the most part, however, this is all a matter of modern lexicon and an eclectic mixture of various auxiliary research techniques, cybernetics, neopositivism, etc.

In essence, this futurology is organically related to bourgeois political economy and sociology and as a rule possesses its own important ideological aspects. Even though it critically, exceptionally colorfully and suggestively shows real threats to future development and the possible destruction of civilization, it is not capable of scientifically recognizing and determining that it is a question of bourgois civilization. Rather, in its hypothetical proposals for the modeling of a future which makes it possible to overcome destructive conflicts of this bourgeois of civilization, it "offers" the possibility of its conflict-free historical adaptation and further developmental advancement. It is in essence, although this seems paradoxical, a unique type of defense. The scientific analysis of the means of production and the corresponding social order, originated by Karl Marx, replaces this fantasy that is given a scientific aura through the application of modern cybernetic methods and is invariably packaged in suggestive, even confident and literarily attractive forms.

The futurology forsakes a historical, solid, scientific basis for research on the developmental processes of society in favor of an interpretation of development as the action and transformation of some sort of independent energy possessing a field of tension comprised of innovation and invention which serve as the sources of the transforming energy of development, etc. It thereby falls into the clutches of idealistic conceptions far removed from real problems and connections between forces of production, classes, the economic basis of society, imperialism, the spread of socialism, etc, without which it is simply impossible to comprehend complex contemporary developments, conflicts and trends, as a future that is objectively moving to socialism and communism.

The overlooked conflicts of real capitalism have evolved to a point where they negate the above-mentioned conceptions of its more or less "enlightened" theoreticians. Even though these theoreticians, by the logic of their anti-communist, apologetic positions, concluded that some social reforms were in order, that there should be scientific management along with the development of enlightened central regulation, that there should be projections and a quasi-sort of planning, these concepts fell apart like a house of cards under the crisis-caused shocks of the 1970's.

Capitalism is scraping the bottom of its defense mechanisms, which are vitally linked to the haphazard functioning of the laws of value and of market relationships, is shaking off the progressive contribution of Keynesian-Rooseveltian regulation, and giving the green light to pragmatically-oriented theoreticians of unlimited free enterprise, such as the billionaire bank president Nelson [sic] Rockefeller and the professors of the Chicago School of anti-Keynesianism and monetarism, led by Milton Friedman.

The Reagan administration is basing its practical economic policy on this unique negation of a negation in conjunction with the extensive renovation of fixed capital through excessive armament and militarism, formulating along these paths a specific way out of the long series of critical shocks and stagflation of the U.S. economy.

A Complicated Socioeconomic Historical Process

The shift from extensive to intensive development and the intensive development itself must be considered in a broader context, i.e., not only in the sense of changes in the development of the forces of production, but also as a socioeconomic process reflecting the concurrent role of the forces of production and the production relationships of socialism. This must be understood as encompassing the modernization of the entire economic mechanism, the integration of economic and overall public devlopment, the unification of economics, politics, and ideology, of the inevitable changes in the production process, in consumption and in overall life style. It must be accompanied by the achievement of a relatively high level of labor productivity, the integration of changes in the structure, innovation and growth of production and consumption, macroeconomic relations, criteria and techniques of management, the motivation and activity of the labor force, economic thought and the social climate in the sense of strengthening public interests, moral incentives and demands on the quality and productivity of all work.

If, with this in mind, we survey the current extensive developments and their outcomes which, to a large extent, form the conditions for the current state of our economy, we cannot make any simple or unambiguous conclusions.

Generally, it would be possible to state that given the specific historical conditions of the first half or first two-thirds of this century, the extensive economic development of socialism was an inevitable phenomenon that reflected the process of forced socialist industrialization. It was necessary to mobilize and centralize all sources of accumulation, to plan their allocation to mobilize and centralize all sources of accumulation, to plan their allocation for the investment construction of new productive capital assets, to link these up with extensive pools of unutilized or underutilized labor, which in turn required a rapid increase in employment and qualification levels. The most important objective was rapid industrial development, especially in those sectors responsible for the delivery of the new capital facilities and the raw materials, energy and other inputs for them to function. It was a matter, in other words, of the development of Group A production. This entire development necessarily depended on a high degree of centralism in management and planning and placed emphasis on certain specific forms and techniques of planning, particularly material balances and the quantitative volume of output, investment projects, etc.

Growing employment and purchasing power, however, led to a rapid increase in the life style and cultural level of the population, a rapid increase in the importance of the working class (its qualifications, upbringing, concentration and discipline), its role in management, as well as the explosive formation, expansion and strengthening of the production relations of socialism. Understandably, throughout this developmental process economic incentives were being developed along with the criteria for them, and an appropriate economic mindset was being formulated. The latter was specifically reflected in art and saw its apothesis in huge projects and facilities for heavy industry, etc. This was a matter, in other words, of a very complex socio-economic historical process. But this does not mean that one can overlook the complex dialectical character of this process, its internal conflicts, which come and go.

As the history of real socialist construction and the pertinent documents of communist parties show, this process had general characteristics which were evident in all socialist states, as well as its own specifics that were related to the concrete developmental conditions of the world socialist system, the development and intensification of the general crisis of capitalism, as well as the conditions in the specific countries embarking on the path to socialism.

The Path of Accelerated Socialist Industrialization

The postwar Czechoslovak Republic, as a relatively industrialized country, possessed some specific characteristics in this regard. This did not mean, however, that the stage of socialist industrialization here was not necessary. For one thing, the process of industrialization was far from complete, with the country only having reached one of its phases, namely that of a large percentage of small-scale production operations and high agricultural employment, an underdeveloped heavy industry and domestic technical, engineering and research and development base. Second, there was the situation of Slovakia, an agrarian country with an insignificant industrial sector and therefore much in need of industrial development. Most important, however, was the fact that the new political conditions resulting from the victory of the USSR over German fascism and the liberation of Czechoslovakia, followed by the national democratic revolution and its metamorphosis into a socialist revolution, and the final victory of thie revolution required and made possible the resolution of our national economic and social problems by means of accelerated socialist industrialization.

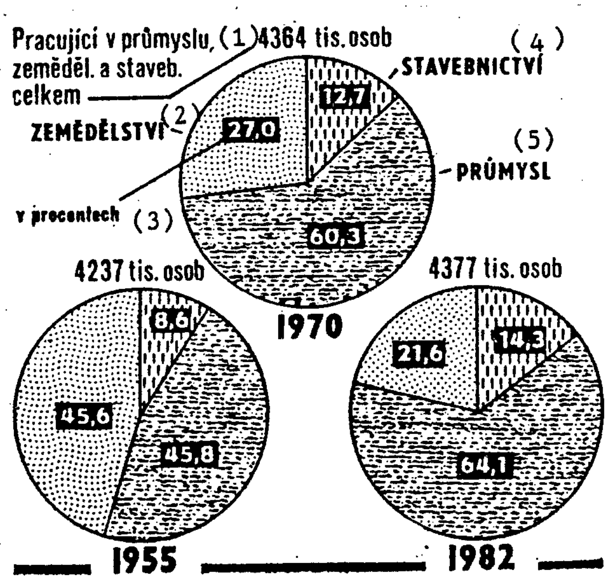
This stragegy, accompanied by the new domestic and foreign conditions of the postwar development of the country, resolved the deep, historically conditioned conflict within the Czechoslovak economy, which had been one of the main causes of the prolonged economic stagnation of the bourgeois republic. Basically, it was a matter of its territory inheriting some 80 percent of the processing industry of the previous monarchy. This was primarily light industry, the extensive production capacity of which came into conflict with the limited framework of the new state, with its 15 million inhabitants. The Czechoslovak bourgeoisie resolved this conflict, as we all know, by orienting production to exports while not substantially altering its structure, which at the time of the crisis-induced shocks to foreign markets, with the resultant protectionist measures against the importing of nonessential consumer goods, caused great problems for the Czechoslovak economy and resulted in its long-term paralysis.

A new orientation required a radical restructuring of Czechoslovak industrial production. This involved a grandly conceived, radical restructuring of production within a relatively short time frame, from its traditional consumer- and foodstuff-oriented character to a machine building- and metallurgy-based structure dominated by heavy engineering, with priority given to capital facilities. This was an exceptionally radical project even in international terms.

This strategy of structural change in Czechoslovak production was undertaken on a foundation of further rapid industrialization, making use of several specific elements of an extensive nature. The basic driving force of this development was the linking up of additional labor inputs with new production assets. The following facts serve to outline the basic trends involved:

--While in the 1948-1975 period (the main stage of accelerated industrialization occurred during the first, second and third 5-year plans, but the process continued beyond this, so I am citing data from the first five 5-year plans) the number of able-bodied individuals increased by about 1 million, employment increased by about 2 million individuals, above all due to the sharp rise in employment of women. One characteristic of this development was the sharp rise in industrial employment, which was the most dynamic sector of the national economy. Employment in industry and in construction for the above period increased from 1.893 million to 3.557 million people. An important supplementary source was the "flood" of employees from agriculture with the number of people employed in this sector over the period in question declining from 2.239 million to 1.033 million individuals (including forestry). This had a very positive effect on the overall development of labor productivity. The intensity of these changes was greatest in the first decade of socialist construction, but then weakened.

Figure 1. Employment in industry, agriculture and construction (total employment; shares expressed as percentages)

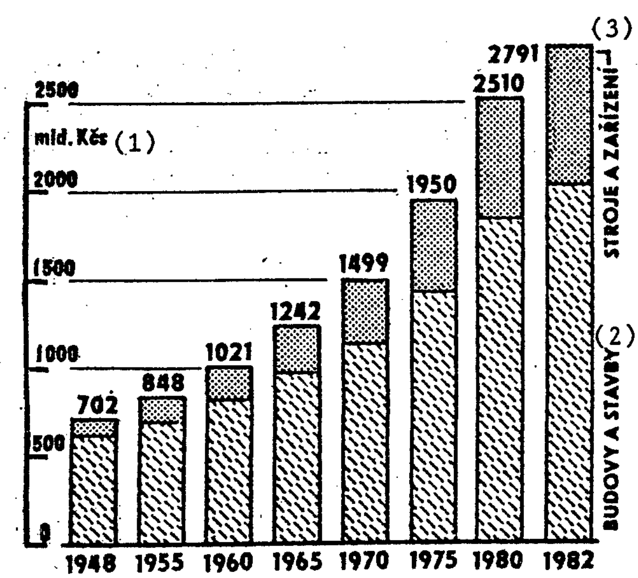


KEY:

1. Total employees in industry, agriculture and construction (in thousands)
2. Agriculture
3. Percent
4. Construction
5. Industry

--The rapid growth of production accumulation (which was especially noticeable in the first years of socialist construction), which was undoubtedly a huge factor in the development of our national economy. Investment in our country increased at an exceptionally rapid pace--almost 15 percent annually in the initial phases of development. The percentage of accumulation increased from 5.9 percent in 1948 to almost three times this figure in 1953 (16.7 percent). By the beginning of the 1960's this level had reached 20 percent. It was over 20 percent by the start of the 1970's and had reached 25 percent by 1975. It is of course true that several fluctuations can be noted in this development. Some of our economists have characterized this as a unique cycle, even though the long-term expansion of accumulation and an overall sharp growth in investment have been characteristic of our recent economic development. It has been precisely with the assistance of this investment expansion that the high rates of growth of production and of the entire economy have been achieved. The value of productive assets has increased from Kcs 334.6 billion in 1948 to Kcs 1.1 trillion in 1975.

Figure 2. Total capital stock (Data through 1975 are in 1967 prices and re reflect the old sectoral structure; data from 1976 are in constant prices and, as of 1 January 1977, reflect the new sectoral structure)



KEY:

1. Billions of korunas
2. Buildings and structures
3. Machinery and equipment

--The rapid growth of industrial production, running at 10-12 percent per year, along with a substantially more rapid, even twice as rapid, growth rate for general engineering production and the significantly slower development of the food and consumer goods industries. General engineering output as a percentage of total industrial production increased from 11 percent in 1937 to 12.5 percent in 1948 to 28.4 percent in 1970, and to almost 33 percent in 1975, while the share of the consumer and food sectors have declined from 60.1 percent in 1937 to 32.8 percent in 1970, and to about 31.5 percent in 1975.

The overall rapid growth of the Czecholsovak economy in the 1950's that culminated in a great increase in the standard of living has confirmed the overall correctness of the adopted structural and developmental concepts. In terms of net production the share of general engineering in 1975 was substantially greater, and that of the consumer and food sectors just the opposite. Gradually, however, hints began to emerge of an overestimation of its capabilities, certain failures to meet time schedules and implementational sophistication, a certain monotony, etc. The process of restructuring, by the sheer weight of its inertia, has extended through two additional decades and has come up against the qualitatively new requirements of the general trend of the transformations of science into a direct force of production, which began to move very fast at the end of the 1950s'.

In the course of this development an immense production potential has been constructed. Industrial development which took place in many of the most advanced capitalist countries over the course of 50 years or even a century was compressed into 20-25 years in the CSSR. To put it succinctly, it was not the usual type of industrialization but an "industrial explosion." It may be stated also that the transferral of this potential to the areas of high quality and high value added makes it possible successfully to assure the development of the economy and an increase in the standard of living for a few years more. There is continuity here, then, but a point of decision has also been reached. Put another way, there is an objective need for new and higher quality development. There can be no question of business as usual, on the grounds that the old structure can be refitted as a new one, that organizational and methodological changes will suffice to unleash innovational dynamism.

Need for Better Quality in Future Development

A condition for the highly effective use of the production potential that has been created has become the shift from extensive to intensive development, with the gradual development of a whole series of mutually interrelated preconditions related to macroeconomic relations, structure, scale and the pace of the production implementation of innovations, good management, incentives and the activity of the labor force, etc. It is also a complicated socioeconomic issue with a broad network of relations representing a unity of economic, political and ideological issues. A number of questions which it is essential to resolve are new, and have not yet been fully explored theoretically.

Above all, we are devoting attention to certain qualitative changes that are taking shape on the basis of intensive development and that are related to the pace of growth and the proportionality of the national economy. In short, it would be possible to say that the focus of activity has shifted from the growth rate to economic balance or, if one chooses to use the classical vocabulary of national economic planning, from pace to proportionality, or to the integrated and balanced nature of plans.

Under conditions of extensive development the growth rate was of paramount importance. The fundamental objective was to employ, as fast as possible, as many people as possible, they to create the most extensive possible capital stock and put into circulation the greatest possible volume of material inputs with the objective of securing the maximum possible production aimed at satisfying the needs of people, above all for food, clothing and shelter. This was really a matter, in other words, of the greatest possible increases in production, investments, employment and consumption.

Mainstream economic thought and the entirety of economic planning and management was oriented toward growth rates, indicators of physical output and the quantitative aspects of economic development. The conviction became deeply rooted that the greater the rate of increase of production and investment the stronger the economy, the higher the standard of living and defensive capability, and that the main criteria for plan quality and fulfillment should be derived from these. This mindset, which has been fostered by a onesided interpretation of the political economy of socialism along with practical concerns related to assuring major objectives, has led to an iron logic of planning methodologies, the weight of which has often trampled on the fragile soil for the cultivation of the qualitative aspects of economic development. At the same time, both the practical underestimation of these factors and the gradual accumulation of problems in the nonproduction sphere, the environment, life style, actual economic effectiveness, etc, as well as the growth itself in the economic maturity of the socialist economy have objectively forced qualitatiave issues to the forefront of the economic development strategy of socialism.

Factors such as the following have come to be of increasing importance: the increased availability of the basic requirements for life and the opening up of the fan of so-called secondary requirements; the increasing importance of free time and the related need to enliven the entire area of nonproduction services; the increased importance of the general area of personal consumption; requirements for environmental protection, for the improvement of basic living conditions and ways of life, the stimulation of the innovation process and new requirements for professional adaptability and the territorial mobility of the work force; the rapid increase in qualifications; a strengthening of the scientific basis of production, etc.

Moreover, the gradual exhaustion of the more easily accessible locations of raw materials along with an increase in extraction, transportation and processing costs and world prices, as well as the growing danger that certain natural resources will be exhausted and, finally, serious threats to the environment have all combined to put pressure on the strict conservation of all productive uses of raw materials and fuels. In the language of economics this was succinctly expressed by the movement of the world price of oil from 13 dollars per ton in 1971 to roughly 180 dollars per ton in 1980.

