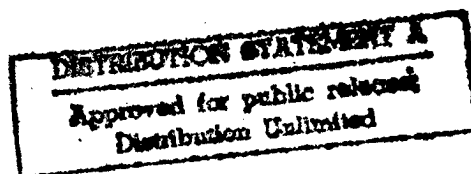


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JPRS-EEI-84-077

5 July 1984



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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5 July 1984

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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## INTERNATIONAL AFFAIRS

### DIFFERENCES IN ECONOMIES, GOALS COMPLICATE CEMA SUMMIT

Hamburg DIE ZEIT in German 8 Jun 84 p 28

[Article by K. Stipsicz: "Casting Surreptitious Glances at the West"]

[Text] "It should be apparent to just about everyone that relations between our country and that crisis-ridden segment of the world economy must be structured in a more sensible fashion in the eighties....The best solution would be to switch to free market rates in the commercial relations among the CEMA countries, too."

These prudent words were part of an article written by Budapest economist and planned economy expert Tamas Bauer in the Hungarian periodical MOZGO VILAG [World in Motion] in November 1982. Although hardly anyone in Hungary differs with this opinion, the very fact that it was so openly stated was felt to be scandalous. The socialist economic community of CEMA, after all, is one of real socialism's sacred cows. This economic community, the party journalists from Irkutsk to Havana and from East Berlin to Ulan Bator do not tire of telling their readers, is the "heart and soul of the socialist world." The figures with which this world can boast are impressive—at least at first glance. The club of ten—whose members are the seven European Warsaw Pact nations along with Vietnam, Cuba and Mongolia—is responsible for just about one-third of the world's industrial production, one-quarter of world income and one-fifth of the world's agricultural output.

What is commonly missing from these glowing reports is a direct comparison between the Red economic giant and the world of capitalism. Though Nikita Khrushchev dreamt of economic competition with the West in the early sixties, those occupying the 30-story CEMA headquarters on the Moskva River today no longer talk about that. What the CEMA planners are hoping for instead—without saying it out loud—is that there will be a healthy economic recovery both in Western Europe and in North America because such a recovery might help extricate the socialist countries from the crisis under which they have been laboring for a number of years.

CEMA was formed as a reaction to the Marshall Plan in which the governments of Poland and Czechoslovakia would very much have liked to take part. The advisers of Stalin's foreign minister Molotov designed a co-ordination center in January 1949 with the aim of cutting off the Central and East European nations--which had already been made to toe the political line--economically from the West as well. With revolutionary fervor, centuries-old trade patterns between Poland, Hungary, East Germany and Czechoslovakia on one side and West Germany, France and Great Britain on the other were simply redirected into socialist channels.

The dismantling of entire industrial complexes to benefit the Soviet Union and the precipitate socialization of economic life produced a suspicion of the propagandistically embellished advantages of socialist division of labor among these peoples which were transformed from Central to East Europeans against their will which has not disappeared until this day. In reality, socialist division of labor amounts to the following--the way they tell it in Budapest: "We deliver grain to the Czechs and they in turn deliver machinery to the Poles. The Poles then ship chemicals to the Soviet Union and as a final payment, we get a Russian folk dance ensemble in return."

The latent unwillingness to cooperate with the fraternal nations is rooted in fear of the almighty Soviet partner which produces 70 percent of the CEMA GNP (a figure which is still rising); which holds all the key posts on the executive committees of the economic community and has a quasi monopoly of major raw materials.

But uneasiness vis-a-vis big brother is only one of several reasons why the socialist community of nations has not developed along the lines envisaged by its founders.

In spite of their common ideological goals, the individual member nations do go about their economic planning in different ways. The Balkans-type underfulfillment-of-plan system operated by Romania cannot be compared with the strict economic planning methods applied by the GDR. And Prusso-Saxon centralism has very little in common with the decentralized system in effect in Hungary.

The CEMA monetary system is just about as efficient as Soviet agriculture. The complicated clearing system produces such chaotic conditions that each nation constantly feels it is being short-changed by every other of its socialist partners. Nor did the introduction of the transfer ruble as a supranational monetary unit do anything to change the bilateral flow of payments for goods and services. Instead of using the freely convertible community currencies in payment, any excess of annually agreed upon goods volume must be paid for in dollars. Trade surpluses within the community are carefully avoided, since these would for all practical purposes amount to granting credits to the importing country.

The differences in development among the various planned economies are quite substantial. Per capita GNP in the GDR, the richest of the CEMA member nations, exceeds that of Vietnam 40 times. The 1.7 million Mongolians are practically of no economic consequence beyond the confines of their borders. 95 percent of Mongolia's trade is with the Soviet Union and the country thus amounts to little more than an Asian province of Moscow.

Foreign trade integration within the Red community of ten is negligible. Trade between the smaller member countries with the Soviet Union is growing much faster on the average than with the remaining partners. But the virtually self-sufficient Soviet Union depends on imports and exports to a far lesser extent than landlocked nations such as Hungary and the CSSR for example.

Officially, everything still is in perfect order. "The goal of the Berlin council meeting is to enhance the economic strength of the member countries still further and to make better use of the advantages of socialist cooperation," was what GDR head of government Willi Stoph said last October, without going into particulars. These particulars are to be discussed by the party and government leaders of the communist economic club at their summit which has been in the "preparation stage" for a good 4 years and is now finally to take place on 12 June. The very fact that it took so long is an indication of the serious problems.

The mere need for agreement on the first agenda item--the supply of raw materials and energy--poses virtually insoluble problems for both the long-time experts and the personal physicians worrying their aged patients' blood pressure. The Soviet Union which supplies one-third of the primary energy needs and a full 90 percent of the crude oil needs of the GDR, Poland, Hungary, Bulgaria and Czechoslovakia is no longer willing to let the Bloc countries have the oil at bargain prices as it did until the mid-seventies. The very sharp price increases make it appear likely that the Soviet Union, the world's biggest oil producer, has departed from its practice of basing prices within the CEMA community on the 5-year world market average in the price of crude oil.

While Russian oil supplies were still gushing through the "Friendship" pipeline to the CEMA countries in the mid-seventies, the Soviet Union cut supplies by 10 percent down to 68.9 million tons in 1982. To make things worse, prices were simultaneously raised by 29 percent and by another 17.1 percent one year later. In some cases, the oil-hungry East Europeans are now buying oil at higher prices than on the Western markets, which are based on supply and demand. Obstreperous Romania, whose leaders thought in the early seventies that they might escape the clutches of their unloved brethren by instituting an ambitious industrialization program, now must even pay for 1.5 million tons of Soviet oil each year in hard currency.

The USSR's trading partners, suddenly shocked out of their state of planning lethargy, are now supplying the fatherland of the working class with at least 30 percent more machinery, plant facilities and agricultural products than a decade ago. But the quantity of oil received in return has not increased accordingly—which would seem to be a classic case of deterioration of the terms of trade.

For the populations of the smaller CEMA member states in Europe this newly awakened price consciousness on the part of the Soviet Union has not only resulted in higher prices for gasoline and heating oil but also in air pollution. The billowing smokestacks of the power plants have swept the meekly voiced arguments of environmentally concerned comrades off the table once again. Because of the high cost of oil and the lack of nuclear power coal is back in style for the generation of electric power. Environmental pollution in the industrial centers of the GDR, of Poland, Czechoslovakia and the Soviet Union has taken on life-threatening dimensions. An environmental study carried out by the Academy of Sciences in Prague and smuggled to the West has found that infant mortality in the industrial areas of northern Bohemia is 12 percent higher than in the rest of the country. Entire species of animals are threatened with extinction and more than half of all forests are affected by acid rain.

The main thing lacking for the installation of filtering equipment is money. The CEMA member nations presently owe Western banks more than \$80 billion.

But in other respects, too, the balance sheet to be drawn up by the participants in the Eastern summit—if they are honest—does not look particularly impressive.

The transition from extensive (or quantitative) to intensive (or qualitative) growth is not making any real headway given the blunt instruments of a planned economy.

In spite of videorecorders, washing machines, dishwashers, full automation and neon signs, the Western part of Europe uses less energy per capita than the Eastern part.

The standard of living in the peoples' democracies is declining slowly but steadily.

The head of the first socialist state on German soil was forced to admit a year ago that even the labor productivity of the GDR—the fiar-haired boy of CEMA—was 30 percent less than that of the Federal Republic.



The ailing transportation system needs to be thoroughly overhauled. A great many industrial products—if they arrive at their destination at all—get there late or in a damaged condition. For years, some shipments have simply disappeared along with railroad cars they were in.

The joint nuclear energy program—codenamed "Peace"—has been delayed. Only about 4,900 MW of the 37,000 MW nuclear power plant capability planned for 1990 is operational today. Thus, CEMA energy managers are back in the dark present rather than in the brilliant future. The frequent breakdowns in the joint power grid and exports to Western Europe have resulted in repeated power cuts particularly in Poland and Romania.

The agriculture of the workers and peasants states can no longer feed its own population—with the exception of Hungary and Bulgaria. Food ration cards are in use in four of the CEMA nations: Poland, Romania, Vietnam and Cuba.

In their desperate search for hard currency, socialist automobile salesmen, machinery salesmen and power plant builders are underbidding each other in third-country markets—both in terms of price and quality, as reduced sales in the Arab states indicate. One thing the state-owned economies have in common is a lack of precision machinery, computers and agricultural products and a surplus of luxury goods for the higher-ups.

The solution of these many problems is made all the more difficult by the fact that the Red Ten are solely agreed that there are "certain problems." There are a great many suggestions for solutions which keep the system intact. But any reforms which might help correct the fundamental shortcomings of the socialist system are as yet unthinkable. Hungarian economist Tamas Bauer, to be sure, proposed in his "scandalous article" that the member nations should "work for conditions in which every entrepreneur and every firm in the competitive sector produce what they think right—above and beyond the military obligations and the bilateral agreements within CEMA." But statements such as this are quite utopian for the time being at least. CEMA headquarters has been turning out for years what it thinks best—and that is, simply, paper.

Far from playing the part of a democratic decision-making apparatus on behalf of the member states, the crew which runs the Moscow bureaucratic fortress is operating in a vacuum. There is no doubting the political will of the Soviet Union to take full advantage of its economic superiority at the negotiating table.

"Our capability to make additional raw material deliveries," said Minister President Nikolay Tikhonov, "will depend to a large extent on the degree to which the CEMA member states are prepared to supply the Soviet Union with important products."

The displeasure of the Moscow overlords who invested no less than \$20 billion in the economic stability of the East and Central European glacis nations over the past decade by American estimate is above all directed at their state export organizations which shipped modern machinery and consumer goods to the West in exchange for hard currency while putting off the Soviet Union and, even more so, its CEMA neighbors with industrial products of inferior quality.

Nor are the interests of the various smaller-size fraternal nations identical by any means. Only Bulgaria is a textbook example of integration. The last of the Russophile islands in Europe three-quarters of whose foreign trade is conducted with its socialist colleagues has always played the part of fugleman of Eastern integration. Almost bankrupt Poland and Romania, on the other hand, do not have much to lose economically. The Romania of Nicolae Ceausescu would like to make its untapped "modern" and "superior" industrial capability (as Prime Minister Constantin Dascalescu has put it) available for the production of sophisticated electronics products. Anyone who has ever tried to place a call in Prague or Budapest from one of the "Made in Romania" public telephones will not be so terribly inclined to take the Romanians up on their generous offer.

The Hungarian government, for its part, is in a position to take a somewhat less aggressive stance than the Romanians. Though the attempt to find an alternative to strict central planning along Stalinist lines without "surrendering socialist achievements" has not been an unqualified success, it is still viable and while earning recognition for Hungary in the West has continued to keep Moscow's suspicions alive. The Magyar urge toward the West and the economic reform are being tolerated by the encrusted East European political establishment but still being watched with distrust.

Incomparably more important for the political and economic strategy of the Bloc is the German Democratic Republic. Particularly since the cancellation of a great many Western deliveries the East German capital goods industry has been saddled with a key role in the Eastern economic community. To be sure, the SED leaders keep on saying that they are for even closer cooperation with Moscow; but a variety of small steps and particularly political developments over the past several months—such as Honecker's coming out in favor of limiting losses and of a security partnership—make it clear that the loyal member of the Eastern alliance would rather not burden its very advantageous economic relationship with the FRG.

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BULGARIA

FOREIGN CURRENCY REGULATION APPLICABLE TO PRIVATE PERSONS

Sofia IKONOMICESKI ZHIVOT in Bulgarian 16 May 84 p 14

/Article: Currency Regulations Applicable to Private Persons in the People's Republic of Bulgaria/

/Text/ In response to questions by readers of IKONOMICESKI ZHIVOT concerning the regulations on currency restrictions in our country, our editor contacted Borislav Penchev, candidate of economic science and director of the Currency and Financial Relations Department of the Ministry of Finance, with the request to comment on some of the essential features of the decree on transactions involving foreign exchange and exchange control. Here is what he told us.

The restrictions on foreign exchange in the People's Republic of Bulgaria are regulated by the decree on transactions involving foreign exchange and exchange control adopted by the National Assembly and published in issue No 51 of DURZHAVEN VESTNIK of 1 July 1966. The decree established control over transactions and actions involving foreign exchange, and its purpose is to safeguard the state currency monopoly existing in the country.

All transactions and actions involving foreign exchange contracted and carried out by local persons or between local and foreign persons are subject to exchange control. Foreign exchange as defined by the decree consists in foreign bills, coins and paper money which are legal tender abroad, such as checks, bills of exchange, promissory notes, credit letters, payment orders, transfers, letters of credit issued in foreign currency, foreign securities (stocks and bonds), coined or processed gold, silver or platinum and precious stones when they are the object of transactions between local and foreign persons, or when they are imported or exported in larger than customary amounts.

The decree explicitly defines who are local and foreign persons. According to the decree, local persons are all physical and legal persons whose permanent or regular residence is in the People's Republic of Bulgaria, regardless of their citizenship. Foreign persons are persons

who have been absent from the People's Republic of Bulgaria for 6 months or who intend to settle abroad and, also, the foreign diplomatic, consular, trade and other representations, international organizations, the members of these representations and organizations, their families and the foreign personnel in their service.

