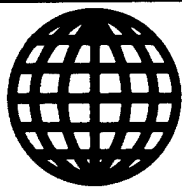


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18 MAY 1989



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CZECHOSLOVAKIA

Writers Plenum Speeches Urge Liberalization

[Speeches given at the plenary session of the Czech Writers Union at Dobris Castle, near Prague, on 15 March 1989]

Josef Peterka

24000130 Prague KMEN in Czech
No 13, 30 Mar p 1, 3

[Text]

'Literature on the Threshold'

Giving account of the current state of contemporary literature and its critical responses is an ongoing process which, however, is entering a new historical phase. We are in a transitional phase. One period of post-war Czech literature is gradually coming to a close and signs of change are everywhere. They stem from the necessity to radically increase the dynamics of the socialist system which has many implications for how the world and man are viewed, for the function of literature. Opening up are new possibilities for sober understanding, space for unfettered creativity, new hope as well as risks for man. The value criteria, if during the past decade they played mostly a harmonizing, instructional, and sometimes unfortunately also a repressive or merely a promotional role, today show how ephemeral they were.

Literature, like every art form, is a relatively autonomous organism, which in normal circumstances does not take the place of other activities and fields, particularly not pedagogy, adult education, and propaganda. It has its own not inconsiderable competence, its own irreducible and vulnerable specificity, as well as its own considerable capacity for regeneration. Every society expects from literature an informal support for its ideals, and our society a political responsibility as well. Literature can be considerably influenced in this respect, but principles on the "tasks of the times" cannot be dictated to it forever. It is necessary to place much more trust in the writer's direct knowledge of life, his wisdom and erudition. His creative spontaneity, his honesty, if you will, his authenticity, his search which from time immemorial has aimed at overcoming esthetic conventions and barriers to knowledge, must not be impeded. Only thus will there be hope that a work will freely and liberatingly express a deeper truth and captivate readers with the intensity of its involvement in life.

The desirable shifts in the structure of literary works during the past several years have been manifested by a more courageous orientation to the present as a moral problem. Literature is thus trying to overcome a certain idyllism and focus overdue attention on conflicts which weigh upon us. The historicizing depiction which in the seventies set the tone, understandably also speaks, albeit indirectly and sometimes cautiously, to the present, but it pays for the advantage of an epic detachment by the

loss of direct testimony. To be sure, as a measure of values works with a historical background often predominate for example in drama ("Vy jste Jan" [You Are Jan], "Dobove tance" [Dances of the Day]) as well as in this year's production of fiction ("Signum Laudis," "Anel milosrdenství" [Angel of Mercy], "My od filmu" [We of the Films]). But the social importance of literature is decided primarily on the contemporary ground. Readers ask for topical subjects and for works which are contemporary not only as far as problems are concerned, but also in their sensibilities and expression. It is the critical interpretation of the present which provokes discussions and polemics the most (Svejda, Krenek, John, Mandat, Zapletal). And it is not without interest that all young writers of fiction who earned their fame quickly established themselves without exception on the contemporary ground. In films as well as in novels there is a boom in sociological probing which exposes by means of a captivating plot and harsh phenomenalizing some taboos which went unrecognized for years, such as drug addiction, black market in currencies, criminality. These are works which are welcome and sometimes forceful, but we should not see them as the only symbol of restructuring; rather, they profit from the attractiveness of the subject matter and they tend toward a specialized, political rendition which will probably not leave any particularly strong impression on the memory of literature.

We find a richer roster of story telling in a large series of realistic novels and romances in a professional and family frame. As far as sociology is concerned, they have a considerable common interest in the middle class. Whereas in the novels of the seventies working people predominated, in the eighties the first place is taken up by the intelligentsia of the middle class or student generation and women ("Chtela bych ten strom" [I Would Like That Tree], "Zlate rybky" [Goldfish], "Penzion pro svobodné damy" [Hotel for Single Ladies], "Spolek svedených a opustených" [Club of the Seduced and the Abandoned]). Here we are in touch with the "life around us," here the possibilities and difficulties of a life style are tested, "bourgeois escapes" and compensatory programs are caricatured ("Vyletní parník" [Excursion Steamboat], "Kulisáci" [Sceneshifters]), here the average reader gains a somewhat exciting orientation in the labyrinth of our days, of love and work relationships.

But only seldom does the contemporary fiction get to the core of social problems. This censure also pertains to the fact that obviously the weakest aspect of contemporary Czech literature remains the social novel successful in formulating a more profound judgment of the state of today's society and national character. This role was filled some time ago by novels such as "Můj chlapec a já" [My Young Man and I] by J. Kolarova, "Trpka vůně podzimu" [The Bitter Scent of Autumn] by V. Adlova, "V šest večer v Astorii" [At Six O'Clock in the Evening in Astoria] by Z. Pluhar, "Pokuseni Katarina" [Temptation Katarina] by J. Otcenasek. Aiming at this difficult goal

are Misar's "Plavba na stěble trávy" [Sailing on a Blade of Grass], Krenka's "Panenka z rakosu" [Wickerwork Doll], or Pavěk's "Simulanti" [Malingerers].

It is precisely the example of the subject of the novel "Pokuseni Katarina" which shows that a tendency toward the biographical and the inward-looking need not weaken in any way the social dimensions of the problems, but that on the contrary it escalates their urgency. The Czech novel of the recent past is more comfortable with "small" stories rather than with "great" events. But privatization of the novel is becoming an escapist tendency if it dwells on problems of a marginal, compensatory nature. Our attention is emphatically drawn to a certain deficiency of the social novel in a broader sense by some of the critics as well as by the opinion of the more demanding, civically minded readers, who miss the depiction of topical social and psychological conflicts.

In relation to the above we should point out that in Soviet literature, for example, as well as elsewhere in the world there has been on the contrary a renaissance of the political novel. But it is not, of course, a flattering novel. It clears away the illusions and idealistic notions which were considered to be immutable. It takes away from the subject of power, bureaucracy, and social representation not only the idea of inviolability, but also its protective layer and concentrates on an analysis of traumatic phenomena, acting thus as a safety valve or as a foundation for discussions of the most acute problems by qualified politicians and historians. Here are joined the forces of commentaries, documentation, and fiction. It may be that such problems do not exist in our society, and it may be that we do not have the courage yet to tackle them. This statement unfortunately pertains also to nonfiction literature, in which despite all the successes of recent years history and foreign countries predominate over the present and over our country.

Moralistic criticism and cultural policy which expect from literature primarily an unequivocal, instructional life model will be helpless in face of great revealing literature. That was shown by works such as Mikulasek's *Agogh* or Hrabal's novel "Obsluhoval jsem anglického krále" [I Served the British King] which are being published after many years' delay. The reasons for those delays and hesitation in the case of Mikulasek was perhaps the tragically accusatory vision of man resisting in vain alienated forces, in Hrabal's case it is perhaps the fear of the grotesque disrespect toward matters commonly held as traditional, and from the indiscretions of the Czech nature, which we prefer to see as heroic rather than mock-heroic. And why not—the narrator in the novel is a boastful chameleon who sees from the position of an attendant the life of higher society as a farce, on which, however, he sponges as opportunity allows. The mentioned problem reveals not only the insufficient foresight that goes into decisionmaking, but also the unequal struggle of works, which exceed the demands of the day, with the authorities.

A phenomenon newly being activated in contemporary prose and poetry are works with humanitarian overtones. They do not represent a de-ideologizing of conflicts, but they rise above the provincial as well the dualistic model of the world. Works, such as "Nepřítel z Atlantidy" [Enemy from Atlantis], "Vevodkyne a kucharka" [The Duchess and the Cook], "Hledám za manžela muze" [Looking for a Husband who is a Man], "Kříž Jidasuv" [Judas' Cross], "Lloydova hlava" [Lloyd's Head], "Hora horí" [The Mountain is Burning], "Země žen" [Land of Women], "Ikaros existoval" [Icarus Existed], "Dům tragického básníka" [House of a Tragic Poet], or "Rodinné album" [Family Album], are opening up wide horizons for the contemplation of the state of civilization and the crossroads of political thinking. They are strongly attuned to the mentality of the post-nuclear age, they appeal to the synergic wisdom of mankind, to the ethics of politics, to human brotherhood. Even if they make use of the mythical past or of futurology, they follow a nontraditional path and belong to what is spiritually imperative which our literature of the eighties produced. On the basis of these works we can think about the will to revive the universality of Czech literature on a new social base.