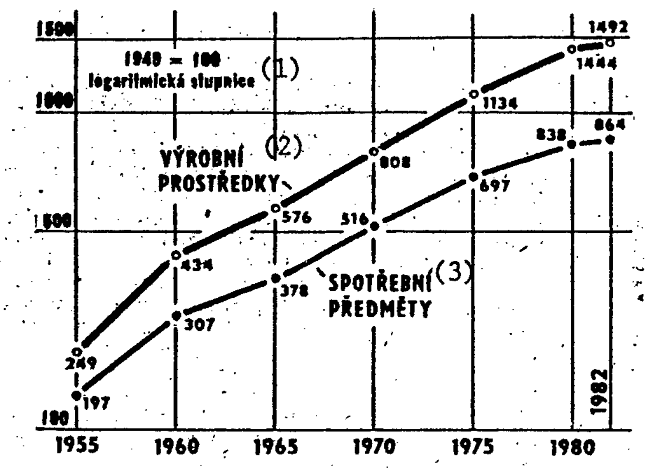
At the same time, for a socialist society just completing its industrialization path the real possibility has emerged of satisfying a further increase in personal requirements with a considerably lower rate of increase in production consumption and investment, therefore with a lower gross turnover and increase in social product. There are at least three relevant reasons for this:

--First of all, there are the very specifics of the new stage of development, when the process of forced industrialization is on the wane, with a departure from extensive development and the embarkation on a course of intensification. Socialist society has a strong industrial base already in place and therefore must necessarily make basic changes in the structure of the formation of the social product.

Before it was possible in the process of industrialization to increase the production of consumer items it was necessary to develop the preconditions in terms of raw materials, materials, energy, capital equipment and the construction of new production facilities. This meant that capital asset production dominated in the structure of social product formation, and that for a 1 percent increase in the final, nonproduction consumption of the population an increase of several percent was required in production consumption and investment.

This situation turns around when there is a shift to intensive production. An objective may be pursued by the "shortest path" and an increase in the personal and public consumption of the population no longer requires the same lead time for production consumption and investments. In terms of the excess capacity that has been accumulated during the process of extensive development, particularly in the area of capital asset production, i.e., production consumption and production investment, it will be possible now to proceed for some time in the opposite manner, namely with the production of consumption items increasing more rapidly than that of capital goods.

Figure 3. Industry: Production of capital goods and consumption items



KEY:

1. 1948 = 100, logarithmic graph
2. Capital Goods
3. Consumption Items

--The objective increase in innovational capabilities brought about by the greater maturity of socialist production and society and the use of the increasingly generalized process of the scientific and technical revolution is also exerting an influence. Stimulated by fundamental changes in the accessibility, cost and world prices for raw materials and energy, current innovational dynamism is more and more oriented precisely toward these areas and is opening up real possibilities for previously unreliazable conservation. For instance, if roughly 70 percent of all energy is consumed by electrical drives, then the introduction of electronics in this area will bring power generation savings on the order of 25-30 percent, while miniaturization based on the application of microelectronics will lead to extensive savings of ferrous metals, often stated in the phrase "electronics drive out steel," etc.

--These facts, which make it possible to moderate the previous high growth rates of the industrialization period, should be amended with another one of quite radical significance. This is the achievement of a relatively high level of economic well-being, with the attendant new qualitative elements in the development of personal consumption.

Increasing the Pace of Creative Activity for the Entire Society

If the socialist economy has achieved a relatively high level of national income formation, and if fundamental structural economic and technical changes have been implemented in the material-technical production base, then the developmental period has arrived when a policy of maximum accumulation can no longer be pursued to the exclusion of others. An optimal relationship between accumulation and consumption a permanent aspect of the effective growth of socialist production. A more rapid increase in consumption can make an important contribution to the general acceleration of economic growth. More consistent regard for improving the living and social conditions of the workers of a socialist society becomes a significant source of economic development. This also describes the changed role of consumption during the stage of intensive development of a socialist-type economy, when a priority objective is the achievement of an increased pace of creative activity for the entire society.

By emphasizing this new role of consumption in the intensive development of a socialist economy, we come closer to articulating the conceptual base for the proper management of the developmental process of a socialist economy at this stage of its development.

The intensive development of a socialist economy not only focuses attention on the effective utilization and general conservation of previous work, but also creates a situation where economic development depends more than in the past on the quality of the human factor, on the attitudes of the people engaging in economic activity. These links also imply the necessity for actively influencing the behavior and overall attitude of the workers, whose decisionmaking and behavior are vitally important for economic and political development.

It is impossible, therefore, to agree with the deeply rooted perception that in the distribution of the final product only that portion of the national income devoted to investment contributes to economic growth. Economic growth also comes from that part of the national income that is consumed both because it influences the qualifications and attitudes of the human factor in economic growth and because the structural changes in the area of consumption and the overall character of the demands of growing consumption stimulates the appropriate production sectors.

It is also true, however, that with the relatively high level of satisfaction of the basic needs for nutrition, clothing and housing, such issues come to the fore as free time and its utilization, the opening fan of "secondary needs" oriented toward recreation, housekeeping and everyday material comforts, health care, culture and education, sports, amusement, etc. Demand is naturally increasing for more varied assortments of goods, of higher sophistication and technical quality, more modern in design and execution, greater individuality, etc.

Many of these new directions and structural transformations in consumption at the same time are not so demanding on increased material production as during the preceding phase, when the growth of the living standard concerned the increased availability of basic needs. This development goes hand in hand with the increased sophistication of valuational processes. Emphasis on higher quality, more sophisticated and tasteful execution not infrequently, and justifiably, shifts such products to higher price categories, thus contributing to the satisfaction of more discriminating sector of demand without higher consumption of raw materials, materials and energy.

I do not want to create the impression, however, that further increases in the standard of living will be an easy matter. For instance, the necessary development of services may in many instances involve expensive investment projects, significantly increased energy consumption, etc. On the whole, however, a trend should take hold of an increase in the living standard with a gradual, relative decline in the "production cost" of its further increase.

Naturally, all of the circumstances mentioned in this article related to the new qualities of the standard of living during the shift to intensive development are currently focused on an objective increase in the importance of economic balance or on the magnitude of the above-mentioned shift from high growth to economic balance.

In all of thse regards, then, we are standing objectively beyond the threshold of a typical industrial stage of high growth rates with annual increases in production of 10 percent and more and increases in the national income of 6-8 percent annually, or something of this nature. Over the long term, however, it is likely to be a question of annual increases in national income of 3-5 percent, which should make possible relatively large increases in the standard of living and, especially, significant increases in its quality.

9276
CSO: 2400/398

INTRA-GERMAN TRADE CHARACTERIZED BY STAGNATION

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 16 Jul 84 p 15

[Text] Munich--Hopes for an expansion of trade between East and West Germany this year have been dampened for the moment, according to the Institute for Economic Research (Ifo). According to the institute's outlook for the future development of dealings with East Germany, a repeat of the sales level achieved in 1983 would itself be a good result for 1984. West German deliveries for the first 4 months were 22 percent below the corresponding level for the previous year, according to the report. Last year West Germany supplied goods worth DM 7.7 billion to East Germany. The volume of purchases amounted to DM 7.6 billion. Each figure was eight percent greater than for 1982.

According to the institute, however, a growth rate can be realized in the second half of the year even without a particularly strong rise, since a sharp decrease in the level of trade was registered in the second half of 1983. The prognoses for an at least moderate expansion of trade between East and West Germany in the further course of the year are basically good, according to the report. There are signs, the report said, that the exchange of goods between the two countries over the following months could be borne to a greater extent by sales by East Germany. East Germany is interested in a strengthened export trade, especially of textiles, clothing and higher-valued consumer goods, according to the report.

The less spectacular amount of orders placed by East Germany with West German firms extends predominantly to products in mechanical engineering and consumer goods, the report continued. On the other hand, the sales possibilities for the steel industry are modest. According to the institute, East German budget estimates for 1984 indicate that the country wants to curb the expansion of the foreign trade volume. Taken together, exports and imports are correspondingly to rise only by five percent, after two-digit growth rates had been planned as well as realized over the last 2 years.

Ifo judges the financing conditions for an expanding trade between East and West Germany as relatively favorable. East Germany has been able to achieve considerable success in consolidation, together with surpluses in 1982 and 1983 in trade with the West. The net hard currency debt has been reduced from $12 billion in 1981 to an estimated $9.3 billion in 1983, according to the report. Finally, the billion mark loan by West German banks in the summer of 1983 has improved the credit rating of East Germany, according to the institute.

Berlin--By its own account, East Germany has in the first half of the year successfully resumed its economic course, oriented towards the strengthening of industry. From the announcement by the State Central Administration for Statistics published in East German newspapers, it appears that the earnings of the corresponding period last year were matched or exceeded slightly.

The upswing was secured "especially by domestic sources" and achieved by rising work productivity and "a drop in specific production consumption," according to the announcement. The produced national income rose by 5.1 percent (first half of 1983: 4 percent). The production of industrial goods matched last year's growth of 3.8 percent. The efforts to rationalize are explained by the fact that production in industry, with its 132 centrally directed collective combines, rose by 8 percent, thus clearly more quickly than the production of industrial goods as a whole.

12271
CSO: 2300/593

ANALYSIS OF NEW PASSENGER TRANSPORTATION LAW

East Berlin DDR-VERKEHR in German Vol 17 No 7, Jul 84 (signed to press 4 Jun 84) pp 194-197

[Analysis by Rudolf Dietrich and Heinz Oschlies, GDR Ministry for Transportation: "The Reorganization of Socialist Passenger Transportation Law"]

[Text] 1. General Comments

The steadily developing socialist legal order in line with dynamically developing public demands is an important factor in shaping and perfecting the developed socialist society in the GDR. Basic party and government executive resolutions have reiterated the sociopolitical importance of that requirement, which is to be understood and implemented as an ongoing process.

An important step toward further developing traffic law was taken by the passenger transportation edict (PBO) of 22 April 1976.[1]

Its being issued was the necessary consequence of that the new GDR Civil Code contains no cohesive ruling for legal civil traffic relations--apart from the basic matters of fact for the liability of traffic enterprises--but refers to legal regulations existing for them. Yet it necessarily followed from that particular function that it had to regulate in particular the performance and shipping conditions for public passenger and luggage transportation and the rights and duties of those involved in it. Beyond that scope it was, apart from general approaches, not possible for the PBO to deal with the relations, resulting from the process of managing and organizing public passenger and luggage transportation (primarily in terms of the Constitution), between the transportation management organs, the central and local state organs, the combines, enterprises and other economic units, and the transportation enterprises and with the traffic policy objectives that are crucial for shaping these relations.

By going into effect on 1 June 1984 of the
--5 January 1984 ordinance on managing and conducting public passenger transportation--passenger transportation edict (PBVO),[2] the
--5 January 1984 order on public passenger and luggage transportation and express shipments by railroad--passenger transportation order railroad (PBOE),[3]
--and of the 5 January 1984 order on the public passenger and luggage transportation by motor vehicles, short-distance transportation and passenger navigation--passenger transportation order (PBO),[4]
after freigh transport had first been regulated accordingly, we now also have the first complex codification for socialist passenger transportation that fully meets the requirements of the developed socialist society. This article wants to improve the understanding of the new legal regulations.

2. Concerning the Passenger Transportation Edict (PBVO)

The PBVO deals uniformly with the traffic policy objectives as they evolve or exist in legal terms in the process of the management, organization and rational handling of public passenger and luggage transportation by all transportation carriers in the GDR's domestic traffic. It takes account of the tasks, rights and duties implied in it for the central and local state organs, the transportation carriers and their transportation enterprises, and the combines, enterprises and other economic units. Along with announcing the generally mandatory traffic policy principles, it also sets down the most important principles for the contractual arrangements in the legal relations between the transportation enterprises and the traffic customers, the main duties imposed on them, and the liability principles when duties are violated.

In particular it also sets down the requirements for ensuring order and safety in passenger transportation and at traffic installations and the legal consequences of irregularities.

Within the scope of this article it is not possible to comment comprehensively on all the rules. Our explanations confine themselves therefore to the substantive key points and the traffic policy principles, which have now first been made legally binding for passenger transportation.

The central statement lies in that effective passenger transportation, proper as to demands, is an important factor in elevating the material and cultural standard of living in the GDR (PBVO Article 3 Paragraph 1).

It is not only a matter of quantitatively covering the dynamically developing public transportation requirements. The traffic enterprises' public transportation services, especially in communting, have a direct impact on the working and living conditions of the citizens in our republic and significantly affect the degree to which they can make use of their leisure time for recreation, education, sports and other sensible activities.

The PBVO therefore calls the all-inclusive satisfaction of the public transportation requirement, especially in communting to and from work and in the commuting by pupils, at a high grade, with a minimum of economic outlays and with regard to a rational use of energy, a legally binding requirement for the state organs and traffic enterprises in charge of managing and conducting public passenger transportation (PBVO Article 3 Paragraph 2). Transportation schedules must conform to public transportation requirements. Transportation opportunities as such must be further developed on the basis of scientific-technical progress through an economically sensible and energy-conscious distribution of tasks among the railroad, motor vehicle transportation, municipal commuting, and passenger navigation, with the opportunities for combined means of transportation to be perfected in particular (PBVO Article 3 Paragraph 3). Commuting services must be organized in such a way that scheduled commuting to and from work and by pupils is ensured and the citizens are granted an optimum use of their leisure time for local recreational and leisure time activities. Through coordinating the transportation services of the traffic enterprises for short-distance traffic and their cooperation at transit points, effective short-distance transportation systems have to be set up according to demands (PBVO Article 3 Paragraph 4).

To solve these tasks successfully, others, especially local state organs, must also be involved in it. The PBVO therefore further develops the overall responsibility of the local people's representations and their bezirk, kreis, municipal and communal councils, as set down in the 12 July 1973 law on the local people's representations and their organs in the GDR,[5] toward fulfilling the traffic tasks in their territory, and renders them more concrete, in conformity with traffic policy orientations of principle, for public passenger transportation, which further strengthens their position (PBVO Article 5). Assuming their responsibility for enforcing socialist traffic policy in their territory, they must, particularly, ensure more intensive collaboration between centrally and locally managed traffic enterprises, among them and with the territorial enterprises, develop the locally managed traffic system, and organize and coordinate passenger transportation in the territory. Here they have to bring an influence to bear on a high-grade and efficient fulfilment of transportation tasks as well as its energy economy, enforce territorial rationalization in passenger transportation and, together with traffic enterprises and traffic customers, take measures that will further improve commuting, pupils' commuting and travel. In particular, transport commissions are to be drawn into solving these many tasks; they must deliberate on, and have their chairmen set down, all measures necessary for the complex implementation of the socialist traffic policy on passenger transportation in the territory. The working organs of the transport commissions for solving the tasks in commuting, pupils' commuting and travel are the commuting traffic activists whose tasks are for the first time being dealt with in a legal regulation for passenger transportation (PBVO Article 6).

In view of the direct influence exercised by high-grade and efficient public passenger transportation, proper as to demands, on the fulfilment of the main tasks in its unified economic and social policies, the PBVO, in defining the chief duties of the traffic enterprises (PBVO Article 7), does not confine itself to setting down the qualitative criteria for transportation services and concomitant subsidiary duties, but it furthermore commits the traffic enterprises, together with the local councils in the territorial enterprises, to facilitating and improving the opportunities for the citizens' resorting to public transportation by steadily further developing the check-out techniques (PBVO Article 7 Paragraph 4). For example, there is a reference made to commuting by means of an enterprise badge. With it, other measures are needed and have to be implemented vigorously, such as a reciprocal recognition among the combines and enterprises of transportation badges in short-distance public traffic, which can effectively satisfy to growing trend of resorting to individual means of transportation when combined with attractive short-distance traffic opportunities and further technical-organizational measures (e.g. the P+R system).

Not last, the traffic enterprises are duty bound to advise the citizens on all matters of passenger transportation, the services that come with it, and their conduct at traffic installations and means of conveyance and inform them on the legal regulations governing the timetables and the passenger transportation, the rates and other regulations and the rights and duties implied (PBVO Article 7 Paragraph 5). As a logical consequence, this implies the obligation the citizens have to inform themselves properly and in good time about the legal regulations on transportation, especially about their conduct at traffic installations and on conveyances and about the essential rate provisions (PBVO Article 9 Paragraph 2).

Organizing efficient public transportation, proper as to demands, with a maximum benefit for the traffic customers and for the socialist society, necessitates close and confident cooperation. That is the reason why the PBVO (in Article 8) also formulates the key points about socialist cooperation. The centerpiece is cooperative coordination for fulfilling tasks in concert, in which citizens and collectives are extensively involved. Along with concrete points made about the cooperation between traffic enterprises and local councils in organizing passenger transportation and creating prerequisites connected with it and other measures (e.g. in taking charge of traffic customers), the territorial enterprises are placed under the obligation to contribute, within the framework of their tasks, to a scheduled organization and rational implementation of efficient passenger transportation, proper as to demands, e.g. by staggered working hours to avoid peaks in the rush hour traffic, and to take part in taking care of the traffic customers. Of special significance, however, is the obligation of state organs and enterprises within the effective range of the contract law to conclude coordination or other economic contracts with the traffic enterprises to intensify their cooperation and the fulfilment of their common requirements, once permanent transportation relations exist between them (PBVO Article 8 Paragraph 1). This arrangement takes into account the positive experiences gained from the transport coordination contract for intensifying the cooperation of those who are involved in freight transport. They are now also being made applicable in passenger transportation and are offering an efficient judicial instrument to the partners in passenger transportation insofar as they are economic units in terms of Article 2 in the Contract Law, which ensures, through intensive cooperation, an optimum satisfaction of specific transportation requirements through transportation opportunities precisely in tune with them.