I would like to note that the restrictions on foreign exchange in the People's Republic of Bulgaria do not hamper the relations between foreign persons visiting the country for commercial transactions, personal affairs and tourism. Article 30 of the decree says that foreign persons may deposit in "foreign leva" Bulgarian Foreign Trade Bank accounts sums acquired through the sale of foreign currency or in payment for foreign goods and commissions payable in foreign currency. They may freely draw on these accounts and receive foreign currency against the amounts drawn according to regulations established by the bank. The same persons may also maintain at the Bulgarian Foreign Trade Bank current and bank deposit accounts in foreign currency. The bank pays interest on foreign currency bank deposit accounts of foreign persons. The rate of interest paid depends on the conditions set forth by the Bulgarian Foreign Trade Bank at the opening of the account. The owners of these accounts may withdraw leva amounts to pay for goods from the Korekom domestic trade organization, for tickets for transportation by air, rail, or sea and for travel abroad. Transfers to other Foreign persons from accounts with the Bulgarian Foreign Trade Bank and payable in foreign currency always are calculated at the exchange rate of the Bulgarian People's Bank, announced in monthly bulletins.

Foreign persons may maintain interest-free "local leva" bank deposit accounts at the branches of the State Savings Bank to deposit sums acquired through the sale of personal or inherited real estate or amounts from inherited bank deposit accounts. Sums of money may be drawn from these accounts for expenditure in the country and for buying plane tickets for the owner of the account and the members of his family for routes flown by BA-Balkan planes.

In principle, foreign persons visiting the People's Republic of Bulgaria for various reasons such as trade, private visits, tourism, health or study are free to import foreign exchange. Bills, securities and other instruments in Bulgarian leva may not be imported. Foreign persons are not required to declare the foreign bills, coins and checks carried by them.

According to the international agreement of 24 June 1963 and the bilateral agreements between the Bulgarian foreign trade bank and the respective banks of the countries concerned, foreign persons, citizens of CEMA member countries, when abroad, may export and exchange in the People's Republic of Bulgaria national currency in bills up to 30 rubles.

The import of unusual amounts of precious metals such as gold, silver and platinum in the form of coins, of precious stones, gold and silver ornaments and foreign instruments of payment such as promissory notes, drafts, securities (stocks and bonds) must be declared to customs at the border control points. The customs officers are required to issue an inventory list which must be presented when exporting the objects at the time of leaving the country.

Foreign persons may export foreign currency and financial instruments previously imported by them. Foreign persons, when leaving the country, may ask the exchange office at the border to exchange into foreign currency their remaining levas provided they were acquired through previous exchange of foreign currency against a bank statement. The amounts involved may be transferred abroad against the bank statement through the Bulgarian foreign trade bank or to a "local leva" account with the state savings bank for use during a subsequent visit to the country.

Foreign persons are allowed to export artifacts bought with foreign currency at special shops and stands. To do so they are required to present the sales receipts to customs. Foreign persons visiting the Bulgarian People's Republic pay all purchases and services with Bulgarian levas acquired through exchange of currencies at the exchange office.

When exchanging foreign currency, foreign persons receive the equivalent in levas based on the exchange rate of the Bulgarian National Bank announced in monthly bulletins. This rate is published monthly in DURZHAVEN VESTNIK. They may receive an 80 percent bonus if they are tourists or have paid in advance two overnight stays at an establishment of the Bulgarian Association for Tourism and Recreation. For example, the official exchange rate of the Bulgarian National Bank for 1984 is 80.10 levas for 100 Canadian dollars. Foreign persons entitled to the tourist rate will receive 144.18 levas for 100 Canadian dollars. The tourist exchange rate is applicable only to exchange carried out at the exchange bureaus of the Bulgarian Association for Tourism and Recreation; that is, at the establishments of Balkantourist. The exchange counters at the Bulgarian National Bank and its branches in the country do not pay the tourist bonus.

The foreign currency regulations applicable to private persons in the People's Republic of Bulgaria are aimed at safeguarding the currency-related interests of the national economy and at contributing to the development of mutually profitable economic, scientific and technological cooperation between countries.

12653

CSO: 2200/126

## MECHANISM OF SOCIALIST MARKET ANALYZED

Sofia NOVO VREME in Bulgarian No 5, 1984 pp 29-40

[Article by Professor Georgi Petrov, doctor of economic sciences: "Economic Levers for Controlling the Socialist Market"]

[Text] The 12th Party Congress and the National Party Conference on quality raised with particular urgency the problem of the fuller utilization of the socialist market in resolving the main problem of production intensification and satisfying the needs of the working people. However, this depends to the greatest extent on the creation of a proper system of economic regulators of commodity-market relations.

In the practice of the socialist countries, economic means of controlling commodity-market relations are known as economic levers or instruments. In order to meet their purpose, they must be inherent in commodity-market relations and be interwoven with them. Such are, precisely, the value categories of money, price, credit and interest, as well as economic categories inseparably related to the existing and functioning of the governmental superstructure: currency exchange rate, taxes, normative budget outlays, etc. Although some economic levers may not be value categories by themselves, they predetermine the distribution and utilization of the income of the participants in commodity-market relations. They include above all the unified and usually maximal norms of income distribution and establishment of special enterprise funds.

The nature, organization and utilization possibilities of economic levers are determined by the form of ownership and, more specifically, the nature of commodity-market relations and the state superstructure under socialism. For this reason, before undertaking the study of the types, purpose, organization and application of economic levers in controlling the socialist market, we must consider some general problems relative to the nature and characteristics of this market.

### 1. Nature of the Socialist Market<sup>1</sup>

For a long period of time economic publications avoided or bypassed basic problems of the nature and laws of the market under socialism and its characteristics, areas and forms of manifestation and utilization, and its

organization and planning. Markets are inherent in commodity output and are inseparable from it.<sup>2</sup> They are a form and area of exchange through the purchase and sale of commodities produced by separate economic units and are appropriated by mutual agreement, as reflected and codified in the contracts they conclude (regardless of whether this is done juridically or not).<sup>3</sup> The social value of the commodities as a trading and market value, expressed through prices, is manifested within and through the market, while the commodities themselves are marketed as consumer and other values. No commodity production is possible without a market or a market without real commodity relations.

The existence of a market presumes more than the mere acknowledgment of the marketable nature of socialist production. We must also create common prerequisites for commodity relations by organizing the enterprises on a truly self-supporting basis (on the basis of the possession and management of public productive capital), guaranteeing them the right to handle the products of their work and to trade in them on the basis of mutual agreement.

Some bourgeois economists (John Kenneth Galbraith) and some authors in socialist countries identify the market with one of its forms, i.e., with the free and unorganized market of industrial capitalism or simple commodity output. It is on that basis that they proclaim the disappearance of the market in contemporary large-scale output based on stable contractual relations among large companies. In reality, all that has changed is the form of market relations whereas the relations themselves remain for as long as commodity production is maintained.

The nature of market relations under socialism is determined by the public socialist form of ownership of productive capital in its specific manifestations. The participants in the socialist market are not capitalist nor, generally speaking, private enterprises but large socialist economic units which represent the unity of labor collectives and their possession and management of public productive capital. The worker is not separated from or pitted against productive capital. As a member of society and through society he owns such capital and as a member of a specific collective and through the collective he is the owner and direct manager of such production capital. He is a working owner. His purpose, as a production subject, is to produce a greater amount of consumer values needed to satisfy individual, collective and social demand.<sup>4</sup> In the course of the social division of labor and the relative autonomy of economic units as commodity producers, this objective is manifested directly in the interest and the purpose of creating and marketing more exchange values. The exchange value, however, should not become a self-seeking end, for no conditions exist for its conversion into capital and for the exploitation of outside labor. Differences in the incomes of the individual commodity producers, due to different technical levels and organization of labor, different market positions and deviations between prices and values cannot lead to the bankruptcy of some producers and the transformation of other producers into capitalists.

Such ownership relations are protected with all the forces available to the socialist state superstructure, which represents the common interests of all

producers. The main reason, however, is that the nature of contemporary production forces, labor means above all, demands and objectively determines not the stratification of producers and the restoration of private ownership in any one of its manifestations, but the further socialization of production and its growth into communist production.

Consequently, under socialism the market is a form of socialist production relations and its improvement and utilization leads not to the destruction but the consolidation, reproduction and development of such production relations.

Commodities which are at the disposal but not fully owned by economic units are traded on the socialist market. Society remains the actual owner, now represented by the state. This is the reason for the relatively more limited rights of the economic units in handling such commodities and the objective obligation and opportunity for the owner to organize and manage systematically the entire reproduction process, including commodity-market relations.

Another essential feature of the socialist market is the fact that, given the unity of the labor collective and public productive capital, the economic unit cannot appropriate productive capital as a whole (factories, plants, land, natural resources). This right belongs exclusively to the owner.

Profound qualitative changes in the form of market relations occur under socialism. Under the conditions of high-level concentration, specialization and socialization of production, the exchange of commodities is achieved mostly by large economic units which enjoy a monopolistic or oligopolistic status. It becomes possible and mandatory for market relations and the production process itself to be anticipated and included in contracts drafted in advance. The single public socialist ownership is a suitable foundation for the contemporary production forces in achieving the objectively necessary conscious and planned organization of commodity output and market relations on a social scale, within the framework of the entire country or a group of countries. Competition (economic competition under socialism) is restricted and interwoven with monopoly. This hinders the objective process of establishing and displaying the social value of the commodities for, as Marx pointed out, all commodity production categories become real only within and through competition.<sup>5</sup> In order to avoid value and price to be deformed under such circumstances and to achieve the deliberately set production objectives, on behalf and in the interest of the entire society the state participates more directly in the process of the setting and dynamics of sale prices and proportions. However, this means the strengthening of the planned organization and centralized management and control of market relations and the production process by the state and, consequently, their modification and gradual growth into their opposite. At the very beginning of the 20th century, Lenin drew the conclusion that under imperialism the development of production forces and the concentration and centralization of capital undermine the commodity form and lead to the appearance within it of elements which reject it and turn it into a transitional form, into the "final step" leading to a new higher social system.<sup>6</sup> This Leninist conclusion applies to an even greater extent to contemporary capitalist production and, particularly, socialist commodity output.



## 2. Place of Economic Levers in Centralized Planned Control of Market Relations and the Entire Reproduction Process

By its very nature, the commodity market is a self-regulating and self-tuning system. The competition mechanism and the fluctuating prices, depending on the ratio between supply and demand, lead to the steady and reciprocal adaptability of production and consumption but, at the same time, also the steady violation of proportionality. Marx proved that a coincidence between prices of individual commodities and their value is only an aspect, an isolated case in their steady deviation from value.<sup>7</sup> This means that a market equilibrium and, consequently, the production proportions on which it is based, are possible only as an average trend over a longer period of time. The law of value, being a law of prices and a regulator of ratios, operates spontaneously behind the back of the producers.

Under socialism, a commodity market cannot operate in this manner. First of all, because socialism considers unacceptable losses caused by the steady violation of proportionality, which could reach huge amounts as a result of considerable and durable investments in productive capital. Secondly, because the public ownership of productive capital could not be realized economically unless the objectives and ratios within the production process are not established in advance and supported consciously and continually.

Under socialism, as a result of the true socialization of production capital, the main objective prerequisites are created for the functioning of the commodity market on a planned basis and for increasingly restricting in terms of time and strength violations of its balance and, consequently, of production ratios. If several large economic units are operating in individual sectors, they can organize on a planned basis not only production within their own limits but also to anticipate and consolidate within relatively stable long-term contractual (market) relations indicators governing the volume, variety, prices and trends in marketing the commodities they produce.<sup>8</sup> The necessary coordination of activities of economic units within the sector is achieved through their voluntary associations. As the spokesman for the common interest of all producers and as the only owner of productive capital, the state has the possibility and the duty of determining on a planned basis the common objectives and production ratios and to create conditions for their implementation. Under socialism there is no automatic mechanism for shaping and achieving global ratios, independent of conscious social activities.

The role of economic levers under such circumstances is to act as a transmission for organically linking the interests and independent decisions of commodity producers in the course of the production process and in the market with their common interests, materialized in the objectives and tasks of the unified plan for the socioeconomic development of society. However, this presumes the existence of a sufficiently perfected system for democratic decision-making, with the participation of all working people, concerning the common objectives and ratios of the production process.

The existence of a unified system of economic levers substantiated in terms of form and quantitative values leads to a steady balancing through the reciprocal

adaptation of the overall solvent demand for goods and services and their production and offer on the level stipulated in the long-range plan. In other words, an overall balance (overall ratios) is ensured within the economic system and its possible optimal level. In this case the economic levers act in two directions. On the one hand, they regulate (predetermine as a whole) the volume and structure of solvent demand and, consequently, of consumption, based on the objective possibilities of the production process of satisfying them at all development stages. On the other hand, they influence production and offer so that they may work at capacity and take into consideration overall consumer demand.<sup>9</sup> Without such an overall balance the market and the production process could not operate normally, value relations and categories would be deformed and would no longer fulfil their purpose in regulating specific ratios. Society would suffer substantial material and labor losses.

It has been pointed out that by itself the market mechanism has never been nor could be a sufficiently advanced and "economical" means enabling society to regulate and always maintain specific production ratios. This applies to the socialist market as well and is due to several reasons. On the one hand, the positions of the partners in market relations are not equal as a rule. One of them may be a larger producer (seller) or purchaser and have secured for himself a stronger monopolistic (oligopolistic) position compared with the other. The stronger party can impose upon the weaker one the prices suitable to it and unsuitable to the other and, consequently, a deviation between "natural" or optimal and actual proportions in distribution and production. Such price and ratio deformations may appear indirectly as well through the corresponding deviation of the quality and structure of commodities sold or bought from the normal standards. On the other hand, even in a higher concentration, specialization and cooperation of output and a corresponding strongly developed system for the coordination of plans and actions of commodity producers through their associations, the available information may be incomplete and inaccurate, as a result of which certain disparities may develop between supply and demand and between the production and consumption of individual commodities at different times. Thirdly, the value categories themselves, through which the interests and the adaptation of the decisions of the participants in market relations take place through steady reciprocal coordination, acquire quantitative values in each specific case which come close to but, as a rule, do not entirely coincide with optimal and objectively defined values. Fourth, even with the most developed forecasting system and the preliminary coordination and agreement reached between commodity sellers and purchasers, a certain inertia exists, a certain difference between the moment of changing conditions and the appearance of indications to this effect and the moment of reaction on the part of commodity producers. Fifth, under socialist conditions as well commodity-market relations contain the possibility of accidental, spontaneous, speculative or, generally speaking, unforeseeable phenomena and actions.