The effectiveness of literature stems from the depth of understanding man and the human condition. A concomitant feature of commercial writing and its weakest side is, on the contrary, a serial fabrication of characters and their indebtedness to a schematic arrangement of social roles. The authors should therefore not hold it against the critics when they speak with irony about the well known pattern, where a hard worker has to be made more attractive by being a lover, a country man necessarily has wiser views than an intellectual, a contentious young man recognizes in time the wisdom of his elders, a functionary from the center corrects the mistakes of a district manager, etc.

A deeply probing prose tenaciously resists these calculated castlings by searching out the inner qualities of man and his total complexity in the context of the times. It does so by loosening the ossified limits of consciousness and subconsciousness, it aims to psychologically individualize characters by, for example, articulating their individual life philosophy and stressing all the dimensions of their own, inner coherent world. To put it briefly, we are talking about strengthening the manifestations of homocentrism in literature, in which man, even a defenseless one, will always be a small miracle, and his experiences as well as primary relationships an unassailable gauge of values. This trend can be evidenced by the best works of various generations, from Prouza, Pecháček, Dušek, Skřánek, Šys, and the new Trestík, to Korner, Raz, Suchl, Pavlík, Chaloupka, Moravcova and Dvůrak, and on to Sotola, Kadlec, Marek, Kozík, and Šajner's stories.

It is precisely the modern short story which is in this defence of the uniqueness of the human race still vigorous and transcends mere play-acting. Here, in a continuous restoration of the right to spiritual individuality the

sphere of prose and the sphere of poetry meet most often. It is rooted in the tradition of democratism and altruism of Czech literature that it listens lovingly to man before it judges him, and that it is continually discovering pearls in the depth of discussions and fortunes of ordinary people. Also several promised editions (Novotny, Bartunek, Basikova) point to a new tide of psychological problems.

Contemporary poetry represents a considerable asset within the framework of the literary process. Although in the first half of the eighties we lost forever several giants, Holan, Zavada, Mikulasek, and Seifert, the vitality of poetry or its echo is not diminishing. For its "pure passion" it earned the trust of a new generation of readers, as is attested to by the recordbreaking editions of J. Zacek as well as others, and it gained truly original young talents.

The virtue of contemporary poetry is in its typological variability with far-reaching boundary lines, clearly exceeding the average of the field. Contacts between poets of various styles and forms is proving to be the key to development. Roughly in balance are the poles of poetic imagination and realistic intellect, a pole phenomenalist and expressively aggressive. Poetry as a whole resists idyllic and declarative situations. Its guiding initiative is the uncensored self-expression of an involved citizen of today. There is no room in it for idealization and half-truths, but rather for the sorrow of the spirit and the strength of the heart. That applies in full measure to two outstanding books of recent days, Simon's "Vyvolavac" [The Town Crier] and Vyhldal's "Ars Poetica."

The strength of contemporary poetry lies in its entirely informal relation to tradition marked by an absence of filial servility. In contrast to esthetic doctrines, which inhibit the relation to the past too much, our poetry is linked to all the main lines of modern poetry, not excluding poetism, surrealism, meditative existentialist poetry, expressionism, Group 42, and everyday poetry as well. Moreover, there is contact with the world, which is evidenced by the translation activity and favorable response abroad, the latest for example in England and in France, which is not restricted any longer to obviously the most famous of our living poets, M. Holub.

However, I wish to point out one sociologically interesting fact, that often it is precisely the poets whom society puts at the head of various literary institutions, which tells us something also about the prestige enjoyed by the views expressed in poetry, which never limited itself and does not intend to limit itself to the dry-as-dust functional poetry, against which V. Nezval rightly warned us.

With the democratization of social life, the principle of competition of creative ideas and literary initiatives will inevitably grow stronger. An economic monopoly by groups or a monopoly of opinions cannot be accepted by society. Our goal, therefore, should be a totally truthful,

well-informed, and also exciting, more markedly differentiated literature for readers who are educated and intellectually unsatisfied, who prefer to turn to translated literature. I think that literature remains a factor which shapes man not so much because it is entertaining and pleasing, not so much because of its extensiveness, but because of the consistency of its responsiveness. Humanitarian perspective, which literature helps promote in the world of industrialization, technology, as well as suprahuman forces which transcend the individual, should be intelligible and unequivocal. When recently the question came up at the editorial board of the CS publishing house whether the shocking story of new author Vladimir Provaznik about the brutality of pranks will not damage the reputation of the Czechoslovak People's Army, one of those present pointed out that as the army defends the country, so literature must defend human dignity. I think that that is an apposite thought with a broader application of the postulate.

Life is placing some new tasks even before the Marxist literary criticism. Important writers, about whom there was silence for many years, are returning to literature. We are formulating a more complex concept of literary continuity. This process will not be helped by hysteria or hatred toward the so-called official literature, but neither will a defensively querulous attitude. Perhaps now more than ever the Commission for Literary Theory and Criticism of the Czech Writers' Union realizes that the Marxist method of criticism requires not only scientific objectivity, but equally so esthetic sensitivity, civil character, and an unselfish personality. Criticism does not want to speak from a militant position, that, after all, has never been without a cost. It wants to be a serious partner of creativity and a support for readers.

Obviously, in the past we set a little too much store by an immovable ladder-like concept of the literary process and we sank into a uniformity of opinion. No genius produces only works worthy of state prizes. And there will always be critics of different temperament, some will apply lower, some higher criteria. However, it is important that we agree on the esthetic ideal of socialist literature and not disagree, that everyone applies criteria regardless of rank, generation, or region. Together we must face bad taste and snobism more forcefully.

I also think that some of the critics to their detriment gave in to an apriori political distrust of the coming literature. It was specifically the LITERARNI MESIC-NIK which, with a certain professional conformity, has given preference to all that is established to what is crystallizing and taking a different turn, and thus to some degree played down and to some degree totally missed the emergence of important authors of the current middle and older generation, and underestimated the importance of intellectually more demanding works as well as of light literature. Such experiences indicate that we must join high principles with tolerance of

unusual values and towering personalities, of incorruptible sincerity of all youth, as it is successfully done, for example, in the essays and testimonials in the publication PLUS.

In the post-congress period the atmosphere of the Union seminars has been successfully changed, so that they began to be sought out as a platform of opinions. The leadership of the prose, poetry and drama section, together with the Commission for Literary Theory and Criticism, in an effort to further cultivate a lively dialogue and relevant debate among all creative generations recommend that evaluation reports on the year's production should no longer be approved by the Committee, but more thoroughly discussed in the plenum and always supplemented with co-reports by authors working in the given genre. We are endeavoring to include in the evaluating process criticisms by the new generation, whose viewpoints in the pages of journals, KMEN, TVORBA, and RUDE PRAVO not only sometimes ruffle the calm surface but most of all bring literature closer to the changing demands of life.

But I cannot leave out a comment of a material nature. Literature, and thus also literary criticism, has two fewer journals here than in Slovakia. That is a temporary state of affairs. However, this unfortunate circumstance prevents the existence of continuous criticism. I would like to urge that the editors of dailies be more courageous in entrusting experienced specialists with writing book reviews, that they give literature more attention.

I am convinced that the trust society has in literature, the trust in the person of the author, is today the most precious and also the most necessary cultural investment and that it will pay back in works which will act as beacons for our time.