Efficient passenger transportation, proper as to demands, necessarily requires ensuring maximum safety and order. To make sure of that is not the task of the traffic enterprises alone. It also is the business, mainly so, of all who resort to these services or who, without being or wanting to be transportation customers, enter traffic installations or conveyances. The high place value that has to be granted to safety and order in passenger transportation is taken care of by the PBVO by setting down behavioral demands anyone resorting to traffic installations or conveyances or to performances by the traffic enterprises is categorically obligated to fulfil in the way he behaves (PBVO Article 13). The special importance of order and safety in passenger transportation is further underlined by that disciplinary fines are provided for infractions of these behavioral demands, which make a subtle educational influence possible. That importance is furthermore expressed by the fact that the activity of the associates and volunteer controllers the traffic enterprises employ to ensure order and safety is classified as acting on official mission (PBVO Article 13 Paragraph 2). That provides them with special juridical protection in the exercise of that activity. Among their authorizations, given in great detail, is in particular that they may ascertain the personal data of such persons by checking their identification cards or their place of work or training, once such persons have infringed the behavioral demands for ensuring order and safety or have no ticket or are not willing or in the position to buy a supplementary ticket or make payment in some other way. The personal identification card has to be handed to them for their inspection.

Included in the complex of measures to ensure order and safety also is counteracting by specific legal means any infringements of legal regulations for paying the fare more effectively than used to be the case. Because the socialist state makes possible, as a part of its all-inclusive social policy, minimal public fares through considerable state budget subsidies, that cannot cover the actual transportation costs, shirking the payment of such fares has to be rated as gross violations of socialist morality. The PBVO (Article 12 Paragraphs 2 and 3) now has a new regulation that doubles the price of supplementary tickets. These rules, on behalf of informing the traffic customers in every way, were also included in the two orders (PBOE and PBO) issued on the basis of the PBVO, which regulate the concrete transformation and performance terms of the traffic enterprises and the passenger transportation contract. There also certain exceptional arrangements for some discounting of supplementary dues ex post facto under specific conditions were provided for (PBOE and PBO Article 16 Paragraph 2).

In line with its specific function of regulating all questions in the management, organization and rational handling of the passenger transportation processes according to uniform principles for all traffic carriers, the PBVO, as to the handling of material liabilities for duty violations, confines itself to stating a few principles. They make the provision that the partners of a passenger and luggage transportation contract are liable in violating their duties in conformity with the provisions of the Civil Code and the Contract Law and bear the legal consequences of the duty violations (PBVO Article 15 Paragraph 1). Insofar as in the legal regulations on conducting passenger transportation or in contracts on that basis legal consequences are spelled out for duty violations, they are the ones that apply exclusively (PBVO Article 15 Paragraph 2). Such legal consequences are provided for in the two orders (PBOE and PBO) for typical duty violations in preparing and carrying out passenger and luggage transportation. The Civil Code regulations on health injuries incurred by a citizen during his passenger transportation or on indemnities for damage to objects a citizen had on his person or carried along fully apply (PBVO Article 15 Paragraph 3).

3. Concerning the Orders

As has already been stated, the special conditions for the transportation and other performances of the traffic enterprises for the various traffic carriers and the contracts signed on them in the two orders, the passenger transportation order railroad (PBOE) and the passenger transportation order (PBO), which are based on the PBVO, are regulated comprehensively and by uniform principles, yet with regard to technically or technologically conditioned differences as to the different traffic carriers or specific types of performances. They are also based on the principles of the Civil Code and of the Contract Law and conform with corresponding regulations in international transportation law and that of other socialist states. They are extending the positive experiences made with the 1976 passenger transportation edict and are generalizing them for all traffic carriers in domestic traffic.

The compilation of the specific transportation and performance terms in the two orders makes it possible for citizens resorting to the performances of the traffic enterprises to get out of one legal regulations all the information essential to them. The need to reduplicate comparable states of fact in both orders was deliberately subordinated to the goal of giving the citizen simple and comprehensive informational access, and was put up with.

4. Concerning the Passenger Transportation Order Railroad (PBOE)

The PBOE applies to the public railroad-passenger, luggage transportation and express shipments including the taking along of objects and animals between railroad stations in the GDR (PBOE Article 1 Paragraph 1). The 1938 railroad transportation edict thus is no longer applicable in domestic traffic. The PBOE regulates the essential legal principles for a transportation contract with the railroad and for contracts on other services it performs. These legal principles are supplemented by the likewise newly formulated "Rates for Railroad Passenger, Luggage and Express Transportation (TPE),"[6] which contains primarily pricing rules and implementing regulations for the PBOE and, according to PBVO Article 19 Paragraph 2, is a legally binding supplementary transportation condition. After an intelligible presentation of the duties of the railroad and of the traffic customers (PBOE Articles 3 and 4), for the first time Concrete qualitative criteria are set down the railroad has to meet in its transportation performances. It primarily is under the obligation to convey travelers safely and in accordence with published or agreed-on timetables in clean and, if need be, in lit and heated trains. It must at once publicize transportation irregularities as best it can, keep the effects of such irregularities at a minimum and use all opportunities it has to allow travelers to continue their travel. Along with clear rules on setting up timetables, their necessary content in being published, and the procedures for making changes, the obligation the railroad has to provide information on timetables and all legal provisions in effect for railroad transportation, including rates and other provisions, is here being regulated (PBOE Article 12). The significance of these regulations also is underscored by the fact that there are for the first time clear regulations here for railroad passenger transportation that hold the railroad liable for false information and for incorrect timetables as posted (PBOE Article 24 Paragraphs 7 and 8). The ticket regulations (PBOE Articles 13 and 14) intelligibly regulate the purchase, duration and expiration of tickets. The key point of the regulation is the principle that each traveler himself is responsible for paying the proper rate and having a valid ticket. When he does not have a valid ticket, he must pay supplementary dues at a newly established rate, which has already been pointed out. These PBVO regulations were repeated in the PBOE and rendered more specific (PBOE Article 16). Discounted supplementary dues are provided for in cases where transportation services were resorted to by means of a ticket which is as such valid but should not have been resorted to by means of that ticket without more pay (an extra charge) (PBOE Article 16 Paragraph 4). The regulation of PBOE Article 16 Paragraph 2 serves to avoid social hardship, which reduces the supplementary charge from M 20 to M 10, in case that a traveler who could not present a valid ticket, can show within a week after that observation that at the time of his transportation he did have a valid time card or the right to claim a discount and explicitly pointed that out at the time of observation (at the ticket check). This regulation makes possible more subtly dealing with travelers who evidently had a valid time card or a valid claim to discounted tickets but did not carry it with them and thus formally met the state of affairs of riding without a valid ticket. Extending this state of affairs to other duty violations or other types of tickets is neither anticipated nor justified. No supplementary dues are levied when a traveler for reasons for which the railroad is responsible, could not get a valid ticket or have it cancelled or when the fare the railroad charged was not as the prescribed rate (PBOE Article 16 Paragraph 7). In such cases, however, it must be expected of the traveler that he will at once and without being asked to do so tell the conductor or other railroad personnel that it was impossible for him to buy a ticket or have it cancelled, to the extent that it may be expected of him.

The railroad's material liability has been partly redefined. While it has to make up for damage caused by a premature departure of trains at a demonstrated scale (PBOE Article 24 Paragraph 1), a delayed departure or arrival, the cancellation or impeded continuation of a train, in conformity with international railroad transportation law (SMPS and CIV) and with the traffic law of other socialist states, justifies no claim to damage payments (PBOE Article 24 Paragraph 2). PBOE Article 24 Paragraphs 3 and 4 deal with other rights travelers have in such cases and the railroad obligations in response to them. When there is a complete or partial loss, damage or other value reduction of luggage and express baggage, the railroad is under the obligation to make good the proven direct damage (PBOE Article 45 Paragraphs 1 to 3), unless there were special circumstances precluding the railroad liability (PBOE Article 45 Paragraph 7). When the deadlines in delivery schedules were missed--this has for the first time been established concretely and in terms of distances for luggage and express shipments--the railroad is liable to make up for damage proven up to M 200 per piece (PBOE Article 45 Paragraph 4 together with Articles 32 Paragraph 2 and 41 Paragraph 2). That greatly improves the rules in effect thus far. Maximum damage payments are doubled when it can be proven that the damage was caused by gross negligence on the part of railroaders (PBOE Article 45 Paragraph 6). Damage claims, to be submitted in writing (PBOE Article 53 Paragraph 2), have to be processed by the railroad within definite time frames (PBOE Article 53 Paragraph 6); when the deadlines of such time frames are exceeded, the railroad, upon request, has to pay a 5-percent interest charge over and above the amounts claimed, starting with the day that the damage claim was submitted (PBOE Article 53 Paragraph 9).

Insofar as no special rules are made in the PBOE, the rates or according to the supplementary transportation terms of PBOE Article 19 Paragraph 2, the general legal provisions of civil and economic law apply to the legal relations between the traffic customers and the railroad (PBOE Article 56).

5. The Passenger Tranportation Order (PBO)

PBO relies on the 1976 edict, which has been found practicable and can easily be understood by the citizens. The subject matters it deals with has been broadened. It now also includes the transportation services of the pioneer trains and, for the sake of tightly combining legal regulations that belong together objectively, the previously independent regulations for contractual commuting and student bussing.[7]

Substantive alterations pertain to the rate of supplementary dues, which are in line with those in the PBOE. Here also is a chance for discounting such dues ex post facto, under the premises referred to (PBO Article 16). Other changes concern an increased liability by traffic enterprises failing to meet the deadlines for the delivery of luggage (PBO Article 27 Paragraph 3), fully in line with the railroad regulations.

Another new regulation relates to taxis. The traffic enterprise or the cab driver now are entitled to offer seats not needed to other passengers who travel in the same direction or to destinations near-by, unless genuine interests of the first passenger are encroached upon thereby (PBO Article 32 Paragraph 4). In such cases the cab driver is obligated to divide the fare proportionately among his passengers and, when receipts are requested, to include in them the data that explain the distribution of the fare (PBO Article 33 Paragraph 3). This arrangement is meant to help the vastly higher needs for cabs while protecting the citizens' interests as well as the need for an intensive use of the traffic enterprises' transportation capacity and for the requirements of a higher fuel economy.

6. Final Remarks

The new socialist passenger transportation law, as it goes into effect, places new and demanding tasks on all traffic enterprises, state organs and enterprises. It is not merely a matter of implementing new legal regulations. It rather is a matter of consistently and responsibly enforcing the sociopolitical and traffic policy concern vested in the new transportation law, of clearly improving the quality of public transportation, adapting it more to the public transportation requirements, and improving its efficiency.

The most important task the traffic enterprises have is thoroughly to familiarize all their employees with the new legal regulations, instruct them thoroughly, on the basis of up-dated service regulations, rates and suitable training materials, about their duties and rights in dealing with traffic customers, and thus to enable them fully to exercise their tasks in conducting high-grade, punctual and safe transportation, proper as to demands. It is up to the traffic enterprises constantly to check and analyse where there are inadequacies in transportation, where requirements are not met in proper quality and quantity, and also where capacities are not fully taken advantage of. The solution of these tasks calls for intensive, close and permanent working relations with the standing traffic commissions of the local people's representations, the technical traffic organs in the local councils, the commuting activists, the territorial enterprises and, not last, with the representatives of the working people's interests themselves. Essential impulses can also be gained from a businesslike analysis of petitions and suggestions from the citizens. The centerpiece of all efforts must be the thought that an efficient high-grade public transportation, proper as to demands, is no parochial concern of the traffic enterprises but is a complex sociopolitical mission for all who bear or share territorial responsibilities. For that reason more attention will have to be paid to still better coordinating the development of passenger transportation requirements with the public requirements and possibilities. We must make headway by selecting suitable sites for investments, measures in production organization, and an intensified cooperation among all, toward territorial rationalization and the minimizing of transportation requirements as of the public outlays for transportation. Through the coordination contract, the PBVO provides the needed judicial tool for shaping the relations implied in it all.

We must also give new though to how to cope with the legal obligation to make it easier for the citizens to take public transportation. That calls for still closer cooperation, focused on common goals, among the traffic enterprises (e.g. in developing a short-distance transportation system), the local state organs participating in it, as well as with the territorial enterprises, the active participation of which is imperative for further enforcing modern checking procedures (e.g. rides authorized by enterprise badges).

The traffic enterprises also have to undertake great efforts in informing their traffic customers as fully as possible about the new legal regulations. Necessary and suitable measures for that are placards at larger traffic junctures (while eliminating in good time obsolete placards and notices), excerpted listings of important provisions in timetables and fare schedules, and also the use of the press and other publications for publicity. Particular attention should also be given to persuasively explaining the newly instituted legal consequences for a defrauding of fares. The realization must be provided that fighting against free rides lies in the interest of all citizens who are properly living up to their duties.

The traffic enterprises, finally, also must make sure that the provisions on ensuring safety, order and discipline are consistently applied and enforced when the law takes effect. The working people put in charge of these tasks must be selected and purposely trained with an eye to the importance safety and order have for effective, smooth, and high-grade transportation. They must be able resolutely to oppose irregularities and other law violations, to react at once, correctly and with discernment, and make necessary decisions on their own.

FOOTNOTES

1. "Anordnung vom 18. Maerz 1976 ueber die Personenbefoerderung durch den Kraftverkehr, Nahverkehr und die Fahrgastschiffahrt--Personenbefoerderungsordnung (PBO)," GBL [legal gazette] Part I No 14 p 206, Ber.-No. 35, p 428.

2. "Verordnung vom 5. Januar 1984 ueber die Leistung und Durchfuehrung der oeffentlichen Personenbefoerderung--Personenbefoerderungsverordnung (PBVO)," GBL Part I No 4 p 25).

3. "Anordnung vom 5. Januar 1984 ueber die oeffentliche Personen-, Gepaeck- und Expressgutbefoerderung der Eisenbahn--Personenbefoerderungsanordnung Eisenbahn (PBOE)," GBL Part I No 3, p 29).

4. "Anordnung vom 5. Januar 1984 ueber die oeffentliche Personen- und Gepaeckbefoerderung des Kraftverkehrs, Nahverkehrs und der Fahrgastschiffahrt--Personenbefoerderungsanordnung (PBO)," GBL Part I No 4 p 44).

5. "Gesetz fom 12. Juli 1973 ueber die oertlichen Volksvertretungen und ihre Organe in der Deutschen Demokratischen Republik," GBL Part I No 32 p 313).

6. "Tarif fuer die Personen-, Gepaeck- und Expressgutbefoerderung der Eisenbahn (TPE)," going into effect as of 1 June 1984, through TVA 118/15/84, published under No 300 of the rate register.

7. "Anordnung vom 18. Maerz 1976 ueber den vertragsgebundenen Berufs- und Schuelerverkehr mit Kraftomnibussen--Vertragsverkehrsordnung Kraftomnibus (VVO-KOM)," Special GBL issue; Ber. GBL Part I 1976 No. 35 p 428.

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CSO: 2300/620

FLEXIBLE APPROACHES TO INDUSTRIAL STRUCTURE NEEDED

Budapest FIGYELO in Hungarian 12 Jul 84 p 3

[Article by Zoltan Roman, director of the Research Institute for Industrial Economics: "There Is No Ready Recipe for Industry's Organization"]

[Text] The reform of macroeconomic management and its further development have produced and will bring changes primarily in the management and operation of industry. Therefore the knowledge that industrial economics offers regarding industry's organization, and its relationship with macroeconomic management, deserves closer attention. (Incidentally, a main branch of industrial economics, one that is not sufficiently familiar in our country, is known in many capitalist countries as the theory of industrial organization.)

Besides the technological, macroeconomic and microeconomic laws, also personal and social relations, the visible and latent relations of power, influence the functioning and changes of industry's organization, and there are many ties linking it to the governmental and political mechanisms and systems of institutions as well. When forming industry's organization, none of these systems of relations may be neglected. Therefore we can attain a significant change or result only with a coordinated and farsighted series of measures, with mutually reconciled concepts of economic policy, macroeconomic management, and development. The standpoint that the MSZMP Central Committee adopted at its 17 April 1984 session outlines in this sense the principal directions of modifying industry's organization, as a part of the economic reform's continuation.