All of this demands that the socialist state engage in the direct coordination and regulation of market relations on a national scale, extensively using more differentiated and selectively acting economic levers. Through economic levers and, if necessary, suitable administrative means the state neutralizes the negative phenomena inherent in a commodity market and compensates for its

possible inefficiency from the viewpoint of the objectives and nature of planned socialist production. Let us emphasize in this connection, however, that state regulation of commodity-market relations under socialism is substantially different from state-monopoly regulation under capitalism, not only because the former is in the interest of the entire society but also because it is an element, an organic component of centralized planned management of the entire reproduction process, rather than an additional means for correcting and adjusting the automatically operating market mechanism. Occasionally this difference remains unnoticed (subconsciously or consciously), for the external forms and instruments of state regulation of market relations in the two systems are similar or identical in many cases.

The economic levers of state planned regulation of overall ratios and ensuring the overall equilibrium of the market are organically related to and predetermine the direction of the more differentiated and selectively acting levers and instruments. All of them are part of a single internally non-contradictory system. All economic levers manifest their influence through distribution relations and the interests of the participants in commodity-market relations. By changing to one extent or another the amount of realized and retained income, based on criteria and norms set in advance, the economic levers affect the strength and the direction of the interests of commodity producers and, consequently, their decisions and actions in the market and the production process. At this point we must especially point out that economic levers can not only intensify incentives for economic and production intensification (a case in point is the tax on productive capital), but also weaken or even eliminate such incentives (in taxing wages in a progression unjustified in terms of extent or manner).

With a sufficiently complete and sustained system of economic levers for controlling the socialist market (and production) the use of administrative means may be reduced to a minimum. Under these circumstances, administrative means, to the extent to which they will be used, will serve as a sort of insurance, a guarantee that the corresponding objectives and tasks set with the state plan will be mandatorily reached if not by virtue of the interests of commodity producers, directed by the economic levers, at least as a result of administrative coercion. However, in using administrative mandatory indicators and ceilings we must always bear in mind, first of all, that they too are not a miraculous means and cannot in all cases guarantee the implementation of the state plan (as confirmed by practical experience); secondly, that the dynamic and stochastic nature of commodity relations may turn them into the main obstacle in the prompt adaptation of the participants in market relations to changed circumstances and, consequently, into a source of disproportions and waste of social labor.

In some areas of socialist production the development of production forces and the socialization of labor have reached or are reaching a level in which the commodity method and market relations become unnecessary and objectively surmounted. If nevertheless commodity-monetary relations are used in such areas, they have already essentially lost their specific content. Within such relations the production and distribution of products take place without the help of the market, on the basis of the direct management of all economic processes

and relations. This is objectively necessary and justified. Direct management in this case is no longer administrative management in the sense of bureaucratic administration, as is its nature in areas in which the commodity form remains an objective necessity and a given factor. A great deal of confusion and lack of clarity exists on this matter in theoretical and practical interpretation.

In recent years, the theory of controlling the socialist market through its system of economic levers without, however, ascribing to the economic units the feature of true commodity producers operating on the basis of total self-financing, has been most extensively supported and developed in economic publications and even in the daily press. Most generally speaking, this theory is as follows: all producers must (by law) accept and reflect in contracts and plans requests submitted by consumers regarding the type, variety and quality of goods and conditions of delivery. The assessment of their activities and the payment for their labor (bonuses) are dependent on the extent to which such requests have been accepted and carried out and the satisfaction of consumer demand. The observance of the stipulated norms and ceilings of expenditures is a condition for earning the right to a bonus (in some varieties of the same theory wages and bonuses are also related to reaching the established "stable" indicators of normative net output). However, a number of most essential questions are not answered, i.e., how could all consumer requests be accepted considering the inevitable scarcity of some production factors if balancing market prices are not used? Who will provide a quantitative assessment of the fulfillment of consumer requests, and how? How to resolve conflict between the interest and the obligation of meeting all consumer requests and the interest and obligation of observing normatively stipulated expenditures?

### 3. Problems of Organization and Use of Economic Levers in Controlling the Market

The 12th Party Congress reasserted most categorically the stipulation of the commodity nature of socialist production and, consequently, the real existence of a market. Today one of the main obstacles to the actual application of the economic approach and to limiting bureaucratic administration is the lack of a developed system of economic levers for controlling commodity-market relations.

In an imbalanced market and scarcity and with the use of administratively mandatory indices of distribution of most commodities, money is unable satisfactorily to fulfil its role of universal equivalent, of a universal purchasing instrument. This hinders the implementation of all of its other functions and its use as a universal control over the measure of labor and consumption and an incentive for saving time. All value categories and levers based on the existence and use of money becomes distorted.

In order for money to be able to carry out its specific functions and role under socialism, normally and under social control, it is necessary (and possible) to restore the overall and sectorial balance of the market, reduce to a minimum administratively mandatory indicators of volume, variety and

distribution of commodities and production factors, and to create conditions for setting substantiated prices.

Under the old price setting system, the sale prices of many commodities (unchanged over long periods of time) were unsubstantiated and unacceptable to commodity producers.<sup>10</sup> They did not balance market supply and demand. Different and uncoordinated prices existed for sellers and purchasers of consumer goods, which excluded any coordination and agreements among them. With such prices the functioning of self-supporting enterprises was impossible, for the coordination of their interests and their contracting for volumes and varieties of exchanged goods was equally impossible. The administratively mandatory indicators, the redistribution of income among economic units and tying wages to the implementation of the mandatory physical or value indicators approved by the state were an effort to eliminate partially the adverse effect of such unsubstantiated prices. However, since no other universal measurement for labor had been found and commodity relations could not be eliminated entirely, unsubstantiated prices adversely affected the entire reproduction process.

The main trends were determined in theory and practice, and essential steps were taken to resolve the problem of setting substantiated prices and their use as the most important economic lever in the planned control of commodity-market relations by the state. The prevailing opinion is that factory prices must be eliminated by introducing a normative turnover tax in percentage of uniform sale prices which must be coordinated and agreed upon between sellers and purchasers under the supervision of the state and within the limits established by it. Guided by their interests as commodity producers, sellers and purchasers would agree to produce, sell and buy commodities at prices based on production costs and depart from them on the basis of supply and demand (balancing them). They would be subject to the indirect influence of international prices regulated by the state. Naturally, it is necessary to limit the artificially created and, until recently, legally codified monopoly rights granted to some sectorial economic organizations (by breaking them up) and eliminating administratively mandatory indicators of the volume and variety of the majority of produced commodities and, on this basis, developing the economic competition among enterprises within the sector and among various sectors and on the world market. It is not a question of a return to free competition as practiced by industrial capitalism, but of potential or actual economic competition, limited to a certain extent by large-scale production conditions, between socialist enterprises, combined with cooperation and mutual aid among them and regulated by the state. This would be a competition less through prices than through the variety and quality of goods and services.

It is precisely such sale (market) prices under socialism which play the role of a consciously used economic regulator of the market and the production process, rather than an uncontrolled and automatic market regulator. The very nature of the commodity method under socialism objectively demands and makes it possible for the state to participate in the entire price setting process, estimating in advance the socially necessary labor outlays for a limited number of large commodity groups and, on this basis, by determining overall levels or ceilings of sale prices and, after they have been agreed upon, to

approve and record them (while helping the weaker side). Furthermore, the state influences indirectly, through some taxes and other instruments, the link between prices and the final marketing of the domestic and foreign markets, as well as producer prices without, however, eliminating this connection. Such prices can be the main economic lever in optimizing and realizing planned ratios and balances, steadily maintaining the balance between the market and the production process and encouraging time-saving.

Interests and credits are currently used insufficiently and inefficiently as economic levers in regulating the socialist market. In addition to the general reasons we indicated, this is also due to the lack of work on the problem of changing the level of the average (basic) interest rate in accordance with the existing correlation between overall demand and supply of commodities (as well as other production factors) and the pace of economic growth stipulated in the long-term plan, the ratios governing the distribution of the national income between consumption and accumulation, and other basic production tasks and objectives. We have still not restored the connection (indirectly controlled by the state) between interest rates charged for active and passive credit operations. Despite the great demand for resources and the pressure to increase capital investments (which lengthens construction time even further), the basic interest rate charged on investment credits and deposits remains low. No tax is levied on productive capital. Bank credits for capital investments are still largely allocated not on an economic basis, through the use of competition, but in accordance with the approved indicators and ceilings for investment expenditures and the size of enterprise funds and amount of budget subsidies. Substantial shortcomings exist also in crediting working capital.

The socialist state can make use of interest rates (by changing the rate) and credits much more actively and flexibly in order steadily to maintain the equilibrium of the market within the parameters stipulated by the plan, while simultaneously pursuing a differentiated economic policy for the individual sectors, areas and production factors. However, this presumes limiting administrative activities not only in economic management and planning but in banking as well.

The foreign exchange rate should follow more accurately and flexibly changes in the ratio between the purchasing power of the leva and other currencies while at the same time actively contributing to maintaining the balance of payments.

Despite the frequent changes in the taxation system, it remains imperfect and does not fulfil its purpose as an important economic lever used in maintaining the overall balance on the market, achieving planned ratios and increasing incentives for production intensification and time savings and a more differentiated effect with a view to surmounting partial disproportions, helping individual sectors, etc.

The turnover tax and the excise taxes within it could and should as of now be converted from a price differential into a normative payment to the budget, differentiated by commodity group, in order to regulate on a planned basis the

structure of demand, consumption and production and bring it closer to the rational, the optimal structure. This presumes the updating and improving of the turnover tax rate, which was formulated in 1982, and the formulation of a long-term program for the gradual consolidation and reduction of tax rate differentiations. In order to eliminate the two different price levels (for productive capital and consumer goods), we must levy a turnover tax on commodities belonging to the first subdivision, by reorganizing it into a tax on added (newly created) value. On that exceptional basis, for a certain period of time, we could differentiate, increase or reduce the tax rate on the turnover of individual commodity groups with a view to additionally stimulating the faster increase in production or the lowering of consumption and restoring the market balance.

The customs duty rates, which were introduced in 1971 and have been officially applied so far, together with the additional taxes and fees on imports and combined with the so-called known-tariff restrictions, could and should become effective economic regulators of the volume, structure and origin of imported commodities. Through them the state can maintain the market balance, price uniformity on the domestic market and the balance of payments, while at the same time allowing a regulated influence between foreign competition and national enterprises. Customs duties and additional taxes and fees levied on imports can fulfil their role if they are initially set in a state of approximate consistency with the amount of the average difference between procurement prices of imported commodities and the national value (production price) of the same or interchangeable commodities of domestic origin based on records for the past 2 or 3 years, bearing in mind also the long-term structural policy of the state. Such customs duties and fees should be computed within the prices of imported commodities (inasmuch as market conditions make this possible) and reach the final consumers, thus influencing demand and consumption.

The land tax is the only method consistent with the nature of rental under socialism for its accumulation within the centralized monetary fund of the state, which is the owner of the land and natural resources. It can play a decisive role in eliminating the influence of different natural production conditions in agriculture, forestry, the extracting industry, etc., on the income of economic units, stimulating the fullest and most expedient use of limited natural resources and truly intensifying the work of respective production sectors. The setting up of uniform sale (and purchase) prices of agricultural commodities, based on their production cost under the relatively worse conditions, and the use of a graduated land tax would surmount the current deformation in the market for such goods and eliminate the need to use administrative-mandatory purchasing (and production) indicators which proved their ineffectiveness. This will also eliminate the currently existing and totally unjustified privileged status of private and other producers who market agricultural commodities outside the mandatory purchasing system.

Under real commodity relations, the productive capital tax can successfully play the role of additional incentive in production intensification by contributing to the fuller utilization of capacities and lowering of inventory and thus balancing the market and securing the other balances. Along with

the other economic levers, the productive capital tax would contribute to upgrading the efficiency of capital investments and restricting their size to the level of the real possibilities of the country as reflected in the overall planned ratios and balances.

The graduated profit in consumer income taxes, if substantiated in terms of their form and amounts, could play a leading part in controlling the ratios of primary distribution of income of economic units for consumption and accumulation, without undermining (as is currently the case) incentives for intensification, technical progress and higher efficiency.<sup>11</sup>

The use of accelerated and nonlinear methods of amortization in some sectors, as well as depositing a certain (small) share of amortization withholdings in the state budget, could contribute to the accelerated use of scientific and technical progress and the more flexible and differentiated control of ratios and financial balances.

The setting of uniform, relatively stable and, as a rule, maximal norms for income distribution and formation of the special funds of socialist enterprises by the state plays an important part in controlling commodity-market relations. Such norms, together with taxes and interest rates, ensure the implementation of the ratios stipulated in the long-term state plan for the primary and final distribution of the national income, balancing the market as well as value and material resources. The more consolidated and stable such norms are and the better their values are substantiated, the better they will be able to perform their regulating role and not undermine cost accounting and related incentives.<sup>12</sup>

Budget outlays play the role of an important and efficient economic lever in controlling commodity-market relations and achieving basic planned ratios, if they are set as normative price markups for specific commodity groups or subventions for capital investments (with a mandatory share of participation of enterprises). The price markup norms must be based not on planned but averaged accountability data in order not to encourage the drafting of easier plans. The greatest danger to balancing overall consumer demand and commodity offer is the practice which was established in our country during the 1970's of replacing budget financing partially (due to shortage of budget funds) with bank crediting of sectors and activities which do not meet credit requirements and are unable to repay the loans. Essentially, this constitutes secret deficit financing and is one of the prerequisites for inflation.