(From the speech at the plenary session of the Czech Writers' Union members)

Petr Prouza

24000130 Prague KMEN in Czech
No 13, 30 Mar 89 p 3

[Text]

'About Truth and Costs'

When two years ago, in this same place, then still being a rather solitary voice, I specifically pointed out some of the shortcomings in the life of the Union, particularly the sterility of the LIETERARNI MESICNIK, I was accused practically right away of disparaging the entire activity of the Union, as well as of using so-called enemy argumentation. Because today I also want to make several critical comments, I would like to first mention some generally valid conditions for a truly equal exchange of opinion. It is entirely obvious that a monopoly of a single truth leads to stagnation in any field of human activity, let alone in such a sensitive sphere as literature. In this connection it

is, of course, no less obvious that a comprehensive look at the state of literature is directly derived from a many-sided, precise, and hiding-nothing look at the state of the society. It is therefore difficult to keep on portraying an enemy as a man who gives voice to opinions other than those which are officially sanctioned. He, who links his future to the future of socialism, must have the possibility to articulate, sometime even very sharply, their dissatisfaction with the often current state of affairs. He lives here, in his country, and everyday he encounters realities which are full of contradictions, usually much more directly than the governing stratum. It is thus entirely natural that he gives thought to alternative solutions, that he comes up with different ideas for judging the neuralgic problems of our life. The dimensions of today are not, of course, conditioned merely by the outlook for tomorrow, they are determined much more substantially by the possibilities and actions of yesterday. During the past 20 years, there have not been many opportunities for a polarization of opinion and a truly free exchange of ideas. If, therefore, we want to describe our present situation objectively, we cannot do without an unbiased analysis of the time that has passed, the time concerning the entire society, and in our specific case an analysis of the past of Czech literature. But at the same time, the worst thing would be a hasty and convulsive change of direction which our generation experienced many a time. It is after all without doubt, and it must be stressed, that in the seventies, and even more so in the eighties, there appeared literary works which significantly shaped the look of modern Czech writing. I am supported, of course, in this statement more by the numerous and sincere responses of thoughtful readers than by evaluation done by the contemporary literary criticism and theory, which on the contrary often gave out confusing information about the current state of literature. Normative criticism predominated, which used a very narrow, in advance construed gauge for all books in an entirely rigid way. The only other gauge was a transparent dependence on the nomenklatura and other realities having nothing to do with literature. An even more direct relationship between function and the ensuing evaluation of a work was being applied and, I must say, is still being applied in the system of various literary prizes and titles. Without regard to the quality of the work itself, it is often known in advance who simply somehow has to get a prize. Years of similar practices naturally have cast considerable doubt in the eyes of the readers on the credibility and prestige of the Writers Union. On the other hand, many members of the Union enjoy in the public consciousness a considerable credibility and authority both artistic and humane. For that reason, too, it seems to me, an analysis of the past decades of Czech literature is necessary. The main word in undertaking such necessary analysis should of course belong to those literary theoreticians who did not shape the face of criticism in the past. It would be certainly interesting to know if the Commission for Literary Criticism and Theory of the Union is contemplating something similar. The prestige of the Writers' Union at home and abroad would also surely increase if we

become more active in judging the problem of the three Czech literatures. In any case, we, who have met here today, are the strongest current. And that is why we should put forward new initiatives, because those who are stronger are rightly expected to aim higher. Thus far a useless timidity and defensiveness predominated, which only did us harm and which artificially mythologized Czech books published abroad. At the same time, many titles published outside would not pass even an objective editor's evaluation here. Some works we of course do not even know and thus we lack also a differentiated look at Czech authors abroad. And there is a total lack of the possibility for direct contact, which will have to come anyway. Soviet writers have already met twice, in Lisbon and Copenhagen, with their emigre colleagues, and I am told they had animated, but fruitful, meetings. But we of course still prefer to bury our heads in the sand. At the same time we have no illusions that the Czech authors abroad are waiting for us with open arms. As is well known, they consider the entire so-called officially published production to be of poor quality and they often sabotage its entry into the world outside. Nevertheless, even here the word which is now so in vogue—dialogue—should be applied. A thrust by both the national and the federal Writers' Union for foreign contacts is inevitable and important particularly now, when a free exchange of opinion and discussion on all subjects are being emphasized. We must of course take part in this dialogue and not whimper somewhere in a surly solitude. After all, ignorance, among other things, greatly exaggerates everything. This statement can be applied in fact also to the third stream of contemporary Czech literature, to samizdat books. Even in this area there is a certain amount of myths, which have nothing in common with reality. Even for these reasons it does nothing but good that the Union and some publishing houses are taking various first steps and a number of names are gradually appearing in editorial plans.

I would also like to say a few words about trust toward the current leadership of the Czech Writers' Union. I share in the dissatisfaction of many colleagues with the composition of the committee and presidium of the Union. The composition of the committee at the last congress was still determined as a result of tough cabinet policy and the membership was basically given the names by directive. However, I consider any demands for its restructuring to be unrealistic at the present. During the time which remains before our next congress, we should, regardless of the existing and not insignificant antagonisms, unite for the benefit of the good name of Czech literature and support the leadership of the Union, the presidium, and the committee on the journey of constructive resolutions of matters of principle that has begun. In conclusion, I would like to recall one quotation, which all of us Czech authors, no matter where we publish, should keep in mind, at least now and then. Many years ago, Jaroslav Seifert stated: "If anybody else keeps silent about a truth, it could be a tactical maneuver. If a writer keeps silent about a truth, he is lying."

(From speech given at the plenary session of the Czech Writers' Union)

Stanislav Vacha

24000130 Prague KMEN in Czech No 14, 6 Apr p 1, 3

[Text]

'Gauge of Truth'

Recently, a faraway friend invited me to come stay with him. His fastidious wife was horrified: "Don't invite him, for goodness sake! He will write about us that we have hundred-year-old dirt under the bathtub in the bathroom, and a spider peeking out of every corner." I visited them and have to admit that everything was spanking clean, and you could eat off the floor even under the bathtub. Was it because of my visit? How beautiful it would be, if this could be true also of literature in our society. That it would be of as much importance to it as I was to my friend's wife Bozenka!

To the editorial desk of KMEN, which printed a few lines about what I want to talk about at this plenary session, a letter arrived for me from my reader-communist from Ceske Budejovice. He writes: "The March plenary session of the Czech Writers' Union should be an occasion of national importance and the entire nation should wait with bated breath to hear what writers, whom every decent man looks up to with religious awe, will talk about. After all, it has been so from time immemorial, that Czech writers aroused the nation from lethargy...Today, when our nation has a chance, after that long era of Stalinist-Breznev oppression, you, as the spiritual leaders, should no longer keep silent but defend and guard the truth to the utmost of your powers. The nation will follow you."

This faith, which our readers put in us, places us under an obligation. Not only to think twice about each word in our novels and stories, so that it will resound with pure truth, but also that we do not procrastinate but say those words now and forcefully in our speeches, articles, essays, sketches. I know, this will fade away, the novel will stay. Recently I heard a view expressed by one of us: "Why should I act as a substitute for a journalist and write articles in his stead, when he cannot write a novel in my stead?" But such programmed separateness of a writer and a journalist never seem to me to be quite honest, even though I know how deep and total concentration a novel requires. How can I hold back and not convey what I say through my novels also in a short, concentrated form in the daily press, for example? How can I restrain myself as a citizen and not take a position on what is serious, what goes on around me?

The era in which we live points out, again, as was the case already several times during my lifetime, the socio-political function of writers and their influence. No, I do not wish to reduce the meaning of literature to one dimension and goal. Let it serve the needs of entertainment, let it be humorous and witty, let it be adventurous

and thrilling, let it provide relaxation. But among all this the aspect dealing with social analysis and planning must also be highly visible. In literature I also see an emotionally effective philosophy of modern man, able to contribute to his self-knowledge and knowledge of the specific human condition, and helping to give meaning to life and fathom its various alternatives. We are professionals whose duty it is to deal with questions which are the most troubling for people, or should be troubling, and try to find answers to them, fathom even that which is the most intimate, the most pressing, make public that which has been kept secret, reveal also that with which we withdraw into the strictest solitude, comfort but also inflame, search for the direction and firm ground for escape from the quagmire of uncertainties and doubts but also show in which direction the path does not lead and where swamps, decay, and disintegration threaten. People expect from us that we shall be in harmony with what is most deeply in their hearts, what troubles them most.