Corrective Measures

The 1968 economic reform and its continuation are seeking specific new methods and system of macroeconomic management, for which historical examples are not readily available. Aside from analyses of our situation and experience, there are only two sources from which we may draw in formulating the concept of our industry's organization. These are international experience and scientifically controlled experiments. We must rely on them to a much greater extent than up to now.

The most important international trends in shaping the organization of industry are as follows:

--Increased specialization, cooperation and (in some areas and within certain limits) concentration;

--The integration of research, production and marketing;

--Internationalization;

--Increasing state intervention (with fluctuations in the opposite direction and with exceptions);

--Broader industrial democracy, and the spreading of the various forms of worker participation in management;

--Efforts to tighten social control over the operations of large enterprises and the functioning of the public-administration organs;

--Consolidation of the roles of small and medium enterprises;

--At large enterprises, the separation of ownership and management, the establishment of internal profit and cost centers, the spreading divisional structure, and diversification; and

--Gains of the second economy.

We can recognize most of these trends also in the organization of Hungarian industry, together with the consequences of earlier policies and interventions that we now regard as unsound and rectifiable. In forming the organization of our industry, therefore, we must combine three efforts:

--To correct the unsound structures, relations and processes that have evolved or have been established earlier;

--To promote the assertion of the international trends that we, too, should follow; and

--To experimentally test and introduce new, original organizational solutions that suit our conditions.

Opposite Effect

I distinguish three groups of our corrective measures. In the first group I include corrections such as the following: restoration of the market-oriented linking of research, production and marketing; providing opportunities for the diversity of organizational forms and for more individual and private-sector initiative; and helping new producers to enter the market. Some progress in this area has already been made. The second group includes the separation of public-administration and management functions, the curtailment of direct state intervention, and the broadening of enterprise independence. All this now involves regulating anew the mutual relations of the owner's rights, administrative supervision, and management. We will discuss this later on. But I would like to call attention here to a more general problem that is not independent of the second group.

Since the reform's introduction, the regulation of economic activity and of administrative supervision has been more complete, legality has been enforced more strictly, and they both have assumed a qualitatively new role. But while statutory regulation has more or less kept pace with the requirements, actual regulation has worsened, especially since 1982. Unless we arrest this process and turn it around, in both the enterprise sphere and the sphere of supervision, the better organizational relations on paper will hardly produce any change in practice.

The third group of necessary corrections--curtailment of the excessive proportion of multiplant enterprises, and the founding of more small and medium enterprises--concerns the structure, number and size of the enterprises. This has been the subject of the most heated debates that often disregard scientific arguments and are fueled by political passions.

The most important (although not the sole) motive behind these corrections is to strengthen market competition, a prerequisite for which is that there be more producers in the marketplace. We are able to achieve this, i.e., to induce more independent enterprises to enter the marketplace. Without private artisans and the new forms of small business, there are at present about 24,000 plants that conduct industrial activity. Seven hundred state enterprises operate 5,000 plants; 700 industrial cooperatives run 4,000 plants; and 2,500 nonindustrial organizations (agricultural cooperatives, state farms, construction enterprises, etc.) operate the remaining 14,500 plants. Most industrial plants employ fewer than 300 workers. Thus they could be independent small or medium enterprises. But they do not want to be independent, preferring to remain sheltered under the protective umbrella of a large organization! It is not easy also for this reason to change the structure of enterprises. A separate program would be needed to strengthen the small and medium enterprises.

The industrial plants with a thousand or several thousand employees mostly are parts of the multiplant large enterprises. Here I would like to note that this type of enterprise can be found everywhere in modern industry and is very common.

The explanation that economists in the capitalist countries give for the widespread occurrence of enterprises of this type is that enterprises (hierarchies) and markets may be regarded as alternative management structures; in many instances the coordination of activities is more effective and more profitable within a large enterprise than through market forces. If we take this into consideration, it is perhaps understandable why the socialist countries have gone so far in the application of this organizational form, and why it must be reduced significantly if we wish to restore the market's active role. But how is this restructuring to be achieved?

In Same Direction

It would be best to leave the desirable--differentiated by industries, but still broad--decentralization of the circle of large enterprises solely to natural processes, to market forces and to performance-dependent growth or disintegration. But this would be too slow a way out of the present extreme situation. It will not be possible to avoid splitting up enterprises by central decisions, although its controlled process since 1980 has not produced much result. Organizational uncertainty can be an enormous driving force boosting performance when the conditions are clear under which the enterprises may survive and their managers may retain their jobs. Ignorance of these conditions triggers a wait-and-see concealment of reserves and maneuvering with performances, at the headquarters of the enterprise as well as at the factories or factory units expecting to become independent. (In addition, this ignorance also keeps the factory units from gaining more independence. Because the managements of the large enterprises, by making their factory units more independent, would be increasing the likelihood of a split-up.) The establishment of a sounder structure of enterprises requires the shortening of this process, i.e., a better and carefully considered program. It would be (and would have been) warranted to make use of also scientific research for this purpose.

The connection between market competition and the structure of enterprises is a good example to illustrate that we can alter industry's organization not only by changing the organizational framework, but also by amending the regulations governing the operation and mutual relations of enterprises. Indeed, industry's organization can be altered effectively only if the changing of the organizational framework and the amending of the regulations occur simultaneously. For economic analyses show that several producers, none of whom has a dominant share of the market, are a necessary but not a sufficient condition of market competition. The other principal conditions of competition are as follows:

--The enterprises must be independent and have a profit incentive;

--Prices must develop in accordance with market conditions, i.e., freely;

--The combined capacity of the existing and the potential producers in the market (taking also import into consideration) must exceed the demand;

--There must be no barriers to entering the market; and

--The rules of competition must be clear and applicable to everyone; and they must be enforced to ensure fair competition.

Since in most areas we are not satisfying these conditions by far, modification of the structure of enterprises alone is able to increase market competition only slightly at present, but in a large proportion of the sectors this too is a condition of competition.

Learning Process

Reverting to the international trends, numerous domestic industrial organizations encounter them in their developmental efforts: increased specialization; organized integration into the world economy; broader industrial democracy; increased social control over the operations of large enterprises and the functioning of public-administration organs; internal cost and profit centers within the enterprises; and occasionally diversification (strategic rather than forced) and the establishment of divisions. The enterprise business work partnerships may be regarded as a special Hungarian version or mixture of the nontaxpaying industrial second economy and of the intrapreneurial forms; fitting them into a soundly functioning structure of industry promises to be difficult.

Of course, we can transplant the international trends to the conditions in Hungary only after filtering and adapting them and, in some instances, substantially reshaping them. This applies particularly to the search for organizational solutions that affect the latest features of the economic reform's continuation: relations between state enterprises and public administration, collective management with worker participation, and the role of the social partners and special-interest organs. [Foreign] industrial organizations, however, can be edifying also in these respects. In the debate on exercising the owner's rights, this applies particularly to the characteristic trend of the modern capitalist economy that ownership by stockholders is becoming diluted while control by management is gaining. This has been confirmed by numerous empirical studies since Berle and Means published their work exactly 50 years ago.

The rights of a capitalist corporation's owner are essentially threefold: he can sell the corporation; he can "use" or operate it; and he can appropriate the profit after taxes and reinvestment. Naturally, the owner retains the first and the third right. In the case of large corporations, however, the owner practically always entrusts operation to professional managers.

So long as the corporation is profitable and the stock market assigns a high value to the corporation's shares, the management has practically unlimited freedom, even to adopt strategic decisions affecting business policy! This is necessarily so because know-how, experience and the network of contacts are concentrated in the hands of the management; and if the management were not free to adopt the most important decisions, it could not be held accountable for them. But otherwise the representation, embodiment and assertion of the owner's rights are fairly cumbersome in the case of nonfamily-owned corporations with widely diversified stockholding. The great power of managers is mostly causing concern, and ways are being sought to oversee and limit their power. Among other things, the various types of executive committees and boards of directors (and in some countries, special state offices) serve this purpose. There are many empirical studies analyzing their operation as well. It is worth noting that here again most of the surveys reported a very strong influence of the chairman and chief executive, ranging from the nomination of the members of these organs (which then elect the chairman and chief executive), through the presentation of alternatives for decision, to formulating the final standpoints.

There have been many proposals in Hungary in recent years for a better solution of exercising the owner's rights, in fact primarily of the enterprises' control and supervision. Although the elaboration of the details, and systematic comparison with the mentioned and other foreign experiences have been delayed, and controlled experiments have not been conducted, a consensus has nonetheless been reached regarding the expedient directions of the changes. Accordingly, the latest resolution of the MSZMP Central Committee specifies the main characteristics of the new types of enterprises. Fitting into the mainstream of the reform process, these characteristics provide a new framework, better than the previous one, for the more efficient operation of industry's organization. They assume, of course, that progress in developing the reform's other components and the social environment will proceed as programmed.

We can arrive at mature solutions only through long years of work, through tests and experiments, not only and not primarily because of the organizational resistance. Just remember how many combinations of wage-regulation solutions we have been experimenting with, and how many producer price systems and mechanisms we have introduced. Unless these two basic problems are solved, no meaningful result can be expected even of the best organization, and it is not organizational resistance that is holding up progress in the case of these two basic elements of the reform process. However, I regard as important also the role of this resistance, because every significant organizational change produces both winners and losers (at least short term). The science and art of politics--and here we need both--must always take this into consideration.

On the basis of our 16 years of experience, we can expect a prolonged learning period. This learning period can be enhanced if, in developing industry's organizaton, we assign a greater role to scientifically controlled experiments and ensure continuous and objective scientific observations of this organization's operation, of the changes in this organization, and of the effects of these changes.

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CSO: 2500/512

CONDITIONS FOR ECONOMIC EVOLUTION OUTLINED AT PECS

Budapest FIGYELO in Hungarian 12 Jul 84 pp 5-6

[Press report on the 23d Congress of Economists, held in Pecs the week of 2 Jul 84]

[Text] The 23d Congress of Economists took place last week in Pecs. Its opening plenary session heard lectures by the following: Lajos Faluvegi, deputy premier; Jeno Vancsa, minister of agriculture and food; and Laszlo Kapolyi, minister of industry.

Deputy Premier Lajos Faluvegi began his lecture by saying that expectations of economic recovery were becoming ever stronger, and therefore the main question confronting more and more governments was how the conditions for faster economic growth could be ensured. In attempting to answer this question, as one of our starting points there was the bitter experience we had gained in adjusting to the changes in the world economy. During the past two years, within the framework of our long-range planning, we have had also the fortitude to think through our social and economic objectives of a structural nature, their conditions, and the principal directions and alternatives of our path of development. According to our present knowledge, the chances were that the external economic conditions would not worsen further or only at a slower rate than up to now. In which case our scope of action would unambiguously rise or fall on changing and accelerating the domestic factors that were under our control. Economic growth was able to unfold only when, and in the direction in which, we were able to ensure its conditions in domestic economic work. On this depended also the extent to which we were able to utilize the available opportunities for economic growth.

Enhanced Role of Macroeconomic Management

Since the development of the domestic conditions and the effectiveness of our own work determined to a large extent the economy's growth, the role of macroeconomic management had increased, and thereby also the responsibility of those in top economic posts, for an improvement in the economy's performance.

Further development of macroeconomic management was a multistage process that lent itself readily to scheduling. The main reason for gradualism was that the economic situation at present was far more difficult than in the late 1960's. Therefore every essential change was accompanied by a realignment of assets, incomes and positions.

If we were to implement these changes in a single step, it was to be feared that there would arise also conflicts that might be difficult to control. This is why we had to allow time for adjustment to the major consequences. Which of course could not undermine strictly consistent implementation, and in this respect we had to act differently than in the past! With all this our objective was to achieve that our perfected system of macroeconomic management would be fully operational by the second half of the 7th Five-Year Plan.

From the viewpoint of perfecting the system of macroeconomic management, 1985 would be the first and most important junction. Since next year's changes were still in the stage of preparation, the deputy premier spoke only of the objectives, desired effects, problems, and possible modes of introducing the changes.

The most important question in modernizing the system of regulating enterprise incomes was how to achieve that it would better enhance and strengthen efficiency, structural change and entrepreneurial behavior.

Fulfillment of this intention was not a simple task. For the new regulation of enterprise incomes had to be implemented so that meanwhile the proportion of centralized income would not decline, primarily for reasons of external economic equilibrium and not for budgetary considerations. The various temporary measures that had been introduced in recent years to centralize income from the development fund should be rescinded as soon as possible. Macroeconomic management could not plan to regularly centralize a proportion of the development fund each year, and perhaps during the year, because this would cause much confusion.

The State Planning Commission had adopted in advance the following standpoint to ensure uniform treatment of the theoretical requirements and this practical dilemma:

--The enterprises' costs of using live labor would be increased by raising the wage-commensurate charges or salary tax, and by restructuring the system of contributions to the municipal or village development fund. This contribution, profit-commensurate up to now, would be changed to wage-commensurate. The enterprises' higher costs of using live labor reflected the recent rise in society's costs of reproducing manpower, and it had to find expression in manpower management and in the choice of technologies and product structures. There was no decision as yet on when the changes would become effective.

--The centralization of depreciation would be phased out gradually. There was still debate on the rate at which this was to be achieved. In this way we could take a giant step toward improving the management of assets in harmony with the conditions of entrepreneurship, and letting depreciation function as an institution that stimulated technological progress. This change would be an important element of enterprise investment policy that gave preference to modernization. Our intention was to let also bank credit aid primarily more modern investments of this type.

Our intentions included also the dismantling of the complicated multichannel system of taxing purchasing power in the investment market. As the net result of the changes outlined so far, however, there would be a substantial rise of purchasing power in the investment market, which was not permissible for equilibrium considerations. To regulate purchasing power in the investment market, therefore, we were planning a small, approximately 2-percent tax on the enterprises' own assets, payable from profit. As one of the requirements for a return on assets, this tax would remain a permanent element of the system of income regulation. Simultaneously this property tax would be the source of financing the centrally directed structural changes and would stimulate the flow of capital between enterprises.

Accordingly, there would be no realignment of incomes among the principal income recipients: the state budget, the enterprise, and the population, and only a minor realignment among the branches of the national economy.

As a result of the changes, however, there would not be an adequate realignment of incomes among the sectors within the branches, and this was increasingly true of income realignment among the economic units. The final decision would be made on the basis of analyzing the foreseeable effects, when we would be considering not only one-time realignment but also the effects upon continuous transformation. The government's intention was to improve the situation of the economic organizations that would be functioning more efficiently as a result of these measures, and to promote more efficient management of productive factors.

Wider Sphere of Action, Stronger Incentive

The purpose of comprehensively modernizing the system of macroeconomic management was to mobilize society's creative energies, broaden the economic units' sphere of action, and give them stronger incentives to expand production, to pursue research and development, to uncover new markets, and to increase enterprise assets.

Jeno Vancsa, minister of agriculture and food, spoke about those characteristics of the branch and of agricultural policy that would have to be taken into consideration in elaborating the specific measures for perfecting the system of macroeconomic management.

Due to the characteristics of the branch, the system of official prices would be retained permanently in agriculture and the food industry. In the case of the producer prices based on domestic costs, however, the value judgment of our export markets would have to be assigned a more significant role in forming the price ratios.

Regulation of the centrally determined wage level, he believed, should be abolished already as of the beginning of next year, because it was perpetuating the earlier methods and solutions of economic activity.

For general introduction he recommended the experimentally proven forms that the economic units would be able to choose for a period of several years: wage fund regulation in combination with an indicator of efficiency, or wage level regulation based on the gross income per worker.

Dr Laszlo Kapolyi, minister of industry, emphasized in his lecture that industry's performance had improved in recent years, despite the difficult economic conditions.

At the same time, technological progress and the changes in the production structure were not fast enough and did not enable us to replace with products of a high technological level our traditional products devalued in the world market. Likewise a problem was that the modernization of production, where it had actually occurred, was accompanied by a rise of our capitalist import such that our export was unable to keep pace with it.

Despite the paucity of investment resources, it was essential to ensure that the activities capable of efficient development were given opportunity to develop at rates faster than the average. At the same time it was desirable to cut back the uneconomical and unpromising activities. This was a prerequisite for ensuring the resources necessary for the development of the promising areas.

Not at the Expense of Efficiency

In the first section, on the basis of an introductory report and contributing reports, the conferees debated the topic "Planning, Regulation, and Prices." Although the basic functions of planning will not change, in the future it will be necessary to make a distinction between the plan and planning. The plan contains objectives that will change--and will have to be modified--in accordance with the changing conditions. Planning, on the other hand, is one of the processes in shaping economic policy. The contributors to the debate emphasized the importance of the plan's internal consistency, and of harmony between the plan's objectives and the regulators. Others pointed out that although the democracy of planning--i.e., a say in preparing the plan--had improved in comparison with the past, often these documents were late in arriving at the organs conducting the debate, and not always the most important documents were the ones received by these organs.