Enterprise profits and wages are not only objects of economic control but themselves perform the specific functions of economic levers in state planned management of the reproduction process, i.e., in market demand and supply. So far no satisfactory solution has been found to the problem of state control (limiting) the growth of wages and profits accumulated by the enterprises without weakening and undermining economy and efficiency incentives.



#### FOOTNOTES

1. The consideration involved the entire commodity market instead of, as is frequently the case, the market for consumer goods only.
2. V. I. Lenin, "Pulno Subr. Such." [Complete collected works], Vol 1, p 88.
3. K. Marx and F. Engels, "Such." [Works], Vol 23, p 97.
4. Ibid., Vol 46, part I, pp 426, 436.
5. Ibid., Vol 46, part II, p 140.
6. V. I. Lenin, op. cit., Vol 27, pp 309, 321.  
K. Marx and F. Engels, op. cit., Vol 46, part II, p 140.
7. Ibid., Vol 23, pp 88, 114.
8. Along the line of cooperation and technical relations, the large enterprises manage, organize and provide planned guidance of small specialized economic units (if such exist).
9. It is possible to argue against the view expressed in economic publications to the effect that in the use of economic and value levers and categories (prices and profits above all) we inevitably encourage the automatic definition of overall ratios and the production development pace. Suffice it to consider the indirect regulators between the overall profit norm and the norm of the profit left to the enterprises and used for accumulations to realize that no such automatic feature exists.
10. According to the 1982 new price regulation, prices of all commodities must be coordinated (agreed upon) between producers and main consumers before their approval.
11. The currently used graduated tax for controlling the growth of gross wages in each enterprise in terms of the previous year has such a strong and fast rising progression that it kills incentives for a more significant increase in social labor productivity and is furthermore uneven. Even less substantiated is the proportional tax on profits, differentiated in accordance with approved enterprise planned assignments.
12. The norms currently used in setting up the Development and Technical Improvement, Social and Cultural Measures, Wage and other funds are unsubstantiated in terms of form and size. The growth coefficient of the Wage Fund, for example, kills incentives for a more substantial increase in labor productivity.

PRODUCTIVITY MEASUREMENT, IMPROVEMENT DISCUSSED

Prague HOSPODARSKE NOVINY in Czech 11 May 84 pp 8-9

[Article by Eng Jaroslav Kux, Federal Statistical Office [Part 1], Eng Milan Bellon, Eng Otakar Nemec, Prague Economic College [Part 2]: "Two Questions on Labor Productivity"]

[Text] Can We Measure It?

The correct measurement of labor productivity is always of great significance. It is an important aid in the planning and placement of workers in organizations, and an important criterion for measuring the effectiveness of work that has been performed. The question then cannot be avoided--to what extent are we able to express the actual level and development of labor productivity?

It would seem that techniques for measuring labor productivity should be basically constant and independent of changes in management techniques. In actuality, however, a given management system inevitably influences, either directly or indirectly, techniques of statistical measurement, so that these techniques do not act in conflict with the objectives of the given system or completely independently of it.

One must also be aware of another fact--labor productivity, while one of the main factors in determining the efficiency of the production process, is by no means the only one. Labor productivity as usually measured expresses only one aspect of efficiency, namely the efficiency of human labor measured by the number of utils produced per unit of performed work.

A major objective in measuring labor productivity is to compare its level with the plan or with a preceeding period. The methodological problems with both of these measurements are usually identical.

What We Want and What We Are Capable of

Statistical theory and practice is familiar with a number of techniques for measuring productivity along with their advantages and drawbacks. When choosing the optimal measurement technique based on the management of sophistication and the character of production activity, it is always effective to distinguish between two things.

These are, namely, the difference between what we would like to measure, i.e., the relevant idealized conception, and what we can measure in a given situation, i.e., a specifically applied technique, which is, in many instances, only a rough approximation of the chosen idealized conception. An important conclusion may be drawn from this: in Specified sectors or fields different specific measurement techniques may appear to be the most appropriate. Is it therefore essential to use unified measurement techniques in all instances?

Regarding the idealized conception for measuring labor productivity, it would not make sense in such a short article to get involved in profound theoretical discussions. There is no doubt, however, about the fact that we should compare only actually created value in a given stage of production (or enterprise) with performed work. This means that the most appropriate measurement concept is one based on net output.

At a macroeconomic level these conditions have already been best filled for a number of years by the national income formation per production sphere worker indicator.

This national income and indicator synthetically combines the results of the work of the entire production sphere, including the impact of international exchanges of goods.

The situation is totally different at lower management levels, i.e., in branches, fields and in specific enterprises. At this level the use of the national income per worker indicator in its traditional form is not used, for various and usually practical reasons (even though the national income per worker indicator is calculated in our country within the context of national economic equilibrium, and classified according to individual branches of production). The improved national economic planned management system after 1980 has been placing emphasis on indicators such as net output. Priority has been given to adjusted values added. This indicator has been introduced primarily with regard to the wage regulation system, but may quite logically be used to measure the efficiency of performed work.

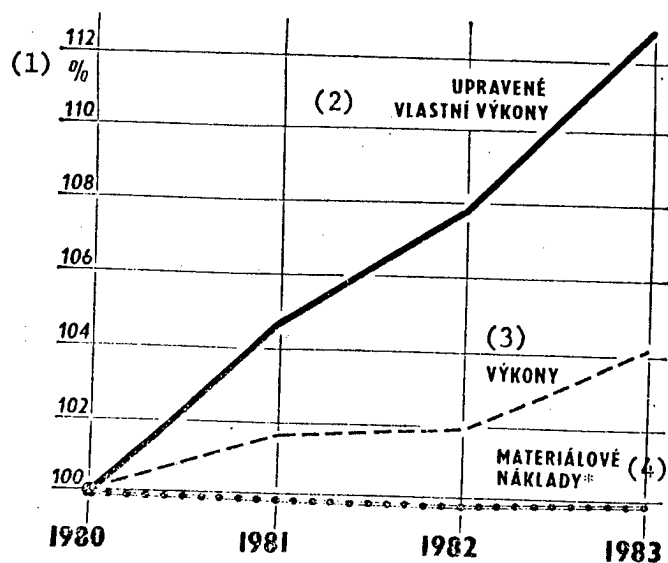
#### With Conscious Imprecision

After 3 years of the validity of adjusted value added indicators we may, in my opinion, evaluate them on the whole positively mainly because, in conjunction with the formation of wages payable resources, they act to reduce material costs along with previously accumulated and ineffective cooperative agreements.

These are, however, certain shortcomings to the use of this indicator. Adjusted values added are, basically, computed in current prices, with calculation in terms of comparative prices always a problem. At the same time an increase in adjusted values added may be achieved by several undesirable means--speculative changes in the product mix and particularly by increased wholesale prices which do not always correspond to the increased technical-economic parameters of products and their quality, which has been confirmed by several experiences in the exporting of these products. It has been further contributed to by the granting of various price concessions which have not always reflected

desirable export quality, while on the other hand forgetting, on many occasions, the prescribed price penalties for inadequate quality.

Development of Output, Materials Costs and Adjusted Values Added Per Worker, 1980-1980 (in 1983 prices, with 1980=100)



Key:

1. Percent
2. Adjusted value added
3. Output
4. Materials costs (including nonmaterial services, and other costs of a sanction nature without write-offs)

Adjusted values added are an indicator derived from overall organizational performance without regard to the sale of this output, even though these are always increasing, with the output sometimes going into inventory. Some difficulties also arise from the imperfect match of effectiveness criteria at the levels of both the entire national economy and of individual enterprises. A situation then develops in which, on the whole, positive results in the development of adjusted values added of an organization come into conflict with the development of the national income.

There are a number of reasons for this phenomenon. Among the important ones are primarily, besides a rapidly increasing level of write-offs of capital assets and the accumulation of the results of a number of nonproduction activities, the negative trends in international goods exchanges, which is evident in worsening real exchange relationships (which the adjusted value added indicator does not reflect at the enterprise level), as well as certain other influences, including those of prices. It must, however, be stated openly that every indicator has shortcomings depending on its role in the management system.

The measurement of labor productivity cannot capture all aspects of the efficiency of the production process. It must therefore be supplemented by additional appropriate instruments. Only through their comprehensive impact can an optimal orientation for an organization and the requisite focus for its activities be assured.

During further refinements in the planned management techniques of the national economy it will clearly be essential to evaluate the current techniques for measuring labor productivity and wage regulations. Only detailed analyses can show under what conditions it will be effective to stay with the adjusted value added indicator in its current form or to modify it to take account of depreciation, interest payments, etc.

The unified introduction of labor productivity indicators based on adjusted values added has had, in my judgment, one practical negative consequence. It has weakened, to some extent, attention on the introduction and utilization of the differentiated techniques for measuring productivity which had arisen in a number of branches in the 1960's and 1970's as a natural reaction to the previously used techniques based on gross output.

It would clearly make sense to return on a broader scale to previous experiences while improving techniques for measuring labor productivity.

#### Differences Among Enterprises

A natural requirement of a measurement of labor productivity is to make it possible to compare the level of productivity achieved in an organization with that in other organizations. Here it is necessary to caution beforehand that comparisons of labor productivity in space are usually much more difficult than comparisons in time (for the same facility). Even though the techniques used may be identical, the complexity of comparison stems mainly from the requirement for comparability between two different units. This requirement, in cases of a spatial comparison, is as a rule more difficult to assure than for time comparisons.

The production of organizations being compared is usually quite heterogeneous, with differing degrees of labor intensiveness and quality of specific products, and therefore also with varying differences between the amount of labor expended and the volume of production whether measured in monetary or physical units. An additional problem stems from differences in the organization of the production process which is evident, for instance, in differing roles for preproduction stages (research, design, technology, etc.), varying auxiliary activities (the in-house conduct of repairs and maintenance, generation of electric power, production of machinery, etc., or their procurement outside), as well as of other activities (trade, etc.). All of the above significantly affects the results of a comparison.

Prior to similar comparisons, therefore, a detailed evaluation of the production activities of the enterprises to be compared, and the overall organization of the production process should be conducted, in order to make any corrections that are indicated. These may include making comparisons only for

specifically defined organizations and technical parameters. Such corrections are for the most part very labor intensive and time consuming. It is necessary, however, to assume that without them the conduct of a comparison will often yield basically orientational data, the reliability of which will depend on the degree of comparability of the organizations.

In connection with this a basic question arises--how do we compare the level of productivity among enterprises with quite different production operations? After all, such a practical task exists: there are certainly substantial reserves for the increase in labor productivity that depend on appropriate structural changes, on the suppression of products and sectors with low labor productivity, and on the priority development of products with high labor productivity levels. Even though this indicator cannot be the one and final criterion for restructuring, it is nevertheless necessary to learn where we are obtaining high productivity and where productivity is low.

There is no unified opinion, either in theory or in practice, regarding a solution to this issue. A technique is often used for this purpose that is based on net output, because it takes into account only the results of the production activity of a given organization.

Is this really proper, however? Are we thereby measuring the actual level of labor productivity?

The immediate and very rare problem with this is that the value of net production (or of adjusted value added) per worker, compared among organizations of differing branches, need not because of various pricing disproportions, reflect in any way differences in labor productivity. All that is needed is a mere administrative change in prices to cause a substantial change in the amount of net production per worker, while actual labor productivity is not changed at all.

Sometimes, therefore, it is recommended that so-called world prices be used, because they better reflect average social costs for the production of specific products. But not even with their assistance can we measure absolute differences in labor productivity between various branches. What we get from such comparisons are only relative differences, i.e., the knowledge of which sectors are lagging behind world labor productivity levels (to say nothing of the practical or theoretical difficulties in expressing the concept of a world price and its denomination).

The main difficulty, in my view, consists of the fact that differences in the level of labor productivity between sectors may be expressed only on a monetary basis, because of the differences in product lines. The price also is influenced by labor productivity--the greater the labor productivity in a sector the lower the prices over the long term. Measuring differences in value of production cannot, therefore, indicate changes in volume or in the development of use values. We are not always aware of this situation in normal economic life. A comparison of production value per worker between organizations of different sectors or directly between different sectors can be an important indicator of the efficiency of the production process (usually only given

current price relationships), but cannot be an adequate measure of difference in the achieved level of labor productivity.

#### Comparison With the World

Basically, it may be stated that all techniques used for the measurement of the level and the pace of labor productivity and for interenterprise comparisons are also usable in international comparisons. Only the difficulties and the problems increase.

Techniques come under consideration that are based on natural as well as value indicators. Of secondary importance here, clearly, are problems of price indexes, i.e., conversions to identical currencies. A very common but at the same time improper technique is to use exchange rates. Their inappropriateness for the above comparison stems from the fact that they are constructed for completely different purposes and that differences in price levels significantly multiply for smaller groupings.

For instance, a completed comparison of the level of labor productivity in industry between the CSSR and France indicated that, on the average for all of industry, 1 French franc is the equivalent to Kcs 3, while in specific sectors this ratio fluctuates from 1 franc = Kcs 0.50 to 1 franc = Kcs 10. From this it is clear what magnitude of differences would be obtained if a single exchange rate were used for specific sectors (this is also the case for comparisons between individual capitalist countries). For serious currency conversion, then, it is essential to have a specially constructed price coefficient, which is usually based on selected producers' representative prices.

Also worthy of mention is a single definition of the scope of performed work. For instance, the previously mentioned productivity comparison with France showed that a significant portion of the employees of our enterprises works in various auxiliary operations, such as machinery and equipment repair and maintenance, the production of instruments, etc. (the percentage of auxiliary operations fluctuates around 25 percent, and up to about 40 percent in metallurgy), while in France the percentage of workers in this sort of activity is relatively low because a majority of this output is provided by external enterprises (the in-house figure fluctuates in the 5-10 percent range). Ignoring these differences significantly skews unadjusted results.

Differences in product quality are a chapter in themselves. But they must be considered in the interest of the accuracy of comparison results. This is usually accomplished through the use of various coefficients which adjust prices (for instance, on the basis of prices achieved by our own and foreign goods on foreign markets).