During the past several months I have been lecturing about the restructuring at many meetings of managers, technicians, physicians, scientists, agricultural workers, and laborers. All are in favor of a fundamental change, but a great many do not believe it. The reasons for their lack of faith are serious. But where are they written about? Where are they being discussed? In this respect our media know only the positive attitudes or no attitudes at all.

I am writing a novel about a laborer's family from 1945 to the present. For that purpose, I have been reading all the back files of RUDE PRAVO from the initial postwar issues to the present. It is a vastly instructive study, particularly from the viewpoint of today's opportunities and dangers. Through the unknowing eyes of its young heroes I become aware of events and accounts of them and at the same time I cannot get away from my experiences and my knowledge of what is to come. It recognizes the portents of future events which we have underestimated, did not want to see, and kept silent about. On the surface at that time it looked as if there were on one side an enthusiastic nation and on the other side a few criminal diversionists. History taught us that such a concept is fiction, and when the barriers and buttresses which maintained it collapsed, it became obvious how diverse our society is in its opinions.

After all, we do not even tell the whole truth about the restructuring itself, which is supposed to mean a return to truth and democracy. In my opinion, our restructuring began more than 30 years ago, in 1956 to 1958, when comrade Dolansky expressed several times serious criticism of the Stalinist system of management of the economy and the Party planned an economic reform, the principles of which are very similar to those of today. That reform failed after several months. A new wave of restructuring rose at the beginning of the sixties and it left its mark on the entire decade. The most sterile and the most toothless attempt at restructuring was the Set of

Measures at the beginning of the eighties. This restructuring, which we are striving for now, is already our fourth attempt, and we should not waste this opportunity again. From this standpoint, we can also understand the development of socialism thus far as a continuing clash between the bureaucratically dictated and the democratic line in economy and the entire society, but more so as a persistent resistance of the nation to the bureaucratically dictated version of socialism. We learned much from this confrontation. Not only that this system has a tenacious life and until recently had the power support of our friendly neighbors where in those days it was brought to a stagnant perfection. We know that under this system we cannot be happy, we cannot prosper, because under it the creative potential of the nation is greatly underused. We know that this system is particularly unsuitable for the technological revolution which simply cannot do without the utilization of creativity. And all this is all the more painful because all this is happening to a nation which has old democratic traditions and an innate need for a free, creative life.

In the three or four years after February 1948 we adopted and pushed through a certain model for managing the economy and society, and we have been trying for 40 years to reshape it and get rid of it. These 40 years of the clash between social development and bureaucratically dictating stereotypes is a painful drama for our citizens and doubly so for us as writers.

At my lectures about restructuring people ask me: "And what about you writers? Where is your voice? What are you doing for the necessary profound changes?"

Actually, I wanted to place before our gathering just this one single question.

Time does not wait. Since the historic 27th Congress of the CPSU, which adopted the line for an overall profound restructuring of the Soviet society, three years have gone by just this March, same as since our 17th Congress which adopted the same line.

It is sad that one still needs courage to speak sincerely and openly. If the truth is painful, truth hurts. First those for whom it is disagreeable, then it still hurts those who bring it up. But as one of us wrote in his book: "If you do not crash against the boundaries, you cannot push them back." I have a feeling that we are giving the established boundary a wide berth.

We share responsibility for the public consciousness of this country. At this time, when the determining productive force is human creativity—technical, managerial, artistic, and in work generally—, the state of mind of our people is directly related also to our material well-being. But people have known this, after all, from time immemorial. I do not know how many millenia old is the eastern proverb: "Where truth does not prevail, nothing will grow." Its wisdom applies today in an even greater measure.

We are professionals of human truth. The word of a writer, that should be in fact a calibrated gauge of truth.

It is not an easy responsibility and not even today, during the time of glasnost, it is not without risks both immediate and prospective. But if we do not fulfill this responsibility, we would be accomplices in wasting our historic opportunity, opportunity presenting itself to our life and our talents.

Vladimir Kolar

24000130 Prague *KMEN* in Czech No 14, 6 Apr p 1, 3

[Text]

'Dialogue—Catharsis'

I do not know if my presentation will be on target in the atmosphere of these proceedings, but nevertheless I would like to respond to some impatient and concerned questions by writers and other readers of *LITERARY MESICNIK*, who have been asking lately about its new program, about whether we really want and can increase the prestige of the Union journal.

So here goes: The entire editorial staff has been engaged since the very beginning of the year in thinking about a new concept, at several meetings we held detailed discussions about the future appearance of the journal. The main starting point of all discussions was the unanimous objective that readers should pick up the magazine with true interest, that it should be a truly necessary guide to what is currently happening in contemporary literature and its theoretical and critical responses. The results of our deliberations we submitted to the presidium of the Union for discussion, and at the very next meeting it will be taken up by the committee of the Czech Writers' Union.

We could of course talk for hours about the concept which is being contemplated, but it would not be useful to give details of the plans which, considering the possibilities of editorial work and long production time of the magazine, could be converted into results only after a certain time and only then the actual viability or failure of that concept would become apparent. Perhaps it needs to be said that the basic starting point of our work is the democratization of relationships within the editorial staff, a collective agreement on what room each editor has for initiative and creative approaches. We are creating a work mechanism which should fully liberate and inspire the activity and personal assumptions of the members of the editorial collective, which would transfer the responsibility for implementating the tasks of the journal from the command and prohibition base to the level of personal convictions and responsibility, the professional and world-view assumptions of all of us. We are restoring the importance of editorial conferences, where a truly creative atmosphere is beginning to be

evident, where the inevitable clash on matters and problems is beginning to act as a criterion of quality and selection, where a collective mind less given to mistakes and blunders is beginning to emerge.

All of us on the editorial staff are in agreement that the journal has to be done differently, in a new way, but at the same time we realize that the reader must find his own attitude on his own and quite freely, and that he will not do that merely on the basis of our appeals and wishful thinking. And if we are to nudge him closer to a genuine interest, then we must remove from his path the barriers of mistrust, suspicion, or simple distaste.

The future look of the magazine depends in many ways on the editors, on their approach to matters, on their responsibility, on their work. But it will be most profoundly influenced by the era which is opening up before us, the quality of the social atmosphere which will be undoubtedly affected by many diverse influences. Even now we see quite a few arising problems; it so happens that the party line of national restructuring and democratization aimed at the renewal of socialist ideals is not, even in our society, the only influence forming the consciousness of the people. Disturbingly easily the until recently proclaimed unity of the cultural front is collapsing, suddenly also other previously indubitable certainties are now only a fiction. The fear of a new crisis leads us to think about the need for a dialogue, which would—as people now say—search not for what divides us but for what brings us together. But immediately one has to ask whether we would really make progress in this way, whether we would not by a similarly understood dialogue only formally cover up the unprecedented schisms in public consciousness, whether we would only for a time place in parentheses the undoubted sources of the existing tensions and confrontations. It is my opinion that if we wish to think responsibly about tomorrow, then we must realize what the real situation is, precisely define all the participating sides of the possible dialogue, analyze and note their ideological, political, and world-view base. I do not believe in illusions, and therefore I expect before long rather than a reconciliation a sharp clash of opinions, encompassing in its radius of action the last 20 years of development in our country, but probably mostly the key questions of the direction of society and the principles of socialism. In such a situation we should not lose the ability to distinguish between a valuable alternative opinion stemming from the socialist soil and ideological messages dictated by a vendetta. The room for a dialogue, today sharply curtailed by nihilism and demagoguery, can be protected only by a highly objective analysis and an honest discussion for which the only preliminary condition is the conviction about the importance and value of our creative work, that a true writer maintains his identity under any kind of possible or impossible conditions. After all, our work shares in shaping socialist moral consciousness of the people, and in that lies the greatest potential for searching out answers to today's revolutionary tasks. To profit from the crisis of moral values in society can be the goal only

of opportunists and venturesome characters, the role of a writer I see in revealing the sources of the crisis, in analyzing them honestly, in courageously defending those moments of reality from which can be developed a more worth-while and honest future, future that is harmonizing, creative, one that will reshape the possibilities of a man to conform with his essential needs.