The reports and the contributions to the debate approached from many different viewpoints the regulator changes in conjunction with perfecting the system of macroeconomic management. One speaker warned against the mistakes frequently encountered in the past: measures that failed to anticipate the interactions of the regulators. Due to the nature of the economic processes, the effects are late in making themselves felt, usually with a delay of a year or two. A drop in real wages, for example, affects consumption, the propensity to save, etc. the following year.

In conjunction with the regulators' modification, the changes in economic policy's priorities were discussed. Growth was the main objective in the 1970's, while today we are giving top priority to equilibrium. This undeniably is warranted, but the question arises as to whether we are making too many concessions at the expense of the third objective--efficiency. Export was cited as an example: we are stimulating export through exchange-rate policy, but at the price of lower macroeconomic efficiency. In this context, several speakers called attention to the relationship between competitiveness and the modification of some of the regulators. One unfavorable consequence of an exchange-rate policy that devalues the currency is higher input costs expressed in forints--as a result of a rise in import prices, for example--and thereby a decline of competitiveness. Some of the speakers attributed a similar effect to the proposed raising of the wage-commensurate charges that might weaken the occasional comparative advantage of lower wage costs.

Views were exchanged within this section also on the third element of macroeconomic management--the organizational system. One of the contributors to the debate said that we knew more or less what to do to step up competition where the competitive sphere had already evolved, but how were we to expand the competitive sphere? In his opinion, the organizational measures were inadequate. Export too could stimulate competition, but only when there were strict requirements regarding economic efficiency. Without disputing the preceding, others pointed out that developing markets was a long-term task, and today we were better able to formulate what had to be done in this respect (in the interest of correct competitive conditions, for example, producers should not be supported through prices).

As noted also in the summation of the proceedings in this section, it is regrettable that experts from the enterprises barely took part in the debate on questions related to perfecting macroeconomic management, even though these questions affect them the most directly. Actually we cannot even talk of a debate, rather of lining up different viewpoints side by side, without the possible confrontations among them. As one of the contributors to the debate aptly said, the chair compelled its occupant to speak.

A Buyer's Market in Bonds

The introductory report and discussion in the second section of the congress concentrated on two topics: the banking system's modernization, and bonds as a new form of the flow of capital.

The debates on the banking system's modernization cannot be regarded as closed. There are views to the effect that the banking system too must follow the decentralization that can be observed in the sphere of economic activity. From decentralization others conclude that financial control under these conditions requires a centralized banking system. In deciding the question of how to proceed further, we must start out from the existing realities. The Hungarian system of macroeconomic management is unique even by international comparisons, and in the course of its perfection not even a consistent banking system can be developed by simply adapting foreign examples and experience.

Although the concept of the banking system's modernization is not yet clear, some changes have already begun. Last year, for example, investment credits provided by the Hungarian National Bank showed a zero net balance, and the increase in credits for development was provided by the small banks and financial institutions. In the debate on whether one bank or several banks, there seems to be a consensus on many questions of principle. For example, on the need to strengthen the Hungarian National Bank's role as the central bank, or to provide credits on the basis of business considerations. In conjunction with the free choice of banks, attention was called to the fact that in Hungary banks were not regarded as units of business administration, and it was assumed that the banks knew everything, whereas they usually were specialized, in terms of their knowledge, training and experience. If the concept of the banking system's modernization decides in favor of several banks, it will not be possible to separate the acceptance of deposits from lending, because banks can be expected and compelled to function efficiently and with responsibility only if they are allowed to hold deposits.

The section--primarily on the basis of the contributions to the debate by the heads of the AFB [State Development Bank], Hungarian National Bank, Hungarian Foreign Trade Bank and OTP [National Savings Bank]--summarized the experience to date with the issuance of bonds. The bond market today is still characterized by supply exceeding demand. In spite of forceful soliciting activity by the underwriting financial institutions, the demand is weak for the bonds that the economic organizations may buy, solely from their development fund. Bilateral incentives are necessary for strong trading in bonds to evolve. The issuing enterprises have an incentive because the average interest rate on bonds is 11 percent, lower than the interest rate on bank credit, and thus they are able to obtain money at lower cost. It was found that not even the higher interest rates--14 percent on bonds redeemable in 5 years, 15 percent on 10-year bonds, and 16 percent on 15-year bonds--increased the economic organizations' propensity to invest in bonds. In conjunction with the high interest rates, it was noted that it was not advisable to offer fixed interest rates on long-term bonds, because the present high interest rates would not be with us forever. In the opinion of the underwriting banks, bonds that the economic organizations may issue were still in a period of experimentation, and more time was needed for them to evolve into a viable form of capital transfer. Attention was called to the fact that in countries with developed capital markets the total bond issue was 3 to 5 percent of total annual investment.

The reception and purchasing of bonds by private individuals were substantially more favorable. Interest rates about 2 percentage points higher than what the National Savings Bank pays on deposits, annual interest payments, and state guarantee of the bonds offer a more favorable alternative for personal savings. Incidentally, private individuals are demanding conditions the same in every respect as what the National Savings Bank is offering: secrecy, bearer bonds, and negotiable bonds, for example. This is evident, among other things, from the fact that sales of bonds offering interest plus some service at a specified location--for example, the installation of a telephone--have fallen short of expectations. Private individuals' share of all the bonds sold or subscribed to date has been about one-third. Responding to a speaker who urged the establishment of an organized bond market, the representative of the State Development Bank noted that resale of the bonds sold to date was minimal, the total of all bonds bought or subscribed (by enterprises and private individuals jointly) did not amount to even 1.5 billion forints, and trading in bonds concentrated basically on subscriptions and soliciting.

In the proceedings within this section, only one of the speakers dwelt on the broader interrelations of the flow of capital. Suitable capital formation and an improvement of the enterprises' situation regarding resources for development were a prerequisite for the intensive horizontal flow and transfer of capital. Capital that was surplus in a relative sense could flow only when the existence of uncommited capital was a common phenomenon. The flow and transfer of capital must not be limited to incremental capital but should include the entire profit, depreciation, and the physical stock of capital. The instruments for the transfer of capital were broadened recently, but total horizontal transfers of capital for the purpose of saving amount to only a few percent of the annual expenditure on investments.

Is Labor Cheap?

The third section discussed questions of manpower management and the wage system. It was reasonable to assume, therefore, that the specialists from the enterprises would present their views, or at least would inundate with questions the state secretary and staff members of the State Office of Wages and Labor Affairs who were present. This is not what happened. Surprisingly, none of the representatives of industrial enterprises requested the floor in the debate.

The basic question also in this section was efficiency and the optimal combination of productive factors. And within it: the valuation of the human factor or live labor; full and efficient employment, with appropriate shifting of personnel for this purpose; and emphasis on the incentive role of the regulation of earnings.

Experts generally accept the argument that live labor in Hungary is undervalued and therefore its cost must be raised. But comprehensive analyses show, on the one hand, that live labor is cheap only for the enterprise, because the wage-commensurate charges that the enterprise accounts as costs are lower than the economy's actual costs (the price system's distortions are a contributing factor in this). And on the other hand, that labor is not really cheap (and therefore cannot be a comparative advantage) because half the wage in comparison with the developed countries of Western Europe is matched by half the performance. If we consider the structure of the gross domestic product, the cost of live labor in Hungary is about 50 percent of its cost in countries more developed than ours, but without approximating their levels of productivity. Thus, in the final outcome, the most mobilizable reserves can be found in the efficient, economical use of live labor, and in raising labor productivity.

Efficient and economical management of manpower presupposes also reasonable labor mobility (toward services rather than some sector of industry, no matter how rapid its growth). Placement services (reorganized as of 1 January 1984) or, more accurately, the network of placement service bureaus could be of considerable help in this respect. Their task is to suitably analyze and explore the labor market; to act as the go-between of the employers and employees, with full knowledge and consideration of both sides' objectives and interests; to provide vocational guidance for youths, and for adults wishing to retrain for other occupations; and to influence the directions of training and further training. However, a good many conditions have still to be met for the bureaus to function efficiently. Among other things, a suitable way has to be found to finance the bureaus' activity.

As the contributors to the debate reported, the participating Baranya Megye agricultural cooperatives and the Boly Agricultural Combine achieved good results in 1983 with the experimental regulation of earnings. In conjunction with the experiment, some of the enterprises might have fostered illusions and exaggerated expectations, although up to now the enterprises have been able to participate voluntarily and employ the specific form of regulation that is to their advantage. But when the new system of regulating earnings becomes general, it will be binding also for the enterprises for whom it is outright disadvantageous. In other words, some enterprises will find the new forms of regulating earnings very harsh, while others will find them more flexible than the forms up to now.

It should also be noted that the new system of regulation increases to a large and unprecedented extent enterprise management's responsibility for the future of the enterprise and for its workers, and that it assigns a much greater role than heretofore to the reconciliation of interests within the enterprise, to negotiations with the workers or the trade unions. The new regulators determine not the wage increases, but the possibility of raising wages. It is up to the enterprise's management to determine how much of this possibility may be utilized and what proportion of the incentive fund after taxes may be used to raise wages. The test of the new system for the regulation of earnings will be how well we will succeed at the macroeconomic level in remaining within the planned rise of nominal wages.

It would be important to ensure that earnings can fall as well as rise (and that public opinion is made aware of this); and also that stricter requirements permit larger increases of earnings, while laxer requirements permit only smaller increases.

Technological Development, Economic Environment

The fourth section discussed the questions of technological development at the enterprises. The largest proportion of experts from the enterprises, although still few in number (4 out of the 14 speakers), participated in the proceedings of this section.

If one considers merely the data--investment as the proportion of gross domestic product, the average age of machinery, etc.--then the concern does not seem warranted that in technological development the Hungarian economy is in a situation harboring the danger of a long-term or permanent lag. The average data, however, conceal the danger zones.

The problem primarily is not the amount of resources available for investment, but the unsuitable structure of their use. Compulsory regulations (centralization of development funds) also influence adversely the rational allocation of investment resources.

If we interpret technological development at the enterprises not as research and development activity in a narrower sense, but comprehensively as a market-controlled process, then the most essential question is how does the economic mechanism as a whole stimulate and compel modern production. Technological development is basically enterprise activity. The government's most important task in conjunction with technological development is to make the economic climate conducive to it. This is what we now wish to achieve by modernizing the system of macroeconomic management.

The normative nature of the price system, tax system and subsidies, or some of their elements, the abolition of the technical development fund's compulsory formation, and the new mode of selecting enterprise managers give the enterprises a stronger incentive to modernize.

The contributors to the debate confirmed the soundness of cancelling the development of synthetic lumber, which is still mandatory in the machine and chemical industries.

Some of the contributors to the debate doubted that the changes in income regulation would truly enhance technological development. They also expressed concern as to whether these measures would be sufficient to strengthen the long-term incentives for managers and workers. Slow official action (in authorizing leasing, for example) was mentioned as a factor that especially hampered technological development in activities that were sensitive to the business cycle.

The modern methods that aid the enterprises in formulating and implementing their development strategies have lost ground in recent years, despite the spreading use of computers. Some see the cause of this in the misconception that regards operations research, for example, as a direct management tool. Others believe that the too frequent changes in the regulators are hampering the application of these methods. That the enterprises are reluctant to release their data likewise provides food for thought.

For the longer-term process of technological development it is especially important that the enterprises become acquainted as soon as possible with the specific directions in which the macroeconomic management system is developing. Gradual introduction should not be a sign of uncertainty, rather it should truly aid gradual adjustment to the new conditions of operation.

Focus on Microeconomics

Bela Csikos-Nagy, the president of the Hungarian Economics Society, presented a lecture at the closing plenary session of the congress.

In the introductory part of his lecture he emphasized that the congresses of economists had been very fruitful in recent years, from the viewpoint of economic thinking. Thanks also to them, the debate on the system of regulation evolved into a debate on the system of macroeconomic management and--in close connection with the latter debate--the nature of the plan, the enterprise's role and the market's sphere of influence were reassessed. All this played a role in perfecting the system of macroeconomic management.

At the coming congresses (and before the other forums of the Hungarian Economics Society as well) attention would have to be focused on microeconomic questions. This was warranted also for the following reasons:

--The essential questions of economic development would be decided in the microeconomic sphere;

--Investigation of the microeconomic sphere would provide information as to whether the anticipated effects of the economic incentives were actually being achieved;

--Only in this way would it be possible to explore the set of conditions for rational enterprise behavior.

Referring to the present well-known problems of the enterprises' internal organization, the speaker raised the question as to why it had been necessary, at the time of setting up socialist commodity production, to radically change the basic principles of the enterprises' external and internal organizational structure, their accounting and costing, the organization of production, and business policy. For it was common knowledge that Lenin had regarded the evolved form of capitalism as the forerunner of socialism, specifically because the internal organization of capitalism's enterprises had been highly developed.

For clear economic reason it was important to restore the unity of the production process. The unity of the innovation chain demanded the synthesis of vertical and horizontal organization on new principles, and realistic consideration of the production relations.

A changeover from the khozraschet mechanism to an economic costing mechanism that was more conducive to sound management would result in decisions that were better substantiated from the viewpoint of accounting and costing. This method was suitable for reflecting the profits or losses of the individual activities, and also for settling the accounts between the state budget and the enterprises.

In developing an economical product mix, the so-called cleansing of the production profile would be able to produce the expected results only if it was fitted into a carefully thought through production strategy. On the one hand this meant the continuous development of product-structure versions that ensured optimal capacity utilization, with profit maximization. And on the other hand, state subsidies based on objective criteria.

In the concluding part of his lecture, the president of the Hungarian Economics Society emphasized in conjunction with the proceedings that in scientific debate also exaggerations were always possible. The problem arose when an answer was lacking, but the answer could not be a declarative one. When only such an answer was possible, the debate could not be closed. The abandonment of pragmatism and practicism must also be regarded as possible in free debate. The cooperation of science in practical work was necessary especially at present, but economists must not neglect basic research as well.

1014
CSO: 2500/512

TIMIDITY PUTS BREAK ON DEVELOPMENT

Budapest NEPSZABADSAG in Hungarian 26 Jul 84 p 6

[Excerpt] The other day an executive from a development company asked if they were capable of carrying out the task in question. I was stunned by the question. If they want to do it, they have to make themselves capable of it. Those who start from a base of existing possibilities will never venture into anything truly new that tests their strength and therefore cut their company off from development. The only wise starting point is the definition of the task, consideration of the ways and conditions necessary to accomplish it, and the consistent and steadfast work to secure these conditions.

According to public opinion what we lack these days is financial conditions. Yet in reality small banks--the germs of development--are opening in great numbers. With their 100-600 million forint starting capital, these banks are not going to save the economy, or help bring some branches of it up-to-date after a possible 10-year lag but they can do a great deal in helping companies, institutes and organizations lacking funds for development to achieve their goals. In order for them to help effectively, it should be primarily the banks that decide whether they want to invest the money at their disposal in many safe, but small ventures, or if they want to promote fewer, but more profitable causes, or how they want to combine the two possibilities.

Money and Intellectual Capacity

The secure profit for a bank is the interest rate, and they will participate in a business venture only if the expected profit is bigger than the highest interest rate. Naturally, from the bank's point of view this is understandable, but in this way banks give up profits that might be unexpectedly higher than interest rates. With many development ventures even a profit comparable to interest rates cannot be secured beforehand--therefore entrepreneurs will not attempt to ask for credit, banks will not give credit, and so ventures will not get off the ground.

This view, however, can result in obvious losses--even if the risky idea, never put to test, is not considered a loss. This kind of loss is particularly severe at universities and research institutes that have recently become enterprises. Institutes have a very hard time starting ventures, as they have no capital of their own, are afraid of interest rates on credit, and since their management system does not allow them to invest their profits from successful development into new ventures, we can hardly hope that their enterprising spirit will come to full bloom. The situation is even graver at universities, where development funds are earmarked for education, so no risk can be taken to endanger them. Their ventures cannot get off the ground anyway, as permission is needed first, and the main consideration in giving permission is that risk cannot be taken to endanger the budget; it cannot be saddled with losses.

The largest intellectual research resources are at universities, but if we shut them off from independent ventures, we will never reach our oft-mentioned goal to turn universities into important bases of development, even though through this we would reach a triple objective: results of research could quickly translate into practice which is also the basis of high-level theoretical and practical education; and if the profit from the venture could be invested in new basic research, money earmarked for research could grow without putting a burden on the budget--this in turn could create a basis for translating newer results into practice. And so a positive cycle could be created. The development of the many good and new ideas essential to dissertations and scientific articles would be useful, too-currently they are evaluated strictly from the point of view of awarding diplomas and scholarly titles and are hardly considered for their practical value. In these cases not even the risk of practical application is examined, although there is an even more far-reaching risk: if what the recent graduate or new scholar sees is that his thoughts are useless and collecting dust in fancily bound papers, because nobody undertakes their implementation, he will lose his ambition and will not embark on new tasks.