Any kind of preliminary comparison without a thorough analysis of potential influences and the necessary related adjustments will consequently be only very imprecise and orientational.

Where should we go now regarding labor productivity measurement? Above all, it is necessary to continue to base calculations on indicators such as net

production, excluding material costs and taking into consideration only the values added by the organization. At the same time, price influences by calculations on comparative prices must be eliminated as much as possible, while at the same time using other techniques for measuring physical volume per employee.

In branches, fields and organizations it is also necessary to make more precise sectoral measurement techniques in order to describe better and more objectively the development of production and labor productivity in member organizations.

Along with the objectivization of the measurement techniques for labor productivity it is sensible to utilize as well other desirable mechanisms for assuring the comprehensive impact of all of these elements on efficient organizational orientation and for the focusing of their activities in the desired directions.

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#### Can We Speed Up Its Growth Rate?

The authors of this part of the article [Bellon, Nemec] show that the resources for faster increases in labor productivity exist in our economy, although in different structures and in various locations. Some of these resources are exploitable only over the long term, but others are within arm's reach. Whether these are utilized or not depends on the sophistication of organizational and management work and on the activity of all of us.

The most important means for increasing labor productivity is research and development. It is very difficult, however, to quantify its impact. The key importance of this factor was again referred to by the Eighth CPCZ Central Committee Plenum, where a comprehensive analysis of the current situation was presented and appropriate measures adopted. Nevertheless, trends are persisting which indicate that production does not need any research and development, as if the latter were holding it back. Scientific findings and technical solutions can have no practical impact on labor productivity unless they are embodied in machinery, equipment, organizations and new products.

#### Capital Stock Versus Efficiency

The volume of machinery assets in the national economy continues to grow, as does the equipment stock per worker, which is at present the main source of the gains achieved in labor productivity in our economy. The stock of machinery assets, however, is growing faster than their efficiency, which is a consequence of the low technical sophistication of the machinery, but above all their unfavorable structure and relatively inadequate level of utilization.

The unfavorable structure of machinery assets stems above all from the excessively long time needed for their production, which has become a chronic problem for our economy. New machinery is added to the capital stock, but obsolete machinery is not liquidated or modernized quickly enough. The average



turnover period for the machinery capital stock should decline to 22.6 years by the end of 1985 (in comparison with an average of 25.8 years in the Sixth 5-Year Plan). This is very important, because preliminary calculations indicate that a shortening of the turnover period of this magnitude is the equivalent to an increase in labor productivity of 1 percent. Nevertheless, the turnover period for machinery capital assets is still very long in terms of their useful life. The ideal situation would be one in which a fully depreciated piece of machinery is replaced with an improved model that is included in the capital investment plan. In addition, it would be desirable for a given machine to be fully utilized before it becomes obsolete.

The foregoing is in sharp contrast to the actual situation in the operational startup of capital equipment and particularly to the inadequate utilization of existing machinery capital stock. It is estimated that roughly 450,000 installed machinery work stations are not staffed, 170,000 of which are on the main shift.

The problem of the inadequate shift work is well known, even though this coefficient has been increasing moderately. Even fully automated machinery is utilized only about 10.5 hours per day. There is also significant underutilized capacity in the operation of machine capital stock within shifts themselves. Down time for selected groups of machinery is caused, according to investigations, almost one-third of the time by technical-organizational problems (technical disruptions, accidents, problems in supplier-consumer relations) and roughly one-fifth of the time by empty work stations, either because of a shortage of workers or absences.

Therefore, the replacement of human labor with machine labor in machinery operations is effective from a public policy viewpoint. The substitution costs for one worker average one-third (though there are great differences between sectors) of the cost of replacing the position after the useful life of a machine with substitute machinery, while an additional one-fourth of these costs is caused by the slow turnover and low utilization level of machine assets. From the enterprise viewpoint, however, the effectiveness of this substitution is seen differently, because an enterprise does not cover the social costs of the replacement of labor, and current economic pressure in the direction of such substitution is not yet effective enough.

Research and development progress is also embodied in final products. Low quality products require, among other things, a great amount of labor (especially skilled labor) for maintenance and repair, which in turn lowers the level of the social productivity of labor.

In countries where labor productivity is high, innovation accounts for about 20 percent of all products. The pace of innovation in our country is about 2.5 to 3 times lower than this, and the average quality of innovations is lower as well. State of the art products constitute only about one-twelfth of all production. There is still a large percentage of low-quality products, meaning that the costs of handling returned goods are also high; monetary losses from rejects, for instance, amounted to almost Kcs 1.8 billion in 1983.

## Unutilized Millions

Material conditions are an essential foundation for increasing labor productivity, but their formation and utilization depends on people, on their qualifications, abilities, motivation, the conditions in which they work, the efficiency of their work, as well as their discipline, use of the working day, and above all the sophistication of organization and management. It is in these areas that the most rapidly exploitable underutilized capacity exists for increasing the growth rate of labor productivity.

The qualifications of our work force are on the average quite high, even though much could be improved both in its level of training and structure. The problem is, though, one of efficient utilization. Almost one-third of all blue-collar workers do not work in the field in which they were trained. Only about two-thirds of white-collar workers meet the educational qualifications for their positions. Moreover, almost 8 percent of college graduates and about 7.5 percent of high school graduates work where they do not make use of their education, a total of 100,000 people. This is true even though society spends, in direct costs alone, an average of Kcs 320,000 on every college student.

There are various reasons for this phenomenon, with housing problems, wage scales, dissatisfaction with the working environment, on many occasions an apparent loss of work perspective, leading to efforts to achieve a comfortable, conflictless life, a low level of responsibility towards society, as well as a lack of congruence between the plan for training qualified employees for enterprises and sectors and actual needs. Problems are also occurring at the opposite end of the spectrum--a shortage of workers for lesser skilled jobs, jobs which for this reason must be rationalized as soon as possible and replaced with machinery.

Of great importance for increased labor productivity is work rationalization, the noninvestment improvement of techniques and direct work organization, improvements in the standards base and the better utilization of the work day, all of which could account for an increase in lab or productivity of up to 20 percent. An essential condition for work rationalization is the updating and strict objectivization of standards, including in support, auxiliary and servicing operations and nonproduction activities. Currently only about 27 percent of all the norms have been established by analytical techniques. Output standards have some relationship, to be sure, to wages, but already serve to a lesser extent as an instrument of internal enterprise management and planning, or as an actual mechanism for freeing up underutilized capacity.

Work rationalization is closely connected with the material and nonmaterial conditions in which the work is performed. Primarily regarding material conditions it may be said that a high growth rate for them has been established--the construction of preschool facilities, improved work environment, increased quality of health care and recreational opportunities, diet, etc.

A significant source of underutilized capacity that has been underestimated by practical experience lies in the improvement of nonmaterial working conditions--the assignment of workers, their adaptation, stabilization, future

potential, work enrichment and the overcoming of monotony, increasing its attractiveness, improving the social relationships horizontally and vertically with the crucial role of the manager, the careful formation of working groups, the creation of comprehensive brigades, effective participation in management, evaluations of the usefulness of work, etc. These influences are difficult to quantify, but estimates indicate that they can increase the level of labor productivity by tenths of a percentage point. This is noninvestment, rapidly mobilizable capacity. It may be stated with full responsibility that the extent and level of personal and social management lags far behind requirements.

#### Five Percent Overtime

Significant underutilized capacity may still be found in the utilization of the work day. The use of the usable work time fund dropped off somewhat in 1983 (from 91.4 percent in 1982 to 91.2 percent), which was primarily due to an increased number of canceled shifts due to illness and accidents (from 6.1 percent in 1982 to 6.3 percent). The level of utilization of nominally worked hours remains relatively low. Enterprises themselves estimate that losses in this area amount to up to 15 percent (more in construction), which is caused by a number of factors, from shortages of material technical supply, internal enterprise cooperation, worksite work organization all the way to shortcomings in documentation and labor discipline, insufficient individual and collective material incentives, and the low quality and often unfavorable time structure for services--trade, transportation, communications, banking, repair shops, etc.

Over the long term, overtime work is in conflict with increasing labor productivity. Despite a positive shift in 1983 (from 5.2 percent of the work time in 1982 to 5 percent), it is still higher than the estimated objective level necessary to complete extraordinary task (2-3 percent). The remaining portions come about from losses in work time due to shortcomings in organization and management, salary reasons of the workers and an imbalance between requirements and the existing numbers of workers in specific groups.

An especially important factor for increasing labor productivity is the cultivation of worker initiative. Statistics exist concerning positive examples, but there remain worksites where production conferences are still more or less a formality. It is striking that many workers who are very inventive and enterprising in their spare time appear to be in the twilight zone during work hours. Many improvements to production are the result of efforts made after work, often at the price of personal sacrifice, but the same results had not been achieved during working hours. Some of these problems can be laid at the doorstep of social consciousness, but primarily it is a consequence of inadequate managerial work, excessive authoritarianism, a lack of attention to problems from below, the failure to indicate and to explain the future, the concrete result of the overall economic results of the collective for each individual, formalism, excessive stopgap measures and disorganization in managerial work, lack of preparation for criticism, etc.

It may thus be stated that significant underutilized capacity may be found to increase labor productivity. Activating it will not be easy, because a person may be influenced but never programmed. On the other hand, these are actual resources for increasing the growth rate of labor productivity in our country.

TRUCK PARTS SHORTAGE EXPLAINED

Budapest MAGYAR HIRLAP in Hungarian 13 Jun 84 p 9

[Interview with Peter Ret, business director of Autoker]

[Text] Peter Ret, the business director of Autoker [Auto and Parts Sales Enterprise], held a lecture yesterday on the firm's commercial policy, sponsored by the Association for the Study of Transportation.

Question: It is well-known that in the recent past a major change has occurred in the domestic spare parts market. Mobil [Vehicle and Parts Sales Enterprise] is responsible for Czech, Polish and Rumanian auto parts, while Autotechnika [expansion not available] handles Soviet and GDR cars, and Autoker is responsible for utility vehicles. What is Autoker's spare parts situation?

Answer: I should start by stating that all the conditions are in order at our firm, so we can have access to 60,000 types of parts. We have a modern warehouse system, computerized inventory control, and all the appropriate financial opportunities. Therefore we also have the working capital needed in order for the customer to find the spare parts in demand at our stores.

Question: However, these are only possibilities, because several spare parts for utility vehicles are in short supply with chronic shortages of some parts.

Answer: The reason is that our partners have raw material and capacity problems, so they can't ship us enough. So the situation is critical with several types, since Robur automotive delivered only 60 percent of our orders, and GDR trucks only 40 percent. Deliveries that are out of phase also cause problems, because goods for the first quarter received on 30 March means that there was a shortage for 3 months.

Question: How are you going to change this hopeless situation?

Answer: First of all, our orders are going to be better planned and done by computer. We will order 1 1/2 to 2 years ahead of time. Secondly, we will seek to manufacture chronically scarce spare parts domestically. We already produce 300-400 million forints worth of spare parts here in Hungary per year. Thirdly, on a more limited basis, we will import spare parts from the capitalist sphere. We will attempt to make individual parts available from our warehouses, not just assembled components.

Question: It seems as though your selection of utility vehicles far exceeds your offerings of spare parts.

Answer: Yes, with small modifications, we can meet the needs of trucking. I have to add that despite the long wait, the demand for medium-sized trucks has not changed. Due to high prices, there is not great demand for large sized trucks. Many are seeking light trucks, but I have to note that firms buy a Izs Moszkvics small truck instead of cars, which they then use for the transport of people.

Question: What is the situation of the diesel program?

Answer: The plan calls for the conversion of 7200 Zil trucks to diesel power. Autoker, according to the Sixth Five Year Plan, will import 9000 DAK and IFA engines through 1985. If they are all installed, it will mean an annual savings of 640 million forints.

CSO: 2500/404

## BRIEFS

**COAL CLEANING PLANT**--The first coal cleaning works at the Borsod Coal Mines' Berente coal sorting plant has been put into operation. Starting yesterday, three sections will separate 3000 tons of coal daily from unburnable waste-rock. Thus, manual sorting will cease. In 1981 they started to build the so-called heavy media process coal washing plant in order to improve the quality of coal from Borsod. Coal, which arrives by conveyor belt and rail, is mixed with a magnetic iron powder, in a so-called Wemco drum/Wemcodob/, which is 8 meters long and 4.5 meters wide. Using separation based upon specific gravity, the non-burnable waste rock will settle to the bottom, and coal, which is lighter, will stay on top. A byproduct is also prepared by mixing the waste-rock. The byproduct is burned in the Borsod Power Plant. Water will wash away the magnetic particles, and the coal is shipped to the consumers. Due to the cleaning process, the heat content of Borsod Coal is increased by 400 to 500 calories, and its ash content dropped by 20 percent. Starting August 15 the general public may purchase the higher heat content coal at all Fuel and Building Material Trade Enterprises. [TUZEP] The fuel will come in the form of pellets and larger cubes. After attaining full capacity, the Berente coal separation and cleansing plant will be able to process 6000 tons of coal daily. [Excerpts] [Budapest NEPSZABADSAG in Hungarian 20 Jun 84 p 6]

**SCRAP METAL RECYCLING**--In Gyongyos, the Trash Utilization and Garbage Collection Trust [MEH] of Northern Hungary, opened its new scrap metal recycling plant. The equipment for the plant cost 70 million forints. The plant is to separate scrap into metals valuable for industrial use. To accomplish this goal, they installed a casting crusher and various shearing devices. They expect to process 3000 tons of scrap metal per year, 80 percent of which, especially copper and aluminium, is made available to industry. [Excerpts] [Budapest NEPSZABADSAG in Hungarian 20 Jun 84 p 7]

**TRADE WITH BLOC INCREASES**--According to the Ministry of Foreign Trade, officially confirmed trade with the European members of CEMA has increased by at least 5 percent. Using constant prices, and taking last year's stagnation into account, Hungarian exports have increased by more than 7.5 percent, greatly exceeding the 1.5 percent planned increase in imports. Hungarian-Soviet trade has exceeded 8.4 billion rubles this year, 7.4 percent above last year's level. Based upon private contracts signed by enterprises between January and the end of May, the record trade level of 9 billion rubles could be exceeded by the end of this year. Our exports consist of, among others, those machines, instruments and equipment with which we are participating in the construction of: the Hmelnicki atomic power plant, the Likono bus factory, the Baku bread

factory, and seven refrigerator factories in the Soviet Union. This year we import 5 percent more Soviet consumer goods than last year. It is partly a function of increasing cooperative transportation equipment exports that 25,500 Lada vehicles are expected. Furthermore, we expect 40,000 refrigerators, 25,000 portable black and white television sets, and for the first time, 10,000 portable color televisions. Shipments continue with 22,000 washing machines and 17,000 sewing machines. Soviet firms are increasingly interested in our consumer goods. Shoppers in the stores of the republics gladly buy Hungarian cleaning goods, tiles, textiles, furs, canned goods, frozen fish, fresh fruit, wine, champagne, paper, writing instruments, records and toys, including the newest intellectual games. [Excerpts] [Budapest NEPSZABADSAG in Hungarian 10 Jun 84 p 1]

CSO: 2500/413

AGRICULTURAL/FOOD EXPORT PROBLEMS, PLANS FOR 1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Apr 84 p 4

[Article by M. Stajic: "With Great Difficulties -- an Increase"]

[Text] In the country's present balance of payments situation, exports of agricultural and food products are of significance in carrying out the policy of development of foreign economic relations.