The pages of LITERARNI MESICNIK, too, will undoubtedly provide space for a dialogue even about the most burning questions, here, too, we can expect individual probing in an analytical effort to objectively understand the past era in the development of our literature. But we do not wish to follow the path of such "discussions," where a loudly proclaimed reported effort to find a point of departure, some theoretical assumptions of an analysis, is in reality from its very beginning a presentation of final judgments, an expression of a negativist attitude toward any disparate views. Some recent discussions, and not only in the literary sphere, unfortunately demonstrate that as a rule the idea is not to express an opposite view and through polemics come to a more objective and valid conclusion, but to try and disqualify the partner in the discussion forever, as well as all other potential opponents. Dialogue and analysis can be unrelenting and harsh, mercilessly revealing and wounding, but they should never lack the necessary good taste, respect for facts and real context, as well as the essential awareness about the cathartic function of these acts which must be concerned with the future better prestige of literature and at the same time of course of the society in which we live and work.

Kamil Marik

24000130 Prague KMEN in Czech No 14, 6 Apr 89 p 3

[Text]

'As a Matter of Principle and Soon'

I have witnessed many times already lamentations about how our contemporary literature is mediocre, unenterprising and grey. Even though I do not think that it is that bad, and even though I think that this formula has become rather fashionable lately, I do not intend to argue with it from this platform. I would like to take a brief look at the conditions under which our literature comes into being—in fact I talked on this subject also at our 4th Congress, and that gives me an opportunity for comparison. Generally it can be said that conditions for the contemporary socialist literature are even worse than they were at the time of the congress, that is in 1987. Our books continue to be published two or three years after they have been turned over to the publisher, and the author has to deal with this sad fact already when he is writing the book. And believe me, that is difficult especially now when every month brings more new events which significantly change our understanding of world developments, cooperation of individual countries including the socialist ones, and our reality in the era of restructuring. When you add to that the not very good

economic situation of the publisher, brought about by the crisis in polygraphy and the increase in the price of paper, there is truly nothing to cheer about. Two years ago we looked with some hope at the activity of our publishing house Czechoslovak Writer, but today we have to admit that it too, despite an honest effort, ended up in the red and the deficit has to be made up from the Czech Literary Fund. But what money will the Czech Literary Fund use to make up the deficit? Our money, the money of artists, money which could be used for stipends and support of creative work. The fund which is solvent can still manage it, it will do it in the interest of our contemporary literature, but—I ask you—isn't this principle immoral? Are we so badly off that we must pay for the publishing of literature out of our own money? Can't any regulation or economic mechanism be found anywhere which would be able to pay for the publishing of books by pressing for good economic management? Or are we talking about a preference for sterile mass pseudo-culture, represented by cheap reading material and a wealth of various magazines? It would seem that we have had enough experiences in the past where such cheap culture leads the public's thinking. Although the current measures of the federal government do aim at a certain improvement of the poor state of polygraphy, it is only for the printing of newspapers and magazines. Nobody thus far has been talking about books.

Thus, in order that publishers earn their money and so that printing houses even accept books for printing, the books have to involve large printings or be lucrative titles. Therefore it will be this dictatorship of the polygraphy combined with the shortsighted dictatorship of money which in future years will create editorial plans rather than the need to publish the best books, the most needed literary works of perhaps the new, upcoming young literary generation, which cannot be even known to readers and which therefore cannot count on large printing runs.

Equally difficult to understand is the adoption of the new rate schedule of royalties for 1987, which allows the publishers to pay authors and translators higher royalties if they earn enough money to do so. How the publishers can earn the money when they are currently in the red, I do not know. However, on the other hand I do know that our literature earns a not inconsiderable amount of foreign currency which, according to current directives, Dilia turns over to the state without being able to leave some of that foreign currency for instance to the Writers' Union, which could use it to send our authors abroad. Not in order to buy videos or computers—that is being done by others, and mostly those who contributed to the development of socialism mainly by increasing their own standard of living at the expense of others—but so that they can learn and also represent our culture abroad. Let us remind ourselves at this point of the term social justice: it seems to me that at the present time it does not apply very significantly to the overwhelming majority of writers and translators.

The problems about which I spoke—and there are others—cannot be solved by more small concessions for which we shall meekly settle. These problems have to be resolved in principle and soon. I know that requests for money come from all sides, and that we cannot take from what we do not have. Our current situation requires decisive political and economic solutions, otherwise conditions for writers' work will become worse than they are today. We shall continue to write our manuscripts at night, on Saturdays and Sundays, and during vacation time, and we shall have less and less hope that our sincerely meant words will find their way into the hands of readers as books. If we are told that the writers' task in a socialist society is large and irreplaceable, it seems to me that conditions for literary work should be consistent at least to some degree with that task.

Miroslav Zahradka

24000130 Prague KMEN in Czech No 14, 6 Apr 89 p 3

[Text]

'Discussion Without Extremes'

I am not one of those who read only their own works, but nevertheless I read with interest my speech before the 4th Congress of the Czech Writers' Union two years ago. I spoke then about the values of the current Soviet literature and about the efforts to suppress the introduction of those values here. Today, when in the Soviet Union other outstanding works have appeared and many previously forbidden books have been published, I could repeat my contribution almost in its entirety. It is paradoxical, but in spite of all the pronouncements about the inspirational importance of the democratic changes in the USSR, there is a lot of distrust of Soviet literature here on the one hand, although an extraordinary amount of interest on the other. A question mark hangs over the best books by Soviet writers, they are not recommended for meetings in branches of the Czechoslovak-Soviet Friendship League (although tens of others are recommended), their production and distribution are being delayed (the case of Bekov's "New Career" or most recently Ajtmatov's "The Execution Ground"). Where is this distrust still coming from, especially in people who would be willing to re-introduce "Cuban Cossacks" or recommend Babajevsky's "Knights of the Golden Star"?

The way I explain it to myself is that some people here, whether unwittingly or knowingly confuse two things: sensational commentaries and serious good literature. Extreme commentaries or harsh personal attacks by one writer on another, simply the phenomena attendant on the suddenly opened floodgates of debates and polemics, that is something we do not need to borrow in every detail, because we could lose many illusions about creative people whom we rightly respect for their work, and because we could distort a number of things of the Soviet past and present for a less informed reader. After all, in the Soviet Union there are already voices heard asking to have more civility in the debates. But in most cases a

commentary does not have such an extreme and sensational tone, on the contrary, it plays a significant role in the effort to purify socialist morality, it raises serious ecological questions, guides the restructuring—economic and social—and in many ways gives incentives to its development. Therefore: when somebody here talks about the "froth" in the fermenting debates of the natural process of democratization, he should not include in it most of the commentaries, let alone the best of literature. On the contrary, he should understand not only the current but also the historical meaning of literature written by Ajtmatov, Granin, or Zalygin (of those living) or such as was written by Platonov, Dombrovskij, Bek, or Grossman, which by its humanistic pathos, its criticism of the deformation of the social order, and its historical overview plays an important role in the objectivization of the view of the past, and motivates the need for change and for overcoming the corrosion in society. In no case are we talking about sensational, short-winded or one-dimensional topicality when it comes to good literature, but about a complex look at man in today's world and at his human perspective. To call that "froth" is not responsible, and it leads to distortion in the scale of values in Soviet literary life. It is precisely this literature which can, through its strength of ideas and reliability, inner democratism and humanism which it inherited from the Russian classics, contribute effectively to the activation of social debate without extremes, to a responsible contemplation of the state of our affairs. And therefore it should get a green light.

Forgive me for explaining these things to the plenum which no doubt understands this very clearly, but I think that it should be said here all over again. Recently Josef Vinklar wrote about a similar point in RUDE PRAVO, and it is therefore obvious that the way Soviet culture is received here worries not only us Russian scholars.