Joint Interest

This is how the negative cycle starts in which it is useless to know that ventures carry risk, if nobody dares consider the advantages that can be gained, because everybody is afraid of the consequences of loss. The cycle can be turned around only if in every phase of the development process we strive to increase the gain from risk. Universities and development companies could put into practice many of their results if banks would invest in their ventures expecting only the dividend as their return from the profits of the successful venture. A relationship based on mutual interest among bankers, researchers and developers is needed to reach the goal, and one that is capable or organizing the result. With a result-oriented attitude it would be possible to take the reasonable risk of development.

12366
CSO: 2500/511

URBAN QUERIED ON AMNESTY REARRESTS

LD251226 Warsaw PAP in English 1123 GMT 25 Jul 84

[Text] Warsaw, 24 Jul--During today's conference for foreign and local newsmen Government Press Spokesman Jerzy Urban answered questions of which most concerned the amnesty law, and especially its regulations relating to those imprisoned for politically-motivated offences.

Asked by an American newsman to comment on the reaction of Western states to the introduction of amnesty in Poland, the spokesman said that he did not know yet the official reaction of Western governments and that one could only comment on press reports.

The broadest coverage on this subject has been given by the Associated Press Agency recording preliminary reactions. The agency said, quoting yesterday's statement by Ronald Reagan's spokesman, that the president is examining the question of economic restrictions against Poland in view of our state's decisions to release political prisoners, and that he is likely to make his reaction public within the next few days.

The White House Spokesman Larry Speaks said in turn that the State Department described the decisions by the Polish Government to apply the amnesty towards 652 political prisoners as a favourable step. The agency quoted officials, who spoke only on condition that their names were not revealed, as saying that the American Government was considering only the lifting of the ban on regular flights of Polish airliners, and the easing of restrictions in scientific exchange with Poland.

The American denial to admit Poland to the International Monetary Fund, the suspension of the most favoured nation clause, and the ban on granting Poland American Government credits for buying food and other articles are expected to remain in force, the agency said.

If one is to believe the agency's interlocutors, Jerzy Urban said, one can expect the U.S. Government to merely state one more time that "Poland has made a step in the right direction." We have already heard it many a time.

Jerzy Urban recalled that President Reagan, while introducing the restrictions in December 1981, said that they would remain in force till the lifting of martial law in Poland, the release of all political prisoners, and the resumption of dialogue with the church and Solidarnosc.

At a later time, for instance in June 1983, it was not Solidarnosc, which had ceased to exist, that the president started to speak about--he spoke, in general terms, about "liberalisation moves" in Poland. Hence, a question arises just what it is the U.S. Government expects.

The so-called American demands are being formulated regardless of what is going on in Poland. Martial law was lifted exactly a year ago. The releasing of political prisoners is a permanent process which has now been crowned with the amnesty law. The dialogue with the church has never been broken off, whereas Solidarnosc belongs already to the past, and the Polish Government is conducting a rather difficult dialogue with the new trade unions.

We rejected, do reject and will continue to reject all demands from the U.S. Government or any other one, all attempts to interfere in our internal affairs. As we have taken such a stance in a more difficult situation than today, the more so Poland will not surrender to a dictate now. I am recalling the contents of the so-called Washington's demands, since it seems that the unfairness of the U.S. Government's demands towards Poland becomes increasingly evident, said Jerzy Urban.

Their contents, departing from Polish realities, testifies to the fact that our country is being treated in an instrumental way. The multiplying of demands, the levelling of fresh ones, indicate that the U.S. Government wants in fact to say that it does not like our political system and that it makes normalisation of relations conditional on changing this system.

However, America's leaders know that we are not going to change the realities of our system in reply to their demands. They expect in no way, either, their dreams to come true.

This is a pure rhetoric on their part, hence it seems that the essence of the present U.S. policy towards Poland consists in the will to weaken our country's position in Europe and worldwide. This is an anti-Polish policy, hitting not only at our system, but also at the Polish nation and state.

Once it proved impossible to provoke a conflict in Poland, a conflict which, in tune with the intentions of some American politicians, was to undermine the socialist camp, once it proved impossible to provoke a political turn in Poland, one that would be favourable from the viewpoint of the American Government's imperial goals, and once the results of U.S. policies turned out to be opposite to what was planned, some want to place Poland on a minor position.

And weak Poland always means the shaking of balance in Europe and the emergence of threats to the stability of European relations west of our borders, for instance in the FRG.

These tendencies are already being visible in the FRG. And strong Poland means the stability of European relations. This is the way one can ad hoc characterise a deeper meaning of the present, astonishing policies pursued by the U.S. towards Poland.

The spokesman also commented on the American announcements to lift the restrictions as it had been put by the AP Agency's interlocutors. As regards regular air connections, he said, they do not constitute Poles' most vital problem, one that would affect the living standards of the whole population. What matters most is economic cooperation, making it easier for Poland to increase its production, and, subsequently, its exports, and to improve the diet of every Polish family.

The AP interlocutors rule out progress in Polish-U.S. relations in this field, so essential to Polish society. It will be necessary to find out whether we are interested in the resumption of flights at the present state of Polish-U.S. relations and whether it is economically profitable, the government spokesman said.

One should expect here in the first place a compensation on the part of the U.S. for the losses sustained by Polish passengers following the suspension of flights. They had to, like the Polish state, cover considerable costs. In turn, Polish-American scientific cooperation is inseparable from the equality of both sides' interests. Hence, the direction of AP interlocutors' indiscretion would indicate that the U.S. Government does not intend to lift such restrictions which are burdensome to Polish society.

Jerzy Urban described what he had said as a preliminary reaction to the preliminary reports on the preliminary statements by representatives of the U.S. administration.

In reply to a similar question from a journalist of Italy's ANSA agency, Jerzy Urban admitted that one can also note other reactions to amnesty in Poland. They include a statement by Minister Mertes of the FRG which contains general, frequently repeated declarations on a will to improve relations with Poland. The statement carries also arrogant tones, for instance doubts as to Poland's sovereignty and our government's good intentions.

In reply to a question from a WASHINGTON POST correspondent, asking whether the Polish Government is considering the issue of accepting an accreditation of a new ambassador, the spokesman said that restoring relations at ambassadorial level should be a result of an improvement in bilateral Polish-U.S. relations, and not a preliminary impulse towards their repairing, since the rank of a diplomatic mission is an external sign of the state of relations between states.

Asked by an ABC news correspondent to assess the attainments of the past four decades and to try to predict a similar assessment after another 40 years, Jerzy Urban described the outcome of the period in question as positively favourable, and said that the immense achievements cannot be blurred by all mistakes, regressions and failures.

CSO: 2020/83

OFFICIAL NOTES CIVIL AVIATION GROWTH PROBLEMS

Warsaw SKRZYDLATA POLSKA in Polish No 30, 22 Jul 84 p 3

[Article by Gen Bryg Pilot Dr Jozef Sobieraj, General Director, General Directorate of Civil Aviation, Ministry of Transportation: "Polish Civil Aviation"]

[Excerpts] Unfortunately aviation is not developing in an even manner. Too little attention is being devoted to the development of the infrastructure: the construction of airports, the building of air terminals, and the development of the air traffic control system. This situation began to impede the development of civil aviation as a whole, especially during the 1970's. Parochial interests of various sorts within the realm of aviation itself also make it difficult to coordinate the development of aviation. Because of the rapid growth of Lot Polish Airlines and commercial aviation, there has been a drift of flight instructors away from the flying clubs. Owing to the great exportation of gliders, our gliding is suffering from a shortage of equipment, especially two-place trainers. Air terminals are bursting at the seams because of the number of passengers.

The socioeconomic crisis from the beginning of the 1980's has not passed civil aviation by. As a result of this crisis civil aviation needs rebuilding almost from the foundations, under the new economic conditions created by the economic reform.

This rebuilding is occurring very rapidly, even more rapidly than the optimists had predicted. We anticipate that by the end of 1986 the air traffic level will reach the record level of 1979.

Sports aviation last year had its successes, which were loudly proclaimed to the world. Commercial aviation is energetically fighting for the service market. Lot airplanes fly almost all the routes previously served and the airline is planning to expand its network of routes and connections.

This does not mean that difficult problems are not waiting in civil aviation for us to resolve. Our aviation is decentralized. This carries with it the consequences of a host of organizational and economic difficulties.

In administration and coordination there are difficulties related to the fact that aviation is dispersed and that there is no uniform legal-economic status or uniform accounting principles.

Appreciating the problem, the Council of Ministers at the beginning of last year passed a resolution for a new organizational arrangement of civil aviation. The bases were created for expanding the coordination of all aviation and joint issues for all aviation, regardless of the ministry involved or ownership, particularly in the realm of the airport-traffic infrastructure, training resources, and so on.

The cooperation between civil aviation and the military will also increase. We are availing ourselves of it through having highly skilled aviation personnel from the military. We are cooperating together in air traffic organization. We are receiving assistance in aeromedical research on airmen and in scientific experiments.

Any anniversary, including the 40th anniversary of People's Poland, is an occasion for making a balance-sheet of the period passed, for assessing previous achievements and mistakes, and for setting plans for the future. I would like to present readers with an assessment of the past period and stop at some of what I believe to be the most important tasks facing civil aviation in the immediate future.

I have already mentioned the legal-organizational problems above. There will be more precise development of specific principles of aviation operations within the framework established by the Council of Ministers. Air transportation and its further development require that several basic problems be resolved. The first is service to the ever-increasing number of passengers in international traffic. Our detailed analysis shows that if there is to be any improvement, we must build an international airport, which we call Okecie II in our plans. It is also necessary, despite the economic problems the country is still having, to prepare a comprehensive plan for the expansion of airports in the major regions of the country. Even today our regional planning documents must provide for future airports, so that they can be built without unnecessary difficulties in the future.

We will carry out the multiyear plan to update the air traffic system. Lot Polish Airlines expects that in the near future it will be necessary to replace aircraft, to modernize the entire fleet, to adapt it to the transportation requirements, and to meet the competition offered by other carriers.

Other areas of civil aviation will also develop to meet our country's socioeconomic needs.

The executing of the tasks facing civil aviation will not be easy, but we can always count, as we have in the past, on the exceptional dedication of aviation people. I am convinced that the tasks facing civil aviation will be carried out to the hilt.

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CSO: 2600/1149

AIRCRAFT INDUSTRY OUTPUT, PLANS

Warsaw SKRZYDLATA POLSKA in Polish No 30, 22 Jul 84 pp 8-9

[Article by Mgr inz Andrzej Glass: "Polish Aviation Industry"]

[Excerpts] During the latter half of the 1970's we obtained new licenses to expand exports, in order to take advantage of our industry's production capacity. In 1977 we began coproduction of components (control surfaces, tabs, slats, and engine mounts) for the IL-86 airbus. Production also began on the An-28 transport aircraft, which will succeed the passenger version of the An-2. The first An-28 will make its maiden flight in 1984. The successor of the agricultural version of the An-2 will be the An-3 turboprop, which our industry will begin to produce after 1985.

To meet domestic needs we have gained rights to produce the Socat Rallye-100ST student trainer airplane, the Polish version of which will have a domestically produced engine and be called the PZL-110 Koliber. Similarly the Polish production version of the utility and ambulance airplane Piper Seneca-II will be called the PZL Mewa M-20. The Koliber is already being produced, but the Mewa will not go into production until imported equipment has been replaced with domestically-produced equipment.

Prototypes of trainers PZL-130 Orlik and PZL M-26 Iskierka have been built for domestic needs. One of them is to be selected for production, probably in 1984.

It is worth noting that more aircraft are being built in our country on license. The CSS-13 has the Polish ambulance version S-13. The Polish agricultural version of the Jak-12M was the Gawron, and the improved ambulance version of the SM-1 helicopter was the SM-2. The LiM-5M and LiM-6-II were derived from the LiM-5 airplane. Our design office developed 24 versions of the Mi-2 helicopter and over a dozen versions of the An-2 airplane.

Glider designs are a separate page in our book. There were 306 ABC trainers built, 264 Salamander transition gliders, 136 Much trainers, 289 Much 100's, 147 competition Jaskolka's, 286 Much Standard competition trainers, 134 Czapla two-place trainers, 645 two-place Bocian's, 334 competition Fok's, 293 Cobra gliders, 813 Pirate competition trainers, 69 two-place Puchacz's, 164 Jantar 1's and 2'2, 540 Jantar Skandard's, and 65 Ogar powered gliders.

PZL produces aircraft in the following places: gliders in the plants in Bielsko, helicopters in Swidnik, airplanes at Warszawa-Okecie and Mielec, and aircraft engines in Rzeszow and Kalisz. There are also other subsidiary plants that produce fixtures and equipment. Altogether the Polish aviation industry employs 86,000 persons, including persons engaged in the production of the industry's nonaviation items (motorcycles and high-compression engines).

During the 4 decades of People's Poland, the Polish aircraft industry has produced a total of more than 25,900 airplanes, helicopters, and gliders, including about 15,500 airplanes, more than 5,750 helicopters, and 4,670 gliders, as well as 50,600 aircraft engines. The major share of this production has gone for export: 72 percent of airplane production, 90 percent of helicopter production, and 50 percent of glider production.

The USSR is the major market for the export of Polish aircraft. While 90 percent of the airplanes and helicopters produced is currently being exported, 90 percent of these exports are going to the USSR. In addition, our airplanes and helicopters are being bought by all the socialist countries and by a dozen and some countries in Africa, Asia, America, and Western Europe. The An-2 is being exported to 22 countries, the Wilga to 20, and the Dromader to 15. Polish gliders are to be found in the skies over 40 of the countries of the world.

The price of 1 kilogram of aircraft design speaks of the value of aviation production: 8,010 zlotys per kilogram of Mi-2 helicopter, 8,330 zlotys for the Dromader airplane, 19,614 zlotys for the Sokol helicopter, 29,757 zlotys for the An-28 airplane, and 25,643 zlotys for Il-86 components.

What sort of aspirations does the Polish aircraft industry have for the future? There is a portfolio of orders for several years for the Wilga-35 and 80. The Koliber has just come onto the production line for flying club needs. Production of the agricultural aircraft the Kruk and Dromader is in progress, but the Dromader Super, which is to have a turboproper version, is in the prototype construction stage. After 1985 production will begin on the Orlik trainer, or Iskierka, and the Mewa executive aircraft. The Iskra jet is still in production. The An-28 transport airplane, which has sales assured through 1990, is entering production. The production of the An-2 will continue at least to 1985, but the An-3 jet version is to replace it. Alongside the production of the Mi-3 helicopter, a modified version, the Kania, is to be produced. The production of the Mi-2 is planned to continue for a few more years, but after 1985 it is to be replaced by the Sokol W-3 helicopter. The production of components for the Il-86 airbus will continue, but the production of components for the Il-96 airbus will then be undertaken.

In the glider realm, the following will be the basic items produced in the immediate future: the Junior SZD-51 club-class glider introduced into produc tion in 1984, the Jantar Standard-3 SZD-48 standard-class glider, the SZD-42 Jantar-2B open-class glider and SZD-50 Puchacz two-place trainer. The prototypes of the Krokus 15-meter SZD-52, professional-class and standard-class, are being tested.

On the occasion of the 40th anniversary of the aviation industry in People's Poland it is worth mentioning that the PZL factories already have a 55-year contribution to their credit, while the traditions of Polish industry go back nearly 75 years to the year 1910, when the construction of the first Polish Awiata airplane plants began in Warsaw.

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CSO: 2600/1149

EMPLOYMENT STATUS IN REPUBLICS COMPARED, 1983-1984

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 11 Jun 84 p 14

[Text] According to records of the Federal Bureau for Employment Affairs, at the end of March of this year 975,928 persons were seeking employment in Yugoslavia. This level is getting quite close to the critical point of 1 million unemployed, a level which those who bear the responsibility for employment matters and policy--headed by the Federal Committee for Labor, Health, and Social Welfare--have designated as one which ought not be exceeded. The number of unemployed most probably started to decline during the warmer months, as usually occurs every year at this time because of seasonal employment. However, by the end of September and the beginning of October, a new increase should be expected, and at this time it is hard to see any way or possibility for the unemployment figure to remain under 1 million by the end of the year. Actually, a possibility exists, and chances are that it will come to pass; according to the criteria in the new social agreement on the bases for employment policies--which should be adopted this year--the group of those "actually unemployed" will be set aside in one category, and those who own land, or some sort of structure which can possibly be used for work activity and as a source of income, will be categorized with those seeking a change of employment. However, this will mostly be a bureaucratic solution, which will not actually reduce the number of those seeking work.

At present, unemployment is increasing in all parts of Yugoslavia, with the exception of Serbia proper where it has fallen somewhat over the last 2 or 3 years mostly because of extraordinary sociopolitical actions for increased acceptance of new workers in Belgrade.