Proceeding from the material balances of agricultural-food products for 1984, as well as the real export possibilities, exports of agricultural-food products in the amount of \$1.5 billion were planned for 1984, which would be about 20 percent higher than the exports carried out last year. In any case, the same amount of exports of agricultural-food products was planned for 1983 as for this year, but implementation was considerably lower. Unfavorable tendencies in exports of agricultural-food products last year manifested in nearly all groups of agricultural products, especially in livestock, fruits and vegetables, etc.

Decline in Livestock Prices on the World Market

Exports of livestock and livestock prices in 1983 were about \$95 million lower than in 1982, in spite of virtually the same physical volume of exports, and even larger for some products. This is primarily a consequence of a considerable decline in prices for these products on the international market, especially veal, young bulls, canned ham, and poultry meat.

Exports of fruits and vegetables, through the Fruit Fund, were \$117.4 million or 44 percent lower than planned. There was a similar situation with the rest of the agricultural-food products that were marketed through the fund. This was primarily a consequence of several unfavorable international and domestic circumstances. The economic world recession brought about a decline in demand and a drop in world trade in agricultural-food products, both in 1982 and 1983. In the period from 1970 to 1981, exports of agricultural-food products increased at an average annual rate of 15 percent, while in 1982 there was a 9 percent reduction in exports.



## With the Decline in Demand, More and More Protectionist Measures From Developed Countries

The large supply of agricultural-food products in the world in 1982 and the weak demand for many of these products brought about an increase in stocks and a noticeable reduction in prices for agricultural products on the international market in 1982 and 1983. While demand was decreasing on the world market, there was an increase in protectionist measures from the developed countries (high tariffs, compensatory taxes, prescription of special quality standards, seasonal limitations, import quotas, customs quotas), through which these countries have reduced the competitiveness of the products of third countries and in this manner protected their own agriculture. In addition to this, the developed countries are increasing their agricultural production with the goal of satisfying their own needs, which also has an effect on the decline in world import demand. Moreover, exporters from many developed countries, especially from the countries of the Common Market, have in recent years given more and more competition with their agricultural products to exporters from the countries traditionally exporting these products, particularly through low prices, since they are able to do so because of the high subsidies that they receive for exporting agricultural products to other countries.

Conditions for marketing our country's more important agricultural products have become worse and worse recently (except for corn). In addition to this, the constant increase in domestic prices increases the negative difference between domestic and export prices for certain agricultural products, which has a negative effect on the volume of exports and the implementation of the program. Our agricultural producers are increasingly losing their ability to compete in the world market, not just because of prices, but also because of quality and other selling conditions (packaging, design, inability to maintain continuity and terms of delivery, insufficient adaptability to requests from the buyers, etc.). The insufficient production of goods for export, the poorly-organized export production organizations and the low scale of production of agricultural and food products are all making our exports more expensive. In addition to this, the structure of what we are offering is changing slowly in comparison with other countries and is far below the necessary level for increasing the planned growth of exports.

### More Exports by 31.8 Percent

The fund, however, has scheduled for 1984 exports of agricultural-food products worth \$1.373 billion, while exports are expressed in terms of \$1.5 billion in the plan documents. With respect to the exports achieved by the funds in 1983, these exports scheduled for 1984 represent an increase of 31.8 percent. The increase in exports for 1984 would only be 6 percent, however, if one compared the programs for exports by the fund in 1984 and 1983. By currency areas, the program provides for an increase in exports to the convertible area, while it projects a certain reduction for the clearing area. In absolute amounts, exports to the convertible area are planned to be \$1.014 billion, or 73.9 percent of total exports, while the value of exports to the clearing area will be \$358 million, or 26.1 percent. In 1984 the main export products are to be livestock products, cereals, fruits and vegetables, and processed items made from them.

## INCREASED EXPORTS OF AGRICULTURAL PRODUCTS PLANNED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Apr 84 p 4

[Article by M. Stajic: "Considerable Increase in Grain Exports"]

[Text] The Grain Fund projects an increase of exports by 36.2 percent in comparison with those in 1983. This increase is being brought about mainly by the projected marketing of corn, which is planned to be 1.5 million tons. There should be a more noticeable increase in exports to the convertible market (by 65 percent), while the growth in exports to the clearing area would be more modest and would be associated primarily with seed corn, macaroni products, vegetable seeds, etc. During 1983, we observed a favorable trend of a growth of prices for corn on the international market, primarily because of the shortfall in production in the United States, and it is expected that this growth will also continue for most of 1984. In spite of the difficulties in supplying the domestic market with corn, the growth rate in exports is continuing this year as well, so that in the last 3 months over 300,000 tons were shipped, which corresponds to the average monthly rate of exports in 1983.

## Greater Exports of Vegetables and Fruits

The Fund for Fruits and Vegetables projects an increase in exports this year by 53.6 percent in comparison with what was achieved in 1983. The organizations of associated labor, however, should make additional efforts to carry out this ambitious plan. A particular problem in exporting these products is represented by the increasingly greater orientation toward shipments through compensatory deals, which in 1983 influenced the decrease in export prices for these products.

The Fund for Wine entered this year with a planned increase in the value of exports by 3.7 percent in comparison with what was achieved in 1983. Exports of wine from our country to the West European countries in 1984 will be made under more difficult conditions than last year, primarily because of the stagnation in consumption, but also because of the increased production of wine in other producer countries. In addition to this, there are increasingly more pronounced protectionist measures, and the increasingly greater supply of wine from the other producer countries is very often accompanied by high state subsidies. In any case, the plan for exporting wine from our country this year represents only 22 percent of the total production of wine in Yugoslavia.

The Sugar Fund is planning exports of sugar, sugar beet pulp, molasses, and other products worth a total of about \$57.6 million, which would represent a marked increase with respect to the exports of these products in 1983.

The Tobacco Fund is also expecting that in 1984 it will achieve exports of tobacco and tobacco products in an amount that would reach 34,805 tons, which would represent about 43 percent of the total annual production of these products. In value, these exports should be about 15 percent higher than what was realized last year.

#### Exports of Hops To Be Reduced

The Hops Fund, however, is planning this year on a decrease in exports by about 11 percent, by value. Specifically, hops production in 1983 amounted to only 4,490 tons, which is less than the average annual production by about 26 percent, i.e. by about 1,500 tons. About 40 percent of the total production of hops in Yugoslavia is usually marketed, while the remainder of 60 percent is used for exports. The increased hops production in the world in recent years has brought about a reduction in prices. For this reason it was agreed in the world organization of hop growers that with a reduction in hops cultivation by about 4,000 to 5,000 hectares, the supply would be coordinated with the demand and prices would be stabilized at a level that would ensure profitable production of hops.

The scheduled exports of agricultural-food products for 1984, in the value of about \$1,326 billion, can be carried out provided that in 1984 the harvest of agricultural products is at least at the level of what was achieved during the previous year, and that better organization of exports is used to overcome as successfully as possible the worse conditions for export, as well as the great competition on the world market. In value, this realization of the exports of agricultural products as a whole could cover the requirements of agriculture for reproduction materials, as well as of imports of agricultural products for supplying the population, whose requirements are estimated to be about \$1.3 billion, not counting the value of imports of raw materials for the textile and leather industries.

9909

CSO: 2800/304

CATTLE, FISH, MEAT PRODUCTS EXPORTS 1983/1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Apr 84 p 4

[Article by (M): "Almost 20 Percent Larger Exports"]

[Text] The Fund for Livestock Raising projected an increase in exports of livestock and livestock products of \$72.8 million, or 19.5 percent more than the previous year. Of the total planned value of exports, 82.1 will be shipped to the convertible market, and 17.9 percent to the clearing market. Although the scheduled exports, in physical volume, are larger than last year's, the drop in export prices has resulted in a reduction in the value of shipments of \$22.2 million or 4.8 percent in comparison with 1983.

The draft program for 1984 provides for exports of about 156,750 tons of all types of meat (except horsemeat), or about 12 percent of the total planned meat production, and about 26 percent more than the exports carried out in 1983. The proposed program for exports of livestock and livestock products in 1984 will be very difficult to carry out both in volume and in structure. In this regard we have in mind the numerous problems with which exports of livestock and livestock products have been faced to an increasing extent recently. The main reason for this is the large increase in the price of livestock and meat on the domestic market, which along with the stagnation and even decline of prices on the world market has led to an increase in the negative difference between domestic and world prices. For these reasons, the organizations exporting these products are becoming increasingly more oriented toward exporting products with a lesser degree of processing, for which the negative difference is smaller.

There is increasingly sharper competition on the world market, especially from the EEC countries, which through their offers of veal, ham, and chicken meat in particular have considerably disrupted the established flows of sales of these products. Because of their low prices on the world market, they are placing traditional exporters, especially of young beef, such as Yugoslavia, in a difficult situation. The increasingly larger supply of young beef on the world market is jeopardizing the conclusion of contracts with the countries on which we were seriously counting as potential buyers of this product in 1984 (Algeria, Iraq, etc.).

There is a very pronounced problem with selling prices in exports of canned ham to the United States, since in this market prices have reached their lowest

level in the last 10 years, primarily because of large domestic production of pigs and a large supply of canned ham from Denmark and the countries of Eastern Europe. These prices are presenting our producers with insoluble financial problems and losses, and it will be difficult to find a way to cover them through exports. Specifically, in 1978 one ton of canned ham sold for \$3,500, while now we can scarcely get a price of a little over \$2,000.

In the past 2 months of 1984, exports of livestock and of livestock products worth \$52.4 million were carried out, i.e. 14 percent less than in the same period last year. There has been a noticeable reduction in exports of young bulls (by 50 percent) because of restrictions on issuing export licenses. In addition to this, during this period there were no exports of young beef to Greece, while last year in 2 months 2,291 tons of this meat were exported, or 50 percent of the total exports of this meat in the above-mentioned period. There was likewise a lack of exports of young beef to Iraq, while exports of canned beef were 49 percent lower etc. The present situation in the market for livestock and meat requires that the export organizations expand their exports more, in order to ensure the marketing of meat already stored in freezers, so as to establish in this way a more tolerable ratio between supply and demand on the domestic market. For this purpose, for the second quarter exports of 40,000 young bulls have been approved, compared to the 10,000 that were approved for the first quarter. In addition to this, the possibility of exporting young beef to Greece is opening up.

The Fund for Fishing projects exports of 25,229 tons of processed fish, fresh fish, etc., worth \$28 million. This program represents an increase in exports by about 15 percent in comparison with the exports carried out in 1983. In addition to small fish production and low productivity in the production of canned fish because of obsolete technology, great obstacles to higher sales of canned fish are also represented by the very unfavorable conditions on foreign markets. In fact, the tariffs and other taxes in the countries of Western Europe in which about 30 percent of the total canned fish exports are marketed constitute from 19 to 50 percent of the value of the goods.

9909

CSO: 2800/304

# YUGOSLAVIA

## NUMBER OF CATTLE, LIVESTOCK, POULTRY 1983/1984

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 25 Apr 84 p 4

[Article by M. Stajic: "Unequal Trends: Number of Livestock at the Beginning of 1984"]

[Text] The livestock census at the beginning of this year shows certain deviations with respect to the situation a year ago. There has been an 11.5 percent increase in the number of pigs and a 5.7 percent increase in the number of poultry, but the number of other livestock has been reduced. There are 0.2 percent fewer cattle and sheep, and 8.2 percent fewer horses. With regard to breeding stock, it is significant that there are 2.5 percent fewer cows, while there has been a moderate increase of 0.2 percent in the number of breeding sheep, and the number of breeding sows has been increased by a considerable 13.3 percent.

In the middle of January 1984, the numerical situation of the livestock was as follows (in thousands of head):

	1984	1983	Index
Cattle	5,342	5,351	99.8
breeding cows	2,974	3,050	97.5
Pigs	9,333	8,370	111.5
breeding sows	1,511	1,333	113.3
Sheep	7,440	7,452	99.8
breeding sheep	5,406	5,393	100.2
Horses	464	505	91.8
Poultry	73,711	69,680	105.7

In spite of the difficulties in supplying livestock with protein feed, which is primarily imported, in 1983 there was nevertheless an increase in the numbers of precisely those types of livestock whose production depends to a great extent on these feeds.

In contrast to this, the number of large livestock, which is in any case very little dependent on the imported components of livestock feed, has been showing a tendency toward decline for several years now. This may have serious consequences for the production of meat for the needs of the domestic market and for export. Particularly disturbing is the tendency toward a noticeable decrease

in the number of cows and bearing heifers. In only a year, the number of this category of large livestock has been reduced by 24,000 head, while in the last 6 years the number of cows has been reduced by about 134,000 head.