Roman Raz

24000130 Prague KMEN in Czech No 14, 6 Apr 89 p 5

[Text]

'Democracy—A Natural State'

They used to say here, discuss, comrades, discuss, do not be afraid of criticism, point out the shortcomings. But they forgot to add what any proper detective in a classic detective story used to say: Whatever you say can be used against you.

And so it also often used to be in the past. Often what was said or written was explained in a simplified and demagogic way as a slander, and nobody heard it again, and nobody could even read it.

That was an example of an anti-dialogue. Now the call is out for a dialogue, we are permitted to have courage, we are trying out talking to each other....

From stage experiences we know that a dialogue is not a discussion by two actors if they are both developing the same idea. Or if one is talking without regard to the other one. Dialogue is a natural contention. If it is to make any sense then it has to be like that—otherwise it simply is not a dialogue. Dialogue also arises suddenly and for unexpected reasons; generally it is difficult to call it to life a month in advance, for example by registering for a debate on a given subject.

There have been many important ideas introduced here already, and I am happy to identify with them. Above all with the idea that writers can, in fact must, help in searching out social problems and analyze them. That is in order, if it concerns our work. But sometimes it seems as if we were supposed to do much more than write, as if we were to do the work of others.

In Bohemia something more was always expected from a writer than to "just" write. He was expected to give his opinion on public matters in all possible ways, in fact he was (and I think he still is) judged and evaluated by the public more according to his statements than by his works. Personally, that grates on me. I do not belong among the publicist or politicizing type of authors, I am still convinced that a writer should above all write well. In any case, if nobody asks his opinion before something happens, which testifies to his low social standing, why should he feel obliged to resolve something ex post.

The palette of Czech literature has always been very colorful. Only in the fifties and seventies some of the colors have been removed from it by force. We should now return it to its diversity and integrity, and try to link together the interrupted artistic continuity between yesterday and today. That is, I would say, an important task also for our literary science and criticism.

Another idea was heard, today already generally expressed, with which I cannot but identify as well. We need to grade our literature not according to the names of the writers and their fortunes, but according to its quality as good and poor. And I could go on like that.

We are full of the substance of these and similar ideas, they are being talked about in the most diverse places. I have the feeling that generally there is now a lot of talk, and even those who felt comfortable during the era of dogmatism have now started to talk in a democratic way, so that today we are mostly talking in agreement about the same things. This is a normal state of affairs. Only that previous silence about them was unnatural. Every society must find its way to democracy if it is not to lose its credibility. After all, democracy is not a gift. It is the natural state of things.

Similarly natural is, for example, that there should not be any *libri prohibiti*. The fact, that recently books by TGM, Benes, Belohradská, Sotol, and others have been released, we cannot consider to be a grand gift to readers either. In the report about the release of those books

there was something missing. We sorely missed the explanation who, why, and by what right, prohibited these books. We missed the name of the act, which was nowhere codified, as also a number of others—such as the prohibition to publish certain authors. And mostly we missed the guarantee that before long other books, other films, other authors will not meet the same fate. Yes, we did not have the assurance that in the future a book can be banned only by court decision, if it is determined in advance, of course, what is inadmissible in literature—for example, what directly threatens state interests, public morality, etc. Thus far only a small example. It shows the absence of an analysis of the reasons for wrongdoings in the past and the absence of guarantees that such wrongdoings will not occur in the future.

If we identify what was bad in the past, then we have a better chance to avoid it in the future. In knowledge is strength and hope, in that guarantee certainty.

I am convinced that we need to attempt to do our literary work and Union work according to our best knowledge and conscience, without becoming troublesome and targets of suspicion. Generally, we need more trust. Of those at the top of our social pyramid as well as those at the bottom which form its base, about whom, after all, we are most concerned. Trust will also give us certainty and strength to work.

And now we are back at the beginning. Do we really have trust already? What is considered to be constructive criticism, an honest proposal, and what is considered to be slander and destruction? The criteria are still vague, and as life goes on, they change from day to day. Obviously, everything is a question of standards. Establishment of rules. And above all guarantees, that they are valid and that they will continue to be valid. Only thus shall we learn how dramatic this dialogue can be.

So that there would not be just so much talk, we said everything, we solved nothing, but we did not hurt anyone and we left quietly.

However, I think that to this we, writers, alone will not find the answer.

Writers Review Post-1945 Literature

24000116 Prague KMEN in Czech 16, 23 Mar 89

[Unattributed report on writers' roundtable discussion: "Need to Strengthen Awareness of Continuity"]

[16 Mar 89 pp 4-5]

[Text] The board of the Czech Writers' Union entrusted the editors of KMEN with arranging a roundtable discussion, which would endeavor to provide a view of literature of the past 40 years. Taking part in the discussion were M. Blahynka, J. Hajek, H. Hrzalova, O.

Chaloupka, J. Matejka, J. Peterka, A. Pludek, V. Rzounek, I. Skala, K. Sys, and K. Misar, who chaired the roundtable discussion. Here is the first part of the report on the discussion.

[Misar] The roundtable discussion about the past 40 years of our literature, conducted at the recommendation of the Czech Writers' Union, is without question a very large mouthful, and one instinctively wonders how to begin in the first place. To my mind, the easiest way to begin is with a story like this: When Jaroslav Seifert received the Nobel Prize, it caused considerable confusion in editors' offices and appropriate institutions. Their telephones were ringing off the hook and various diplomats and foreign journalists kept asking who Seifert was and what was it he wrote anyway, and people who answered the telephones were in great confusion; they did not know what to say. Why did not they know what to say? I would have said something like this in their place: It is marvelous that the Nobel Prize was given to the author of "Mesto v slzách" [The City in Tears]. After all, he wrote a poem about some poor boys from the Zizkov suburbs being examined by a doctor, who "...played soft music on their ribs, c-a-d-g-g-d-c-a...." and told them: "Boys, you will all have to be healthy one day, so that when that great concert is being performed in the streets of the world, you will all be able to play from the red music score a revolutionary symphony, and that symphony, I tell you, will be something!" So this is the way I would probably have replied.

Why am I saying this? Because we should focus in our discussion on continuity. The leftist orientation of our writers after 1945 did not appear out of the blue and it was not, at least at the beginning, enforced or dictated. It was a continuation of the pre-war, communistic orientation of Czech writers. I wish that our discussion would start with that and remind our public opinion that in the case of Seifert for example, and several others, we cannot take into consideration only their later attitudes, but their entire development. That applies also, for instance, to Ludvik Askenazy: he became an "emigre" and it was forgotten that he also wrote the antimilitaristic "Cerna bedynka" [The Black Box], that he wrote "Indianske leto" [The Indian Summer], an unpleasant, deeply human probe into life in the U.S.A. during the 50's. Similarly, we must also view the work of Bohumil Hrabal in its continuity; he was incomprehensibly "dubbed" a representative of the opposition by public opinion, and at the same time this opposition did not mention anywhere that he wrote a beautiful story "Jarmilka," set in the Kladno Iron Works which he knew intimately, a beautiful story about an ill-starred working-class girl.... In the same way, Jan Werich has been and is still being "appropriated"—but only appropriated—he did not speak for the opposition. And take a good look at his work, at his plays from the first republic: I may be exaggerating, but they are so communistic, so steeped in early communism that today's readers are a little embarrassed by it. Recently television again showed "Svet

patri nam" [The World Belongs to Us]: it is eminently obvious from the film that even Werich had some continuity.

So much for one of the subjects of our roundtable. The others will be, in my judgment, questions on why the leftist orientation remained so strong even after the war, which factors did it stem from, but we must also think about the fact that the post-war era also brought waves other than leftist oriented, and why after 1948 Halas, Seifert, Kamil Bednar, Frantisek Krelina, Knap dropped out of literature for a time.... And neither can we avoid the question inspired by that old statement of Jiri Grusa—I apologize that I quote it out of memory and therefore inaccurately—that the 50's gave rise to "verses that were for the birds." So—did "verses for the birds" really come to be? And were they "for the birds"?