According to the table above, the number of employed increased the most on a percentage basis in Bosnia-Hercegovina and Montenegro with an approximately 33 percent rise, and in Kosovo with a 26.4 percent increase, comparing the average figures for 1982 with the number of unemployed at the end of March of this year. The average increase for the entire country during this time was about 13 percent.

Moreover, the number of unemployed in relation to the amount of land ownership has already been recorded. At the middle of last year, of the total 884,749 persons who sought employment at that time, 632,483 persons, or 71.5 percent, did not own land; 39,305, or 4.4 percent, owned agricultural land, and 204,946, or 23.2 percent of the unemployed, were members of agricultural households. However, the agricultural land owned by the majority of land owners, and upon which the majority of agricultural household members live, is less than half a hectare.

The solution for lowering employment in Yugoslavia obviously must be sought elsewhere, by opening up new opportunities for employment positions for the general populace. Our country's greatest possibility for this is perceived to be in the development of the capacities of the so-called small economy, but now, instead of talking about all the problems present at the beginning in this area, we will focus on problems of the unemployed with respect to qualifications.

Table. Persons Seeking Employment

	ø 1982.	ø 1983.	1983. ø I—III	1984. ø I—III	III 1984.
(1) SFRJ	862.477	910.334	915.468	958.816	975.928
(2) Bosna i Hercegovina	160.278	188.837	178.790	209.839	212.833
Crna Gora (3)	26.530	30.868	30.297	34.496	35.264
(4) Hrvatska	99.199	107.735	112.698	118.191	120.321
Makedonija (5)	127.357	123.714	128.403	132.319	133.783
(6) Slovenija	13.699	15.781	16.191	16.288	15.579
(7) Srbija	435.414	443.399	449.089	447.683	458.148
— uže područje	271.499	266.575	270.156	256.943	263.791
— Kosovo	77.721	86.349	84.154	96.679	98.241
— Vojvodina	86.194	90.475	94.779	94.061	96.116

Key:

1. SFRY
2. Bosnia-Hercegovina
3. Montenegro
4. Croatia
5. Macedonia
6. Slovenia
7. Serbia

Serbia alone
Kosovo
Vojvodina

What Trades Are Needed

Examined on a formal basis, the qualification structure of the unemployed in Yugoslavia has improved from year to year with the increase in their number. At one time, over 60 percent of the unemployed were unskilled. Today, only 36.4 percent are unskilled, about 10 percent are semiskilled with lower school training, and 53.6 percent are educated, skilled workers. However, in spite of some general and partial reforms in education during the most recent period, educated cadres have still not achieved the knowledge and capabilities to meet the needs of our large, distinctive economy. For years, there have been professions in demand and unfilled jobs in Yugoslavia because of shortages of the appropriate workers, and those who do get employed often need a year or two on-the-job training.

All this makes the problems of the unemployed much more difficult and restricts those few possibilities for their being hired. These problems become even greater with the social orientation to the development of the small economy. Thus, the type of specialization and tradë skills needed for jobs in the small economy are not available for the most part in our schools today. So it turns out that the high percentage of educated people among the unemployed are more of a burden than an advantage in the future development of the small economy.

For the unemployed who have been inadequately educated, the only real prospect is retraining and getting the knowledge and skills which will be useful in the diverse jobs of the small economy. But there is very little of this now--moreover, additional specialization in worker training is only organized for the current, individual needs of a given organization of associated labor, while no one is yet involved with the future needs of the small economy for personnel in our country.

To give a few examples, during the first 6 months of last year, 25,564 persons were given specialized training and retraining, of which 22,763 were from employment community lists, and 2,801 were employed in organizations of associated labor. The majority of the trainees (14,912) were given specialized training for experienced workers, 5,011 received a qualified worker diploma, while 5,641 were trained for remaining types of jobs. During this time, 16,580 of the trained and retrained workers obtained employment.

For the most part, it is republic and opstina employment communities which are involved with the job of providing specialized training and retraining of the unemployed, and as was mentioned above, this is most often done based on some sort of specific needs of work organizations. Additional instruction programs cost more money, and there is very little available for this. For now, much of the school system consumes enormous amounts of public resources to provide further specialized education for unnecessary skills.

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CSO: 2800/394

MONEY IN SAVINGS DEPOSITS, JANUARY-APRIL 1984

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jun 84 p 26

[Article: "Savings: More Term Account Foreign Exchange"]

[Text] The most recent data compiled by the National Bank of Yugoslavia indicate that during the first 4 months a continuing increase in foreign exchange savings was recorded. According to these data, as of 30 April 1984 there was the equivalent value of a total 965.3 billion dinars in different foreign currencies in our citizens' foreign exchange accounts. Compared with the amount at the beginning of the year, there has been an increase of 52.7 billion dinars, or 5.8 percent.

Converted to U.S. dollars using the average exchange rate for the last day of April--133.77 dinars = $1--the dinar value indicated above comes to $7.2 billion, which is, of course, a significant item in the total balance of our banks.

Examined by republics and provinces, the state of our citizens' foreign exchange accounts on 30 April 1984 can be broken down as follows:

Republic/province	Dinars (in billions)	Percentage
SR Bosnia-Hercegovina	155.2	15.8
SR Montenegro	14.6	1.5
SR Croatia	286.8	29.7
SR Macedonia	82.4	8.5
SR Slovenia	88.0	9.1
SR Serbia	341.3	35.4
-- Serbia without SAPs	269.9	28.0
-- SAP Kosovo	22.7	2.4
-- SAP Vojvodina	48.7	5.0
Total	965.3	100.0

SR = Socialist Republic
SAP = Socialist Autonomous Province

When foreign exchange savings are examined by type of account, it can be seen that term savings are greater than demand deposits:

	Dinars (billions)	Percentage
Money in term accounts	522.6	54.1
Demand deposits	442.7	45.9
Total	965.3	100.0

However, our citizens' foreign exchange accounts are continually increasing while demonstrating a high rate of growth in the bargain. The following table speaks eloquently of this showing growth over the last 5 years (with percentages of increase compared to the previous year):

Year	Dinars (in billions)	Percentage increase
1979	147.6	38.3
1980	230.1	55.9
1981	319.7	38.9
1982	484.3	51.5
1983	912.6	88.4

However, in analyzing the above data, one must be sure to keep in mind the influence of the devaluation of the dinar (in 1980 by 30 percent, and in 1982 by 20 percent), as well as the continual growth of the exchange rates of foreign currencies. This growth was particularly high last year, while a relatively modest growth was noted during the January-April period of this year. In the next table, the percentage increase of the exchange rates of six currencies during last year and the first 4 months of this year are shown:

Currency	Exchange rate increases in percentages 1983	1984 (Jan-Apr)
U.S. dollar	102.1	6.4
Swiss franc	84.7	4.5
Swedish kruna	83.1	7.7
German mark	74.3	8.8
Austrian schilling	74.0	9.1
French franc	61.3	8.0

As far as dinar savings are concerned, it is worth noting on this occasion that according to data of the National Bank of Yugoslavia, dinar savings deposits as of 30 April 1984 showed a total amount of 391.5 billion dinars or 40.1 percent of the foreign exchange accounts of our citizens.

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CSO: 2800/394

OUTLAYS FOR INVESTMENT IN FIRST 4 MONTHS OF 1984

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jun 84 p 27

[Article: "Investments; Faster Growth"]

[Text] Investment outlays for fixed assets increased by 37 percent during the first 4 months of this year compared to the same period last year, and amounted to 277.5 billion dinars. The increase in outlays actually accelerated in April and significantly exceeded the rate since the end of last year (15 percent). Data on investment outlays are given in expressions of fixed value, which means that in reality they declined, but at a significantly slower intensity that had been expected at the beginning of the year.

Investment outlays again increased the most among commercial organizations of associated labor and production SIZs [self-management interest communities]--by 53 percent, or 16 percent above the average (a total of 136 billion dinars). In addition, 66.3 billion dinars (47 percent greater) were paid out of accounts set aside, also including reserve funds, 64.7 billion dinars (63 percent greater) from gyro accounts, and 5 billion dinars (25 percent greater) from joint use funds. The participation of all sources of commercial organizations of associated labor (and production SIZs) also again increased in total investment outlays--to 49 percent, compared to 32.7 percent in 1980. On the other hand, the participation of banks in the form of credit again decreased--to 26.9 percent (compared to 46.6 percent in 1980)--because their outlays during the first 4 months of the year increased by a total of 6 percent (they amounted to 74.7 billion dinars). The share of this bank source in total outlays, however, increased to 34.7 percent if one adds on demonstrated investments set aside through these institutions which totaled 22 billion dinars (70 percent greater). Within bank outlays (74.7 billion), credits for fixed assets were 46.6 billion (5 percent increase), housing credits were 18.2 billion (5 percent higher), and credits in foreign exchange were 9.2 billion dinars (9 percent higher).

It is typical that outlays made by organizations outside the production sector show the greatest rate of growth--48 percent--but these payments are still third in volume with 30.5 billion, and are a source which has an 11 percent share in total outlays. Finally, social sector SIZs (and residences) paid out 9.8 billion dinars (30 percent higher) and they had a 3.5 percent share in total outlays.

Examining investment outlays for regions, the greatest increase was in Slovenia with 73 percent (amounting to 44.7 billion), then in Bosnia-Hercegovina with 46 percent (45.8 billion), and in Croatia with 41 percent (64.4 billion). Then comes Serbia without the provinces with a growth rate of 26 percent (62.3 billion), and Vojvodina with 24 percent (25.1 billion dinars). The most moderate increase in outlays was in Montenegro with 18 percent (10.4 billion), Macedonia with 17 percent (13.1 billion) and in Kosovo with 11 percent (10.6 billion dinars).

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CSO: 2800/394

PERSONAL INCOMES DISCUSSED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Jun 84 p 27

[Text] Continuation of Real Decline

In February, the average net personal income of Yugoslav workers was 19,265 dinars; in Bosnia-Hercegovina the average was 17,805, in Montenegro 15,287, in Croatia 21,241, in Macedonia 15,332, in Slovenia 23,050, and in Serbia 18,259 (Serbia proper had an average income of 18,100 dinars, Kosovo 14,869, and Vojvodina 19,712).

Although differences in average personal incomes of employed workers have gradually been reduced between individual activities, some fields of work have continually lagged behind. In industry and mining, average net personal incomes in February were 19,492 dinars, in agriculture and fishing 19,287, in forestry 18,869, in waterpower engineering 19,189, in construction 15,302, in transportation and communications 19,772, in trade 19,158, in hotel management and tourism 16,874, in handicrafts 20,263, in public housing 18,014, in financial and other services 23,764, in culture and education 21,036, in health and social welfare 19,189, and in sociopolitical communities and organizations 20,639.

From February 1983 to February of this year, net personal income of all those employed rose nominally by 41.6 percent. The highest increase among professions was in industry and mining (45.6 percent), and among regions was in Slovenia (48.5 percent). Actually, taking into consideration the increase in the cost of living, personal incomes of employed workers decreased by 9.2 percent for the period in question.

Increase in Total Amount

Net personal incomes paid out during the first 4 months of this year as a whole were 41 percent greater than for the same time last year. In other words, the growth in the total amount was somewhat slower (by 1 point) at the end of April than it was at the end of February. But if this is compared with the total at the end of December, one sees that the increase in personal incomes accelerated by 12 points.

During the first 4 months of this year, net personal incomes paid out increased the most in Slovenia with 48 percent, Serbia, without the provinces, with 42 percent, and in Bosnia-Hercegovina with 41 percent. The increases in Croatia and Vojvodina were identical, 39 percent, somewhat slower in Kosovo with 37 percent, and were the most modest in Montenegro and Macedonia--36 percent. Looked at by occupations, the fastest increase in payments was in the work communities of banks and financial organizations with a rate of 46 percent. The rate for banks in Kosovo was 63 percent and in Slovenia 52 percent.

Organizations of associated labor in the economy follow, where the growth was 42 percent, while it was 39 percent in their work communities. However, payments in work communities in Kosovo grew faster than in the organizations of associated labor themselves, 63 percent compared to 36 percent. The situation was similar in Montenegro where these rates were 43 percent and 39 percent, respectively.

Next, with a growth rate of 42 percent, come work communities of organs and organizations of sociopolitical communities, with those in Slovenia leading the way with a rate of 66 percent. Right after this comes organizations of associated labor involved in social sector activities with an increase of 40 percent and their work communities where the rate was a more moderate 37 percent. But here also, the work communities in Kosovo had a faster rate of growth than the organizations of associated labor themselves--45 percent compared to 36 percent. The situation was the same in Croatia, with rates of 41 percent compared to 36 percent, and in Macedonia with rates of 38 percent compared to 34 percent.

Finally, the increase in total personal incomes was most moderate in SIZ (self-management interest community) work communities--35 percent--while the growth rate came to 21 percent among the so-called other beneficiaries.

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CSO: 2800/394

YUGOSLAV PERSONAL INCOME, CONSUMPTION SHOW DISPARITIES

Living Costs, Personal Incomes

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1 Aug 84 p 4

[Article by C. Milanovic]

[Text] Changes in Volume, Structure of Personal Expenditures

For years, Yugoslav prices and living costs have recorded high growth rates. These unfavorable trends have continued in 1984. In the first 4 months, living costs have risen by 55 percent compared to the same period of last year. Food costs are growing at a rate of 52 percent, delivering a hard blow to family budgets. There have been changes in the order of groups of expenditures measured in terms of growth dynamics.

The retail price explosion is reflected most directly in living costs, which have a comprehensive impact on the population's living standard and particularly threaten the existence of certain social categories and employees in a number of industrial occupations, for retail prices and living costs in the past 3 years have shown exceptionally high rates of increase. Last year was typical in that respect, since the greatest increase yet in these parameters for the whole postwar period were recorded. Specifically, living costs rose by 43 percent compared to the preceding year. In the same comparison, December's increase reached 60 percent, which in practical terms equalled the real increase for the entire year.

"Price freezing" did not succeed in bringing prices into line, since with producers as well as in retail and service categories living costs have continued to grow this year. The January increase amounted to 2.5 percent, while in February it was 1.2, in March 1,1, and in April 2 percent when compared to the same months a year ago. Thus just in the January-April period, prices increased by 7 percent over December 1983 levels. As a result, in this 4-month period compared to the same part of 1983, living costs increased at a projected annual rate of 55 percent.

"The accelerator" in this growth of living costs is the rise in food prices. These expenditures for years have displayed the most rapid growth relative to other categories of living costs. During 1981, food prices rose by 43 percent, while in 1982 the growth was 39 percent and last year 45 percent, so that by 1983 they were nearly 3 times higher.

Heavy Blow to Family Budgets

It could be said that this trend toward higher food costs has a spreading effect, for in the first 4 months of this year food costs were up 52 percent compared to the same period last year. This represents a particularly powerful blow to family budgets, especially for families with lesser income, and given the price adjustments for industrially prepared foods and prices at the "green markets," it appears that this tendency will continue throughout the year. Spiraling food costs are reflected particularly in family budgets of households with lower salaries, where they surpass 60 percent of total family budgets.

Trends in Living Costs

percentage increases over the preceding year

Living Cost Group	1981	1982	1983	I-IV 1984
TOTAL	41	32	41	55
Food	43	39	45	52
Tobacco and Drinks	45	18	39	48
Clothing, Footwear	38	35	41	57
Housing, Water	25	24	34	42
Heating, Lighting	40	25	35	69
Household Items	52	28	32	58
Hygiene	32	18	36	76
Culture, Entertainment	31	26	33	42
Transportation, PTT	45	24	43	64

This year brought certain changes in the dynamics of increasing expenses of certain categories of living costs. At the beginning of the year, it was already apparent that the most rapid growth was not in food prices. Primacy has now been claimed by heating and lighting, goods and services for hygiene, transportation and "PTT" services, as shown by the table. In the first 4 months, the most dynamic price increases were seen in hygiene expenses, heating and lighting, transportation and PTT services, so that food was located practically on the lower part of the scale in terms of price dynamics. The particularly rapid growth in the indicated groups of expenses, which in terms of time represent monthly expenditures in the structure of consumption, hit families with lower incomes especially hard, since these are extremely inelastic consumption categories that make up about 70 percent of total personal consumption costs.

The high, explosive growth of prices and the disparity between these dynamics and the dynamics of salaries have led to a real loss in the population's purchasing power, which is further reflected in the volume and structure of personal consumption.

According to statistical data, the average monthly incomes of four-member working households in the period 1981-1983 nominally increased by about 60 percent, while real income fell by 11 percent. At the same time, living expenses nominally increased by about 60 percent, while in real terms, they are down by about 14 percent. Analysis of personal income trends and living costs show that the incomes of households with the highest salaries showed a growth of about 69 percent, while those with the lowest salaries grew by about 46 percent, thus further differentiating the social and material positions of the respective households.