At the beginning of this year, the number of pigs was the highest in the last 10 years. A particular, positive characteristic is the increase in the number of sows for breeding, which would normally be a sign of renewed interest on the part of farmers in raising pigs and producing ham. In addition, this was of course influenced by the fact that for the last 3 years we have had good corn harvests, and at the same time, up until November of last year, we also had a small supply of ham for the market, while the demand continued strong.

As early as the beginning of 1984, however, there was a considerable increase in the slaughter of pigs for the domestic market, noticeably above the usual seasonal increase for this period. Those familiar with the situation in the domestic market claim that this happened because of very pronounced difficulties in supplying corn. Specifically, after the adoption of the decision to place a ceiling of 17 dinars per kilogram on the price of corn, the supply of corn was noticeably reduced. This began to jeopardize the continued fattening of the pigs, especially in socially-organized livestock production. The latter did not secure the necessary amounts of this feed in time, and because of problems with feeding there was an abrupt increase in the slaughter of pigs, and thus a decrease in the number of pigs being fattened. Just in January and February of this year, over 80,000 tons of live pigs were purchased, which is 20 percent higher than the average monthly purchase in 1983.

Thus far, the measures taken to increase the main number of sheep have not yielded satisfactory results. If one keeps in mind the fact that sheep are fed almost exclusively with feed from domestic sources, and also that the meat of the sheep (and lambs) is highly appreciated and in demand on the domestic market, and is likewise in high demand in certain foreign markets, then more effective measures should be taken to improve the situation in sheep breeding and increase the number of sheep, especially since the number of sheep declined from 11,143,000 head in 1962 to only 7,440,000 head in 1984, i.e. a reduction of 33.3 percent.

The number of poultry was moderately increased in 1983 by 5.7 percent, while in previous years this increase was much higher, especially in the socialized sector. At the beginning of this year, however, as with pigs, the slaughter of poultry increased considerably, also in the socialized sector of production, primarily because of inability to acquire the necessary amounts of corn on the domestic market. In connection with this, it should be particularly stressed that the role of the socialized sector in poultry production is very significant. The socialized sector has a 44.7 percent share in the overall number of poultry, and as much as a 70 percent share in the production of poultry meat. This becomes even clearer in view of the fact that the socialized sector has a 20.8 percent share in the numbers of pigs, 10.6 in cattle, and only 3.7 percent in sheep.

The number of horses has been decreasing continually from year to year. From 1,220,000 horses in 1962, today we only have 464,000, or 62 percent fewer. Most

of all, the increasing mechanization of agriculture has an effect on the number of horses in the country. Tractors and other machinery for performing numerous agricultural operations have completely replaced horses, whose numbers have therefore increasingly diminished. From the viewpoint of saving on feed, there are even views that the reduction of the number of horses is a positive thing. If this is viewed from the position of the defense needs of the country, however, and also taking into account the fact that imported oil is being purchased for the operation of the various machines that have replaced the horse, then this great reduction in the number of horses is a negative thing.

Observing the trends in the main fund of livestock in the course of last year by republics and provinces, we note that the number of cattle fell to a greater extent in Croatia and in Kosovo, as well as in Serbia proper. A more significant increase in the number of pigs was observed in Croatia and Slovenia, but on the other hand the reduction in the number of sheep was more pronounced in Macedonia and Vojvodina. With respect to poultry, it must be said that there were increases in all of the republics and provinces.

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MACEDONIAN SAWP PRESIDENT DISCUSSES ECONOMIC, OTHER PROBLEMS

Zagreb DANAS in Serbo-Croatian 22 May 84 pp 19-22

[Interview with Uros Andreevski, chairman of the Presidium of the Macedonian SAWP, by Zivko Milic, DANAS editor-in-chief and managing editor, Nino Kopac, DANAS editor for domestic politics, and Djordje Jankovic, VJESNIK correspondent in Skopje, date and place not specified]

[Text] [Question] Although you are a politician by profession, you are a trained economist, and it would be good for us to begin our conversation with your view of Macedonia's economic situation, in the context of Yugoslavia, of course.

[Answer] The entire country is in an unenviable position, but still that of Macedonia is especially difficult within that Yugoslav consultation. We are the poorest in energy, especially that energy we get on a renewable basis; we have few hydroplants. And the structure of our industry is such that it consumes large amounts of energy, which on the other hand indicates that mistaken investments were made at one time. It was always felt that energy would be found somewhere. For instance, when we began to build Feni, it seems to me that we had about 1.3 billion kwh of power, and the project called for Feni to consume between 700 and 800 million. Then that figure increased, since the capacity was overscaled. As for agriculture, we have less arable land than anyone except Montenegro, and the accelerated move from rural areas to the city over the last four decades has made its mark, so that now many people have ended up in the city. A collision has occurred between two quantities. On the one hand the low absorptive capacity of industry for taking up manpower, and on the other the manpower has reached working age, it is more or less educated, and it will hardly go back to the country.

Thus in certain small areas we have a better composition with respect to skills among the unemployed than among the employed labor force. We developed our educational system without thinking. I confess this publicly. For instance, we have between 40,000 and 50,000 university students, and Slovenia has 27,000, a republic which is three times as rich as Macedonia. And it is an elementary rule of economic practice that all three elements of the production potential must be strictly coordinated in time and space. What is happening to us now is that prepared manpower is in one place, and in another the power to take it up is weak. And now, instead of our training, say, 50

technologists for a particular production plant, so that all would be employed, we have 100 of them, and 30 of them have been given employment.

If we go on this way, but we do wish to put an end to it, we will create an academic proletariat, which leads nowhere. We have had six schools of metallurgy, and we have built a seventh in Stip. We have 3.1 million tons of metal, while West Germany has 50 billion tons and 3 such schools. We have twice as many. This is that voluntarism in planning that has been talked about. That is why we are now closing down university schools. The one in Stip, for instance, we do not need. We also have four university-level schools of economics. For whom? Some people feel that even now we have enough personnel to last us until the year 2015.

I think that this is a kind of nouveau riche attitude. Many of our people still accept the outdated prejudice--that work is degrading. If any gathering in Yugoslavia has been justified, then that was the 14th meeting in Kragujevac, when the evaluation of productive work was put on the agenda. But unfortunately nothing more has been done beyond that. Those who have authority said their piece, the case was made, volumes have been written about the need to evaluate productive labor, but in practice no progress is being made. Creative productive work is not appreciated. People are appreciated according to whether they hold a pencil or a hammer in their hand, according to whether they wear blue smocks or white smocks.

[Question] How is it with other elements of the economic picture in Macedonia?

[Answer] We did not spend a portion of the money received from the Fund for the Underdeveloped ... in the most intelligent way. The advanced also made mistakes, but at times we also have made serious ones. To go on, we should also bear in mind that in Yugoslavia's long-range development the priority branches that have carried the burden are mainly in the underdeveloped areas, and those are the industries producing raw materials.

The inadequate infrastructure has been forcing us to invest in them. But, it is well known, these investments are relatively unprofitable everywhere in the world. But then again, unless the infrastructure is built, there can be no further progress to a higher level of processing. When you add to all this certain mistakes in investment, then the situation we now have in Macedonia is clear. You know, for example, that we have between 137,000 and 140,000 unemployed workers. I have already mentioned that they are highly skilled. When a delegation from Slovenia visited here at the end of the year, it could not believe it. We have the same population as Slovenia, but 140,000 workers are unemployed. You can imagine how that would look in Slovenia. After the earthquake a presented my economic vision of the Skopje of the future in some 10 issues of NOVA MAKEDONIJA. I envisaged at that time that the city should have a population between 120,000 and 130,000. I propose that only the School of Medicine and the School of Engineering be retained, and that the other university-level schools be relocated. However, reasons were always found not to do that. We said that we wanted an open city. What is an open city? Everyone can come into it to take part in

construction, but not to stay here. Now a huge urban structure has been created. What is happening in it with respect to social welfare has to be vigilantly followed, especially since we already have 40,000 unemployed in Skopje. Only 4,000 of them obtained jobs through the drive to create new jobs.

[Question] If capacity utilization were better, probably there would be some more job vacancies in Macedonia, but production would also be greater....

[Answer] A few days ago I said in a meeting of the Central Committee that we should overcome the mentality and conception that life like this is all right. Inertia in the economy--a lack of ambition to utilize potential--could be fatal. As a delegate of the city I asked to be given the figures, with first and last names, as to how many engineers were working on the first and second shifts at Koncar, at the steel mill, at OHIS, and at Hemteks. For several months I was unable to get an answer. The vice president told me: the figures are stupefying. The engineers do not work on shifts. The question is this: If there are no engineers on the second and third shifts, why do they have them on the first shift? That is the most obvious convenience. No one wants to work on the second shift, and therefore they often offer resistance to introduction of the second or third shift. Society has the right even under the constitution to ask how the assets of society are being used; however, it seems that we are not making the use of them that we could.

In a conversation with our workers in Germany, they were from Croatia, they told me: "We are employed outside the country because the implements of labor are insufficient. But under the constitution the existing implements of labor are social property. Why shouldn't some people in the country go without a little work, so that we could work a little? The factory is not our patrimony, but it is not theirs either." The same question is being put by the unemployed in the country. Those who are employed, then, have an obligation to use the assets with maximum efficiency and in a manner that is socially justified.

My position is that the trade unions, which incidentally have not always been concerned with the real problems, are largely to blame in not having been more concerned with this. In my opinion it would have been a good thing, say, for the opstina trade union council, which is not unconstitutional, to set up a commission of trade union activists, engineers, technicians, and so on, who would go around and visit collectives and see how many quotas we have there, what sort of quotas they are, and so on. Usually jobs are subject to a quota when the rhythm of the machine sets the pace of work, where this is easy to introduce: for instance, in the textile industry. However, they do not exist for other jobs. Here again we could seek explanations as to why people earn more in the afternoon and mainly engage in "gray" economic activity, and they do not see their interests in the work collective. When a worker does not have a quota, then he does not have an incentive. This, of course, generates other false impressions and paradoxes. The trade union chairman recently told me that when they were working out the social welfare cards, judging by the payroll some of them ought to be receiving welfare. However, some of them had a Mercedes in front of the house or were known to be earning millions on the side. A man like that takes 3 months doing a job

where he is employed, but he does the same job for a private employer in an afternoon.

[Question] How are the most recent measures of the Federal Executive Council aimed at stimulating exports and greater respect for the market perceived in Macedonia?

[Answer] As far as exports go, we have to talk about the inferior competitiveness of our goods. After all, if our prices are attractive and we do not look for customers outside, they themselves will find us. But exporting goods on which you have to pay 115 for every 100 export dinars is not exporting. Were we to solve that problem of the competitiveness of our goods, even the foreign debt would not be an insoluble problem for me, though it is large. Without the creation of new value verified on the market, postponement of debtor obligations will just be siphoning from the hollow into the hole.

We have made incredible mistakes with monetary and credit policy in the past, mistakes which only now we are trying to correct. We have created artificial consumption. First, we ruined the savers, reduced them to a small number, although the statistics say that the balances of savings accounts has increased. Indeed they are increasing, but in an imaginary fashion, since the statistics include those whose personal incomes are paid directly into their savings accounts, which is not saving. Since the deposit of money in the bank is recorded at one window as though it were a savings deposit, yet at another window it is withdrawn at the same moment. With an inflation rate of 30 percent, and interest rate of 7.5 percent, there is no way we could have avoided absurdities. Let us say that you have set aside 10 million for a rainy day, you are saving, so that you will have something. In 4 years this has been reduced to 2.5 million old dinars. That means that your past labor has been expropriated. Was that supposed to reproduce the consumer psychology? Utterly. Under such conditions anyone would make a mistake if he could purchase something now, but put it off to tomorrow. First, we have encouraged everyone first to spend his own money and then to spend society's money as well. Accordingly, this has opened up in our country a process of denationalization or disintegration of social property on behalf of the private operators. In years when the inflation rate was only 30 percent, when 100 million old dinars of credit was taken for a 10-year term--but usually the term was 30 years--only 21 million were returned. That means that the state was left short 80 million.

In the first textbooks after the war we criticized the economic system of the old Yugoslavia and singled out as an advantage of our policy that we had not converted loans, so that the peasant did not suffer as he had in the old state. After all, following World War I the peasant was able to borrow 10,000 dinars to buy a pair of oxen, but when he had to pay it back in 1928, he had to sell 10 pair of oxen to get the money. Now it was the other way around, since we did not have regulations on conversion of credit. Yet everywhere in the world there are indexing clauses. In the Western countries the form states whether the commodity clause or the gold clause is being applied, but the clause is there. Which means that after 5 years, when the

debt begins to be repaid, if the commodity clause is in effect, the principal is adjusted to the price of wheat, say, at the value of 68-hectoliter weight prevailing on the Chicago Exchange, or according to the Frankfurt Exchange if application of the gold clause is required, when it is set according to the current price of gold. However, there are even cases in our country when large debts are repaid at the price of a package of cigarettes. That is the way most of the wealth has been created in Yugoslavia.

In short, we have lost all sense of economic criteria. There is no way to explain what the banks could have been counting on in all this. The resources were actually the resources of associated labor, so that the banks seem to have taken over the function of conducting social welfare policy. And now the economy is paying for all that with high interest rates at 40 percent, since the dinar has been devalued by exactly that amount. So, in Macedonia the measures of the Federal Executive Council are seen as the only way out that leads toward restoring health to the economy.

[Question] But it will not be easy for Macedonia....

[Answer] Macedonia has 8 percent of Yugoslavia's population, 10 percent of its debt, and 4 percent of its economic potential. The greatest problem is our total accumulation, which has not been covering losses, and now the payments which have come due on Feni. This puts the economy in a bind. The situation is such that it is not possible to invest in expanded reproduction even at that percentage which would "cover" the growth of the population. The problem does not lie in the debt, but in the fact that we have borrowed to build projects which today are producing losses, and we did not invest in projects which would pay for themselves and put people to work even if in the end nothing was left, not even a hat on our head, as they say.