[Sys] We are meeting at a time when the social climate has become more focused, and the public demands from its writers resolute and clear words. I will follow up on what Karel Misar said: We appreciate the fact that Jaroslav Seifert received the Nobel Prize, but we all know that he did not get it, regrettably, for the quoted revolutionary poems. And in the same way the author of the song "Tomorrow there will be dancing everywhere, when our victorious red flags are run up the flagpoles of the world" did not find appreciation abroad for those verses but for an entirely different attitude. It seems that in our history there appear situations when the flags "are not run up the flagpoles of the world" as quickly as many an optimist would imagine. Under such circumstances, a part of the writers' community as well as the public can begin to lose confidence in the future. Recently in Dobris, at a seminar for young writers, we heard that "...the boat is sinking." As if we had said: "The flags were not hoisted." The sensibility, particularly of the young people, has been shaken and we definitely have to speak to that.

On continuity: In KMEN a small, but very symptomatic, discussion about Kamil Bednar has been going on. His progeny are objecting to some schoolbooks in which, according to their opinion, the poet is underrated. But—at another time he used to be overrated and then there was the time when Ladislav Stol described, and certainly truthfully, how Emanuel Moravec used to distribute Bednar's Protectorate poem "Zrozeni Zarathustrovo" [The Birth of Zarathustra] to school children. Simply—in our history there are alternating periods when either this or that applies, but never anything in between. Which I can nicely demonstrate on the case of my favorite, unhappy Foglar: He is either repudiated or he reenters literature and his adherents immediately demand that he be adored and not criticized at all any more. And then we have the next stage, the unhappy stage of the "verses for the birds." Nezval is indeed something like a seismograph of Czech culture. Every time it begins to show reactionary features, Nezval's work

is being vilified, called "fool's gold," and when Czech culture begins to gain strength, Nezval's name is used, on the contrary, to beat up on authors of different artistic persuasion.

[Chaloupka] It has been demonstrated a long time ago, and there is little point in talking about it, that each literature is born out of a certain continuity and each literary work comes into being against a certain semiotic background of already existing literature. Thus Czech literature of the past 40 years, too, came into being on the semiotic background of Czech literature not only from the period between the two wars but also the classical, including Neruda and Macha. And not only that. Czech literature has a somewhat specific position, it is literally at the crossroads of Europe, and it has always absorbed, sometimes in a better, sometimes a worse, sometimes a creative and sometimes an imitative way, what was happening in culture all around it. In other words, if we want to think at all about what our literature looks like, we cannot in no way limit ourselves only to a mechanistic following of the chronology of its 40 years.

Second observation: I believe that no roundtable discussion can replace serious scholarly research of the field. The only thing that this discussion can produce are certain incentives, motivations, and stimulation for the direction of the scholarly work, at what spheres and subject it will be aimed, and which problems it will analyze.

My third observation concerns something about which Karel Misar did not speak, but which hangs in the air and can be expressed by the word "reevaluation." Lately I have been hearing and reading this word a lot. I was always moved almost to nostalgia, because during my entire, not such a short, life I have been witness to a constant reevaluating of Czech literature. When it does not know what to do next, it reaches for the tried and true method. The principle is very simple and easy: In short, the one who got an A, will get a C, who got a C will get an A, and the one who got an F will be moved up to a C, but sometimes he will get as far as an A, or even further. We have been inclined to do this for a long time, at least since the time of the dispute between Lumir and Osvet, that is, since the end of the 19th century, but probably even before that. Such reevaluation is an extremely "valuable" instrument, which makes it possible for us not to think about the true worth of literature, not to be too concerned about it. It is enough to change the classification, and we do not have to think about the fact that it is inherent in the very essence of literature and its social function to have transient preference for a certain author, a certain body of work, which logically happens at the expense of another author and another body of work. Reasons, why that happens, can be very diverse, from fashionable influences or, on the contrary, ossified conservatism, to reasons beyond literature, and they can be reasons of an entirely personal taste which plays a role particularly in readers' preferences; we

cannot expect that everyone will like the same type of literary expression, just as we cannot expect everyone to like either blonds or brunettes.

All that, with the exception of the nonliterary reasons, is basically normal and we have been familiar with it since the days of Macha and possibly of Neruda's "Hrbitovni kviti" [The Cemetery Flowers]. Literature simply is a living organism where we cannot always expect at a given moment perfect and credible judgment; what is not normal is when into the picture come, as they often did, apriorisms, one-sidedness, intentionally restricted and biased criteria unwilling to actually communicate with literature. Something else, however, is the question of permanent, generally, and for a long time shared values in a broader context, which cannot be called a mechanical reevaluation. That is a task for literary science, and that will become science in the true meaning of the word the moment it initiates, instead of changes in preferences, a true and unbiased analysis, and instead of constant reevaluations it endeavors to "cleanse" a given author of transitory preferences or show what is or what is not enduring, without being concerned whether these transitory preferences have vanished. Capek's literary importance was not enhanced by the fact that he was the "castle author," and when he was later pilloried, it did not diminish it either. I think, therefore, that the question which is confronting us, if we are serious about evaluating the past 40 years, is a question of internal tension within literature between the transitory popularity and the permanent importance of a given author.

[Misar] I think that one can agree with Chaloupka, but I would be sorry if we forgot my observation about "public opinion." Today the situation is such that we really must make public opinion be aware of continuity. I am mentioning it because these days public opinion is beginning to play a very important role and it often "flows with the tide." Simply according to the maxim: "People want to be deceived."

[Matejka] Many things, which look complicated to begin with, turn out to be very simple. There simply exist certain social determinants, and even in the face of public opinion we have to go back to that basic, seemingly almost banal Marx's category which analyses the dialectical relationship of the base to the superstructure. Of course, it often appears that in the superstructure, in the intermediate sphere, an autonomous, relatively independent evolution occurs, but a certain social inevitability exists there anyway. That is the answer to the question, whether continuity or discontinuity. True, we can pretend that we are not paying attention to social inevitability, but then we must not be surprised at what it does to us!

If there actually is discontinuity in the works of various authors, then it is given by the fact that they did not respect those social determinants. That, of course, brings us to a very painful question: What does and what does not belong in our literature of the past 40 years. Whether

authors and certain works found themselves outside the mainstream of Czech literature because of their attitude and writings, or because of administrative intervention. And therefore, should this author or that one, this or that book be included, and if so, what are the requirements for being included?

[Hrzalova] The question of continuity is one of the basic questions, it can be discussed in many connections: we can talk about continuity in the development of individual authors, about continuity of certain trends; there is also the question about what is the difference between continuity and tradition, which is often being confused. We are now concerned about what represents the continuity of Czech literature of the 20th century. The problem became acute already after the year 1918, when there existed the notion and was asserted (by F.X. Salda, among others) that with the establishment of the republic we are starting entirely anew. It soon became apparent that it was a mistake, that a law of continuity exists, and that it manifests itself in literature as well, that the "new" comes into being and is formed also with the acceptance and awareness of the past, but of course also in controversy with it and negation of it. We have a tendency to understand these things metaphysically and mechanically: either—or! When we begin to work with literature, it becomes apparent that it is not so. You mentioned Seifert. That is an example illustrative of the contradictions in the development of an author and of literature as well at a certain point in history, but it is also proof that continuity is realized also under conditions of discontinuity, understood of course as a moment of unification, retaining what is fundamental and determinant. What can be characterized as determinant for the continuity of Czech literature of the 20th century? I would put it about like this: the understanding of and response to mankind's struggle in all its complexities, in its social connections. And becoming part of the mighty stream of social events, of the struggle for improving the world and perfecting the conditions of human existence.

I would also point out two other important questions which have to do with the role of literature in society. Literature has never been so rooted in the social context as it was after 1945, when it, and culture as a whole, began to be considered a social force. Or in other words—was this a new epoch? I am convinced that it was, that a new system of national literature began to form, meaning socialist literature. However, at the same time we did not always view the creation of this system as a process of crystalizing contradictory and diverse trends. Comrade Chaloupka talked about preferences. I think that we have inadequately perceived and understood the stratification of social consciousness and interpreted it only in one way, that we conceived of its certain truths as absolute.