Employees by Level of Net Personal Income, Social Sector

(status in September of each year, distribution of workers by percentage)

Annual Net Income Level	1981	1982	1983
below 8,000	35.1	14.2	3.9
8,001 - 10,000	24.5	20.2	10.1
10,001 - 12,000	17.6	19.2	13.6
12,001 - 16,000	22.8	26.4	30.6
16,001 - 18,000		7.2	11.9
18,001 - 20,000		4.7	9.1
20,001 - 25,000		8.1	11.6
over 25,000			9.2

The income of families with the lowest and highest salaries point to significant differences that continually increase, so that in the first half of 1983 they amounted to 1:5.5, compared to 1:4.7 in 1981. At the same time, four-member households at the lowest income level had personal income decline by fully 21 percent, while households with the highest income saw a decline of 9 percent in personal consumption.

Along with the high rate of growth in living costs, especially food costs, trends revealed in personal income expenditures for specific socioeconomic categories of the population place a special burden on families with low salaries, especially those without supplementary incomes, while at the same time such families generally do not have significant savings. Consequently, during the first half of last year there was a worsening in the structure of personal consumption for these households, while households with high salaries did not record significant changes in the structure of personal consumption expenditures.

At the Threshold of a Minimum Existence

The households with the lowest salaries have seen the greatest real reduction in expenditures for transportation--about 55 percent; for housing and household items--46 percent; for clothing and footwear--33 percent; and for food--about 20 percent. In the personal consumption expense structure of these households in the first half of 1983, the share devoted to food has increased to about 54 percent, from 47 percent in 1981. Trends such as these show that in the category of households with the lowest salaries, the possibility of covering personal consumption expenses is taking on all the markings of a minimum for existence. The largest part of available income resources go to satisfy inelastic needs such as food, heating, light and housing. Within these figures, it should be noted that those with the lowest salaries set aside 2.6 times less for food than do those with the highest incomes, 7.4 times less for clothing and footwear and 8.4 times less for transportation and PTT services.

The deterioration of the status of families with the lowest incomes demands measures that will protect their standard of living, so that a more uniform distribution of the burden of stabilization will have a political and social function. Under Yugoslav circumstances it is illogical to shift this load to the shoulders of those who already have problems with the disparity between living costs and personal income, who are forced to concentrate on maintaining their vital existence.

Purchasing Power Exceeds Production

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1 Aug 84 p 4

> [Text] The disparity between the money supply and goods supply continues to exist. The polarization of the population's purchasing power is making this disparity even deeper. The shares of all categories of the standard of living is being reduced in the social product. The lagging growth of industrial production and the economic position of the economy are not creating realistic foundations for restoration of better coordinated relations between trends in personal income and living costs. The disparity is deepening between nominal and real personal income.

Realization of the Long-Range Economic Stabilization Program, despite the conscientiousness and discipline shown in its implementation, demands certain sacrifices in order to overcome numerous problems being encountered by the country in its efforts to attain more rapidly the level of development and reach high positions among the newly industrialized countries. Sacrifices are also demanded by our high level of indebtedness that can be resolved only by high export totals, which under present conditions is not possible without restricting domestic demand bringing temporary difficulties in supplying individual products. It is essential, however, that that burden be distributed more uniformly to all levels of our society. The current trends do not show that happening. This statement is confirmed by parameters on living standard trends this year. There has been an obvious worsening of the living standard of a number of social categories.

This year has seen an unprecedentedly high growth in prices and living costs. In December alone, living costs rose by 28 percent in comparison to the entire year of 1983 (up until now transfers from one year to the next amounted to a maximum of 14 percent). In addition, the disparity between production prices and retail prices has also increased, further exacerbating the differences between nominal and real personal incomes, with protection of labor resulting and elimination of already weakened ties between personal income and labor productivity.

This year has also seen a characteristic disparity between money and goods supply, with the total purchasing resources of the population markedly exceeding total supply of goods due to the unfavorable dynamics in production and increased exports. The disparity between available goods and monetary resources is being worsened by the foreign exchange resources of the population and exchange rate variations, since this part of the purchasing resources has not been covered by corresponding goods from domestic production or imports. As a result, the entire influx of purchasing power from abroad has not been covered by corresponding goods supply, either in quantity or product mix.

The polarization of the population's purchasing power further deepens this disparity, while various additional factors affect trends in that purchasing power and the personal incomes of employees. Such factors include insufficiently structured relationships in distribution, in consistencies in applying unified measures and criteria in this realm, frequent changes and slowness in approving mutual foundations and guidelines for self-management administration of relationships in obtaining and distributing income and personal incomes.

In the current 5-year plan period, these problems are increasingly present. After the growth in the standard of living up until 1980, changes, stagnation and reduction of the overall standard and of its individual components followed. During the last 3 years the development of the standard of living has not been accompanied by a general economic expansion, as a result of which a decline occurred in the participation of the resources of the standard of living in national income and the social product. In the 1981-1983 period, total resources for the standard of living fell by 4 percent in real value, and real personal consumption declined by the same amount, while the social standard declined by about 10 percent in real value. At the same time, during this period the country's social product and national income increased by one percent. Total resources for the social standard fell as a percentage of total expenses from 64.6 percent in 1981 to 63 percent in 1983, with personal consumption falling from 51.9 to 51.3 percent and expenses for the social standard falling from 12.5 to 11.7 percent.

This year prices will also determine the purchasing power and the consumption of the population. Wage earners will be in a particularly disadvantageous position, since the lagging growth in industrial production and the economy's economic position do not create realistic foundations even for a status quo balance between personal income trends and those of living costs and prices. This is even more true since the past 3 years total resources for personal consumption have declined in real terms.

Purchasing Power and Consumption of the Population

[Columns of numbers not labeled]

Personal Income, Living Costs and Employment Level [Percentage Increase over preceding year]

	[1981?]	[1982?]	[1983?]
Nominal personal income per worker	26.4	36.3	39.4
Living costs	40.9	60.2	56.6
Real personal income per worker	-10.3	-14.9	-11.0
Employment, social sector	2.0	2.1	1.9
Production and Consumption			
Physical volume of industrial production	1.3	1.0	3.6
Nominal retail trade	35.7	40.9	55.8
Retail price index	39.1	58.9	58.1
Physical volume of retail trade	- 3.0	-12.0	- 4.0

Disparities in Personal Salaries

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 1 Aug 84 p 4

> [Text] Last year resources for salaries increasd more slowly, by 9.3 percent over the growth of income and by 2.4 percent over the growth of net income. The disparity increased between real personal income and labor productivity. Great differences can be seen between branches of the economy regarding the level and dynamics of the growth in personal income. The highest percentage of employees at the lowest salary level are to be found in underdeveloped regions. The purchasing power of the average salary has been in constant decline.

The personal incomes of wage earners are a significant factor in domestic final consumption and have a determining role in Yugoslav personal consumption, since in the social sector they constitute about 50 percent of total income. For this reason, salaries have a leading position in financing total resources for personal consumption, as the economists would put it. Their correlation with consumption is also a significant factor of market stability and more coordinated economic currents, and recent years have shown the lack of a necessary balance between the dynamics of personal income and consumption, since supply for well-known reasons did not keep pace either in structure or in volume with the population's consumption.

Slower Growth in Resources for Salaries Than in Income and Net Income

Last year was no exception, so that it was not unusual that unfavorable trends continued in the relationships between nominal and real wages, or between prices and purchasing power. Last year total income increased, according to the figures of the year's final reports, by 45.8 percent, revenue was up 39.2 percent and net income by 32.3 percent, while resources for wages rose by 29.9 percent, and capital for expanding the material foundations of labor grew by 34.9 percent. In that manner, resources for wages grew more slowly by 9.3 percentage points than did revenue and by 2.4 points less than the rise in net income.

Statistics show that net wages per worker throughout the country amounted to 15,858 dinars, and were nominally higher by 26 percent compared to the previous year. Within that average, last year the wages in the economy averaged 15,638, showing an increase of 27 percent, while those outside economic branches averaged 17,003 dinars, a 24.5 percent increase compared to 1982. The growth in personal income, however, lagged behind the growth in prices, so that the rise in living costs devalued this nominal increase in wages. As a result, wages were lower in real terms by nearly 10 percent compared to the preceding year, thus continuing the tendency to decrease average real wages from the previous year and deepening the disparity between personal income and labor productivity.

Average Wages, Living Costs and Labor Productivity

(The preceding year or period = 100)

	1981	1982	1983	I-III 1984
Average Nominal Wages, Social Sector	33.6	27.4	26.5	39.4
Living Costs	40.7	31.7	40.9	56.6
Real Wages	-5.0	-3.3	-10.3	-11.0
Labor Productivity, Social Sector	-1.6	-2.2	- 3.1	1.5
Employment, Social Sector	2.9	2.3	2.0	1.0

The deepening of the disparity between nominal and real wages and between wages and labor productivity, as shown by the table, does even more to initiate problems and weaknesses in distribution of revenue and wages on the basis of labor results, leading to a weakening of workers' motivation for increasing production and productivity.

Unequalized Nominal Growth in Personal Incomes

The greatest nominal growth in wages was recorded in economic branches engaged in producing products such as readymade textiles, up 33 percent, processing of nonferrous metals, production of nonferrous ores, processing of chemicals and production of hides and pelts, up 32 percent, and fisheries, up fully 42 percent. A portion of the nonproductive branches of the economy also had relatively high nominal increases, although they already had relatively high average wage levels (foreign trade showed a 35 percent increase, tourism 38 percent, and waterworks 31 percent). Nevertheless, a large number of branches of the economy, especially in industry and mining, continue to earn low wages that are at times significantly below the economy average. Along with low wages, they often have retarded growth rates, as is the case with rock and sand production (with average wages of 12,829 dinars), cut lumber and sheet stock production (13,763 dinars), final wood product manufacture (13,000 dinars) and building construction (12,967 dinars).

Last year saw a relatively slower nominal growth in wages in certain individual social activities. This was particularly typical for health care, social protection and education, especially primary education, which for a number of years has recorded a decline in real wages.

The level and dynamics of wages last year underlined the great differences that exist between various branches, and the large number of wage earners with very low salaries. For example, those in pipeline transportation have the highest level of average personal income at 24,606 dinars, while those in personal services have the lowest wages, at 12,550 dinars; this shows a range of 1:2.02, compared to 1982's range of 1:1.96. In 1981, however, the range was 1:2.06. Similar shifts have also been recorded in individual republics and autonomous provinces, where the greatest numbers of those with the lowest wages are located in the least developed regions.

These unfavorable trends continue this year as well. In the first quarter, personal income throughout the country grew by 42 percent over the same period last year. In Slovenia the increase amounted to 47 percent, in Kosovo to 44 percent, in Bosnia and Hercegovina and Serbia proper to 43 percent, in Croatia 41 percent, in Macedonia 39 percent, and in Montenegro and Vojvodina 38 percent.

These trends, accompanied by rapid price increases and higher living costs, result in a constant decline in the purchasing power of average wages, thus demanding more work for the purpose of purchasing basic consumer products.

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BRIEFS

MONEY ISSUE FOR AGRICULTURE--Because of the need to assure the state purchase of agricultural products at higher prices, it was decided to increase primary issuance of money this year by 30 billion dinars more than originally planned (150 billion dinars). [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 16 Jul 83 p 9]

WORKER RETURNEES--According to Ivo Vajgl, until recently president of the SLovenian LC Presidium Commission dealing with questions concerning our workers temporarily working abroad, it is largely true that the few "successful" cases of returnees which are depicted on television represent the exception rather than the rule. In the last few years our workers have been returning in greater numbers; it is roughly estimated that as many as one-third of them have returned. It is also true that this is largely being done spontaneously and in a disorganized way which only contributes to reproducing the socioeconomic situation which caused the mass exodus abroad in the past years. The savings of our workers abroad have not been invested productively, in accord with broad social interests, i.e., on a long-term basis. This has not been in the interest of the returnees either. Thus, we have few examples of good and suitable pooling of funds, or planned investments in small business and other forms of stimulating the economic sectors which would contribute toward long-term economic stabilization. When critically assessing the effect of returnees up to now, we of course cannot proceed from the assumption that most workers who return from working in Western capitalist countries have turned into "small businessmen." They do not have enough savings or qualifications for this. So they are directed toward employment in associated labor, and such employment, at least at the moment, is limited. [Excerpts] [Belgrade KOMUNIST in Serbo-Croatian 3 Aug 84 p 10]

OILSEED CROPS--Although sunflowers were planted on about 80,000 hectares, or 76 percent of the planned area, soybeans on 79 percent and rape on 88 percent of the planned area, these areas were still 5 percent more than last year for sunflowers, 10 percent more for soybeans, and 25 percent more for rape. This year's crops are expected to yield about 140,000 tons of edible oil (unrefined). Annual need, however, amounts to 320,000 tons, so about $230 million will be needed to import the difference. The sunflower crop has thus far been developing well; thanks to scientific research, the fomopsis disease has finally been overcome. There will also be adequate amounts of sunflower seed resistant to this disease for next year's planting. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Aug 84 p 2]

BELGRADE BANKRUPTCIES--Of the 101 directors from the 41 Belgrade work organizations in which bankruptcy proceedings were initiated last year, most exchanged their director's chair for another one; i.e., 47 went into other OURs. In addition, 14 went into retirement, 5 went to prison, 4 went to another country, 4 remained unemployed, 2 went into artisan work, while only one remained in the same work organization. The Belgrade Assembly believes that directors and members of the management organs of collectives in which temporary measures [e.g. receivership] have been introduced should remain [in the collective] to share the fate with all employees. [Excerpt] [Zagreb DANAS in Serbo-Croatian 7 Aug 84 p 40]

DEFICIT WITH DEVELOPING COUNTRIES--In the first half of this year the volume of Yugoslav trade with the developing countries was $1,937,000,000, or $144 million more than that attained in the same period last year. But this represents more imports from these countries than exports to this market. We earned $818 million or 17.5 percent less than last year and at the same time imports costs us $1.119 billion, or 40 percent more than last year. Instead of the almost $200 million surplus last year, we now have a trade deficit of $300 million; while coverage of imports by exports has fallen from 124 percent to 73 percent. Most trade is with five countries, even though there are about 100 countries in this market. Iraq, Libya, Alberia, Iran, and Liberia account for almost 70 percent of our trade with the developing countries. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Aug 84 p 2]

TRADE WITH ARAB COUNTRIES--In the first half of this year our exports to Arab countries, with the exception of Iraq, increased 9 percent over the same 1983 period. At the same time imports declined 33 percent, so coverage of imports by exports was 167.8 percent compared to 158.3 percent last year. In regard to Iraq with which we export and import the most, there was a reduction in total trade: our exports amounted to $135.32 million, or 52 percent less than the first half of last year, while imports amounted to $149.78 million, or 4 percent less than last year. Trade with Egypt rose, with exports amounting to $127.51 million or 41 percent over last year, and imports amounting to $34.92 million, or 100 percent more. In regard to trade with Libya, our exports were 20 percent more, amounting to $117.68 million, while imports were 54 percent less, amounting to $85.33 million. Yugoslavia exported $69 million worth of goods to Algeria in this period (17 percent less than last year) and imported $10.89 million or 268 percent more. Significant volumes of trade were attained with Tunisia, Lebanon, Syria, Saudi Arabia, and Kuwait in this period. Exports to Tunisia increased 204 percent, to Lebanon 23 percent, to Syria 8 percent; while exports to Saudi Arabia declined by 34 percent and to Kuwait by 18 percent. Imports from Tunisia, Syria, and Lebanon declined, while those from Saudi Arabia and Kuwait increased. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 17 Aug 84 p 3]

OIL OUTLOOK FOR 1985--According to initial estimates of supplier organizations, next year we should import 13 million tons of crude oil and 1.813 million tons of oil derivatives. All together we should have 18.795 million tons of oil, including 3.982 million tons domestically produced, in order to close the energy gap and provide normal supplies of oil products. Last year showed that this year it is impossible to have a normal supply without importing 11.1 million tons of crude and 1 million tons of oil derivatives, and without a domestic production of 4.050 million tons of crude oil. Approval has been given to import only 10.6 million tons of crude and 1 million tons of derivatives this year, and the balance has not nearly attained even that which was planned. In the first half of the year about 2 million tons of crude oil were imported (data on this differ). It is difficult to believe that the difference will be made up by the end of the year. In estimating needs for 1985 one took into consideration the average consumption of derivatives in 1981-83 and total needs of new consumers in 1984, the planned increase in industrial production, water levels (with 70 percent probability), the average operation in 6,000 hours of all thermal electric power plants, priorities in supply, and planned exports of petroleum and oil products in 1985. [Excerpt] [Belgrade PIRVREDNI PREGLED in Serbo-Croatian 15 Aug 84 p 1]

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