The dates for making those high payments are such that rigorous measures are invoked if the credit installment for 1 month is not paid. Perhaps the intentions were noble when the money was borrowed, in the case of certain investment projects like Feni, but one cannot live on intentions. Although there is no article in the world whose price has not risen at least twofold or threefold, the price of nickel has fallen. Energy makes up 80 percent of the price of that article, and energy is expensive and we do not have it. Our new refinery, which we must also say was a mistake, was built on the same mistaken calculation. It seems to me that in Yugoslavia we have installed capacity for 36 million tons of petroleum. What is the point of duplication, instead of one blind man, you make two.

[Question] By all appearances Macedonia is counting on help so that its economy can get out of difficulty....

[Answer] As an underdeveloped republic we are aware that a certificate of poverty does not get you into heaven. We say in all our official documents that we must never forget the interest of others. The whole trouble, however, in the present situation is that the advanced are not in a good situation either. They are less poor, but they are not rich. Yet in any case Macedonia cannot go on without additional accumulation--wherever it comes

from, whether on the basis of the Fund for the Underdeveloped ... or the pooling of capital and labor, or through greater mobility of manpower that would move to other regions. Even if all the reserves and potential were utilized.

In the political activ of the Federation I said that we would get along best if we told the truth to the nation. Our situation is such that we will have to pay for it with something. The level of the standard of living which we have had is not in line with our real capabilities. We dare not forget that Yugoslavia is six- or sevenfold (that is, 4.5) richer than before the war (and after the Liberation). No one died even then when the standard of living was far lower. The question now is where to cut back on consumption. We must take into account people's necessary existence--bread, sugar, flour, vegetable oil, detergents, and in some places housing, but selective housing, which prevents anyone from living in a palace and paying the rent of a modest apartment. Yet we must pass part of the burden onto that category of the population which can support it and which up to now has taken quite a bit, so that it can also wait a little. We will achieve something by that alone if we pay savers a real rate of interest, if we relieve the saver of the fear that the money he has earned and saved might be expropriated, which in the past has been the case. There is no need to fear that someone will get rich in that way. If we guarantee him at least one percentage point higher than the rate of inflation, people will not spend, they will defer their consumption. They will lend their money to society, to the state. And it would be better for the government to owe money to its citizens than to contract foreign debt.

[Question] You often speak and write about labor productivity, about the need to stimulate it....

[Answer] We often mention Slovenia as the most highly developed republic, where the personal incomes are high. I know that the quota per worker at Hrastnik is 150 glasses per day, while in our glass plant it is 50. Even this worker of ours with the lower quota wants to know why those people in Slovenia are earning 29,000 dinars a month, while the earnings here in our glass mill are 22,000. If the two incomes were based on the Slovenian quota, our glassmakers would not earn more than 7,000 dinars. I am also convinced that our people could work more, but they have to have an incentive. It is not enough merely to proclaim in the constitution the principle of remuneration according to work, nor even to institutionalize it in the internal acts of work organizations, if it is not implemented in practice. Since the system of incentives is not functioning, people flee the factory, and the system of education also causes deformations. You will rarely find anyone with a university degree who is paid less than someone without a degree. I know from experience that the person with the degree often does less work, is not motivated, since his work is not evaluated. Once in a factory in Frankfurt I read a slogan which said that work is humanity's greatest enemy. I think that indifference in the workplace is the greatest enemy of humanity and civilization.

[Question] Let us move on now to topics which are completely political. Back in 1972 it was said that certain spokesmen of Macedonian nationalism and indeed even of separatism had emerged in Macedonia. There is less mention of that now, but there is talk about problems caused here by Albanian irredentism. This has certainly be discussed in the Socialist Alliance. How is all this affecting people's disposition in Macedonia?

[Answer] Don't hold it against me if I speak about my personal experience. I am from western Macedonia. During the war I was the political secretary of the kotar [district] committee. I hold the 1941 Commemorative Medal. I was born in 1927. I can assure you that I would be able to forgive Macedonians or others everything, but if even a bit of intolerance was shown toward Albanians during the war, that person would never see his mother again. And that was most sincere. It was never said even behind the scenes: What do you expect, he is a Skipetar, or anything of the kind. Someone pinned something of the kind on Marko the Spaniard, and he could never raise his head again to the end of his life. His couriers became generals, but because of what was attributed to him he was still a colonel when he died. Although the Albanian fascist committed horrible atrocities, we did everything to suppress anti-Albanian sentiments. That was the way it was for a long time. After 1968 there was already a bone of contention, the Irredenta had made inroads, first of all among Albanian high school students. One nationalism leads to another, it spreads like weeds, and we cannot deny that it does not exist even with us, but our policy is to oppose this in every way.

In any case these Albanians living in Macedonia would not live 24 hours under Enver Hoxha. They have neither a church nor a mosque there, they work there until three in the afternoon, and at five there are voluntary labor brigades which are compulsory. That is why no one ever runs away to go there.

[Question] How are the propaganda attacks from Bulgaria and Greece received and perceived in Macedonia?

[Answer] As for the influence of the anti-Macedonian slogans from Greece and Bulgaria on Macedonians, sometimes a feeling is awakened in our people that the only regular reaction out loud to the anti-Macedonian outbursts are in Macedonia. We know of the Bulgarians that they have outstanding territorial claims against us, that is, against the SFRY, and in that propaganda of theirs they represent themselves and are organized as a state. They have entire institutions distorting our history, propagating anti-Macedonian positions and lies. But all of us in Yugoslavia should react to this. We feel that in the other republics the broadest public and all citizens are not sufficiently informed about this. In this connection we are trying through our delegations going to the other Yugoslav capitals to call attention to this. The relations with Bulgaria are not the kind that prevail, say, between Austria and Slovenia, between Slovenia and Italy, where again there are problems, but the existence of our minorities is not denied. Yet in Greece, it is not only the right, but now the Greek left is harsher concerning the question of Macedonians in Greece so that it can avoid being labeled a force which is betraying the national interests of Greece. But still, relations with Greece are a bit different than those with Albania and Bulgaria. What has been happening with Macedonians in Bulgaria must disturb us all.

In the first years after the war the Macedonians in Bulgaria had educational autonomy, their own schools. Now they say that there are 159 Macedonians there according to their census, but in 1945 there were 180,000 of them.

[Question] Who is the target of the Bulgarian propaganda? They deny the existence of the Macedonian language, of the Macedonian nationality, but still how can they expect to win people over in Macedonia?

[Answer] They did have a bit of influence before World War II, especially in eastern Macedonia. During the war they discredited themselves utterly even among those who were inclined toward them. Now in Strumica, say, or anywhere in eastern Macedonia, if you call a young man a Bulgarian, he will take this as an insult. In Sofia they are aware that they have no followers and people of their own in Macedonia except those engaged in conventional espionage.

[Question] How is the role of the Socialist Alliance being performed in Macedonia?

[Answer] In the Socialist Alliance at the republic level we have set up teams to monitor current campaigns. We feel that the Socialist Alliance, if I can so put it, is not a transmission belt. It is in that spirit that we raise and take up all current issues. Thus we will soon call an extraordinary conference devoted to national defense. The republic conference is now debating whether opstinas might also appoint public prosecutors, judges, and so on. The fight against deviations and other similar occurrences is also on the agenda.

People are turning to the Socialist Alliance, for instance, in rural areas, in places where there is a party organization and also places where there is not. Back 10 years ago or so we had a case in Prilep where the Socialist Alliance somehow "put a lid" on the party organization. And this is why. The meetings of the Socialist Alliance were attended by all citizens, from the priest to the general. People used that occasion to speak about problems much more openly than in other places.

As many as 100 people attend the meeting of sections of the Macedonian SAWP, and often the debate is harsher and more critical than in any party body, franker than occurs, say, in the Macedonian Assembly.

At a recent meeting of the SAWP which was debating Feni, everything was covered from A to Z, from the idea of creating it right up to the very end. We feel that deviant behavior and situations should also be examined everywhere, regardless of who is involved, regardless of the post he occupies or the position he holds. And perhaps it will even be a surprise for the Yugoslav public when we take those actions to the end. We do not feel, for example, that a situation of uneasiness will be created if some 50 or so thieves are arrested. Or what if it does!? Afterwards the situation will become stable. If we do not put a stop to those things which are negative, then nothing will follow except entropy, the disintegration of the system.



Soon we will also prepare a document on investment policy, which takes a particular look at mistaken investment projects. We will set forth those things which must no longer be done and will state who is responsible for mistakes in the past. We will also be more active about housing and other abuses and unjustified enrichment. People are ready, and it is my belief that we can and must put an end to these negative things.

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## BRIEFS

**MORE PRIVATE ARTISAN EMPLOYEES**--In future, judging from everything, it will be possible for [private] artisans in Serbia to employ a maximum of 10 workers. This is one of the most significant innovations voted for by the majority of participants in a 3-day discussion of the draft law on economic activities of independent work which was summed up at a joint meeting of the two sections of the Serbian SAWP Conference, i.e., the section for small-scale business, cottage industry, and development of local communities and the SAWP coordinating council for workers abroad. This document [draft law] is an attempt to codify most of the laws regulating the conditions for private work. [Excerpt] [Belgrade BORBA in Serbo-Croatian 6 Jun 84 p 12]

**NO ADDITIONS TO BUDGET**--There will be no rebalancing of the 1984 federal budget: This was the biggest piece of news reported at the meeting of the federal budget council of the Federal Chamber of the SFRY Assembly. According to Egon Padovan, assistant federal secretary for finance, rebalancing the budget has become almost unavoidable in the past years, but it is possible that we will finish this year very favorably and without increasing expenditures. This year's budget amounts to 374 billion dinars. According to the latest 5-month figures, 34.4 percent (128.8 billion dinars) of the total budget has now been used, i.e., a 7.3 percent lag. Total budget revenues have increased in the January-May period by 62.1 percent over the same 1983 period. This is largely the result of the high inflation carried over from 1983. Republics and provinces have paid in 38.7 percent of their total annual contributions, while other sources of revenue have paid in 32 percent. It is expected that republics and provinces will be more prompt this year in paying their budget contributions. Budgetary expenditures have also been more evenly carried than previously. [Excerpt] [Belgrade BORBA in Serbo-Croatian 7 Jun 84 p 1]

**INTEGRATED TRANSPORT SYSTEM**--According to statements made at a press conference in the Yugoslav Economic Chamber (PKJ) on 6 June, a Social Agreement on Developing Integrated Transportation is in its final stage and the text will be agreed on in the Federal Executive Council and soon signed. Svetozar Gavrilovic, secretary of the General Association of Transportation, said that the goals and tasks proclaimed in the agreement place great obligations on the PKJ in creating the conditions for its realization in a year or two. First, the PKJ should establish a network of freight distribution centers throughout Yugoslavia in agreement with the republics and provinces and establish the sources for financing their construction. Personnel training must be standardized and standardized regulations in cost accounting and other matters issued. Speakers at the

conference pointed out that industrial plants have often been built without due regard to transportation; thus, there are often no [goods] collection centers, loading machinery, and other equipment needed in an integrated transportation system. The most efficient forms of transportation should be selected and promoted. The system now is very out-dated, fragmented, and inefficient; 89 percent of freight is moved by the most expensive means, trucking. Commodity trade with the Danube River countries accounted for 42 percent of total trade in 1983, but only 6 percent of this was transported by water (the cheapest way), even though there is a developed river system of ports and shipping. Transportation costs account for over 15 percent of total production costs, which is 2 to 3 times more than in industrially developed countries. [Excerpt] [Belgrade PRIVREDNI PREGLED 7 Jun 84 p 1]

DISPUTES WITH FOREIGN FIRMS--Last year 400 Yugoslav organizations and foreign firms entered into foreign trade arbitration to settle disputes such as late deliveries, low quality goods, late payments, lack of documentation, poor transport, poor representation, etc. One third of the disputes were opened by our enterprises against foreign firms and two-thirds were accusations against us. Disputes involved a total value of about \$30 million. The public knows about many of these cases (such as the contract for building 35,000 housing units in Algeria or the contract between the "Tigar" factory in Pirot and its West German partner), but international regulations prohibit the publishing of such business deals.... In the last 3 years alone, partners from the USSR brought 55 accusations against our firms for [damages totaling] 3,352,133 clearing dollars. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Jun 84 p 1]

RAILROAD PROBLEMS--Despite its old and overburdened capacities, Yugoslav railroads in 1983 were able to meet about 85 percent of the economy's requirements for its services, in transporting 3.4 percent more passengers and 6.5 percent more goods. But modernization has stagnated. Only 23 percent of the [medium-term] development of the passenger cars are over 20 years old, and only 23 percent of them are capable of speeds over 120 kilometers an hour. Although the situation with electric trains and freight cars is better, 6 percent of them [on the average] are out of operation. There is a lack of spare parts and disorganized technical services. Overall, the socioeconomic position of the railroads, despite last year's 65-percent price increase, has not essentially improved. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 16-18 Jun 84 p 3]

ELECTRIC POWER SITUATION--The electric power situation in the country is satisfactory at present, thanks, above all, to higher water levels in streams and to electric power imports. Water levels for hydroelectric power plants permit the production of about 110 million kwh a day, or about 20 percent above the plan. This has led to a somewhat better (than planned) situation for power produced from water storage lakes but still only 54 percent of the maximum possible content of such water storage areas. Thermal electric power plants are producing 65-70 million kwh a day which is the planned level. The Krsko nuclear power plant is producing at maximum capacity, namely, about 15 million kwh a day. As a result of the favorable conditions, it has been possible to repay electric power debts abroad, on a regular basis namely, about 4 million kwh a day and to reduce imports to a minimum, namely 4.4 million kwh a day.

The better power situation has also permitted a slight increase in electric power consumption in the 5-month period, namely by 3 to 5 percent, amounting to a daily consumption of 150-160 million kwh. Nevertheless, the situation in Montenegro, Bosnia-Hercegovina, Kosovo, Croatia, and Macedonia is still difficult. Montenegro has low water levels in storage lakes, the electric power industry in Bosnia-Hercegovina is burdened in high debts, and a lack of mazut is the major problem in Croatia. All this, along with the still high electric power debt abroad and the difficulties of thermal power plants in acquiring coal, shows that the situation is still serious. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 13 Jun 84 p 11]

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