And next—take the 60's! We must return to them not in order to reevaluate everything that was said, but in order to discover which values they crystalized, because in the 60's we witnessed absolutizing! It happened, for

instance, that Hrubin's "Zlate reneta" [The Golden Apple], in which the protagonist realizes that something in his life is becoming entangled and that to know the present means to come back from the past, was suppressed in favor of the absolutizations in Vaculik's "Sekyra" [The Axe] or Kundera's "Zert" [The Joke] by at least some of the critics. If at the beginning of the 70's we distanced ourselves from such absolutizing, it was above all because we realized how works of the "Sekyra" type shared in the historical misinterpretation of the movement which was taking place in society, how biased they we in their presentation of the past.

[Hajek] The word continuity was mentioned here several times. Our Union contributed to a real strengthening of the awareness of continuity only when it rejected those "reductive" tendencies which until recently distorted and impoverished the picture of the recent as well as the more remote past of our literature. We have taken the first steps already. But we must think about the reasons why such authors as Branald or Holub, and a number of others as well, are returning to the Union only after a passage of many years. At the same time, we are not talking about the liquidation of the Union as a ideologically clearly defined organization, but about the intent to return to it those people who in their works—despite certain deviations in their civic attitudes during the so-called crisis years—did not leave the ground of socialist humanism. At the same time we are not talking about some reconciliation of the irreconcilable. The dividing line still exists between those who fight for the humanization of socialist society and those who argue that such society is antihumanist in its essence. With those, unless they by themselves subject their position to a basic revision, we shall not seek any contacts. But we cannot avoid an ideological clash with them, in which we can prevail only through the truthfulness and persuasiveness of our arguments, our look at reality. Perhaps we have already been sufficiently convinced that we shall achieve nothing when we silence, cross out, or avoid these "controversial" authors: the consequences of such tactics are today unhappily evident also in the results of the literary instruction in schools. We have to lay to rest the ridiculous notion that if we do not talk about something ourselves, then the young people will know nothing about it; not even when literature is concerned are they relegated only to what we tell them or what we conceal. That way we only helped create in the minds of young people futile illusions or prejudices. In addition, as a result of nonsensical dogmatic ideas about what is and what is not socially beneficial, we did not want to reflect even in literature the true mental state of our current young generation, its real problems and views.

Another question, to which we shall certainly return at the plenum of our Union, is the question of some values in our literature which stem from different world views. Several names were already mentioned in this connection; I would like to emphasize, above all, Krelina, Zahradnick, Deml and Knap as pars for this. They must be returned to their undisputed place in the history of

Czech literature. That does not mean to turn upside down the real hierarchy of values, as we experienced it once already in the second half of the 60's. We simply wish to objectivize within the framework of the literary process the contribution of those authors which I mentioned, also including, for example, Jan Cep, Egon Hostovsky, and others. At the top of the real hierarchy of values unquestionably belong also the pioneering works of our socialist literature from the period between the two wars. However, we should also realize in this connection that its determinant feature was a tremendous variety of approaches to reality and of creative styles as well, and that the moving force of its development was a never ending debate between Marxists and non-Marxists as well as among Marxists themselves, who often held sharply opposing positions, such as, for example, on one side S.K. Neumann and on the other L. Novomesky or J. Fucik.

[Skala] I understand integration as a concentration of all the forces which can facilitate what Hajek called "the humanization of society on a socialist basis." Basically at issue is to overcome the black and white views from the past. Today, when the word "reevaluation" is being constantly repeated, we need to be aware of what comrade Matejka was talking about, that every author and every literary event have not only their own continuity, their literary context, but also a social context, that they have their own historicity and that without it we cannot get at the root of the matter. Karel Sys spoke here about Kamil Bednar. When I read in KMEN a short article written by his sons, I became downright angry, because I said to myself: This is an example of turning values upside down, an example of an ahistoric approach. I remember K. Bednar from the very beginning until his last work. I remember his arrival on the scene at the time when he participated in MLADA KULTURA, I remember his "Milenka Modr" in which he entered the sphere of pure poetry and which I did not understand too well because it was only a very ingenious esthetic diversion. Then he went through a existentialist stage, and, what is worse, I also remember his "Slovo k mladym" [Word to the Young] which was a political statement, and I also remember what impact it had on young people during the Protectorate. I also remember the courageous reply which Lumir Civrny at the time addressed at the "Slovo k mladym," even though it could have cost him his neck. All this was Kamil Bednar as well. And I know his work after the war, the number of outstanding translations, and of course I know also his final years, when his verses expressed truly humanistic values of enduring validity. Therefore, to present K. Bednar onesidedly and ahistorically, as a value without a blemish or shadow is to falsify reality, and I would like to see that we do not do that with other authors and events either, because everybody has his own stages of development and by and large nobody is only all black or only all white. Without a historical approach we would not get anywhere, because the truth is always a little more complicated and to reevaluate does not mean to turn values inside out.

[Misar] Comrade Skala said: We used to see things in black and white. Can we say why that was so? We should have seen things both in black and in white, we should have seen them in harmony.

[Matejka] I have the feeling that we are still uncomfortably tiptoeing around the fact, often a determining one, that this society was born and developed in a revolution. That there was a class struggle, which during certain stages affected also the cultural front. The consequences persist to this day. Take Jan Prochazka: he permanently entered Czech literature with his "Zelene Obzory" [Green Horizons], "Zavej" [The Snowdrift], "Pre-strelka" [Exchange of Fire]. But he also entered memory with his social attitude and the role which he played in 1967 and 1968. But I think that this is already passe. He is dead, that stage has been over a long time, and we need to study which works of this author should be included in the body of Czech literature. Living authors are another matter. There we can in no way separate the work from the current attitudes. Because the struggle, which I mentioned at the beginning, is still going on. A number of emigres abroad and at home, dissidents, swear by the humanization of socialism, etc. Perhaps some are concerned about it, I am not able to judge that, and maybe they honestly want to carry on an argument with us for the sake of regenerating this society; nevertheless there remain some authors about whom it must be asked whether their attitudes toward society have changed since the time when with the one hand they were writing exaggerated antisocialist memoranda, and with the other were giving instructions to paint signs on gates so that the nation would not make a mistake "when the hanging begins." That is a complicated problem, here we enter the realm of politics. And we cannot pretend that we are some all-humanistic organization, that we shall treat literature only "an sich" and not also "fur sich," if I am to paraphrase that clever gentleman from Konigsberg. To put it briefly, I am of the opinion that the value of a work cannot be judged apart from social and civic attitudes. And here it starts to get complicated, because we cannot throw everyone into one bag who has a critical reservation toward the present and the past, who perhaps also shares somehow in "stirring the minds of this society." We should say something on this point, we must arrive at some opinion, and the internal discussion in the Union should take it up as well—but on the other hand we should not overestimate this matter, because what moves Prague and the intellectual circles does not have nearly as strong a response in Melnik, and even far less in Ceska Lipa or Varnsdorf!

And how is it with the social prestige and role of a writer in contemporary society? It is very bad, very bad! In contrast to how it was 30, 40 years ago, our Union does not have anything like a role of a directive artistic union. By that I do not mean that we should take the place of politics! Politics are a very complicated, perhaps the most complicated profession, working with entirely different values than we are. But nevertheless there remain enough social activities—all the way from education to

film, television, mass media, ecology, etc.—where the Writers' Union should be heard. If we ourselves are clear about these matters and arrive at certain positions, which could even differ to a certain extent from the official propaganda, we could become equal partners and could take our place on the public stage where we shall play a respectable role. And so to summarize: I am definitely against some kind of general pardon on the one hand, but on the other I do not think people should have to "tear their clothes" and cover their head with ashes, because very often we find that many of those with whom we had a mutual lack of understanding, actually think the same way we do, they are concerned about the same things, but they have a different idea how to solve them, stemming from different feelings of human and social injustice.

[Misar] In defiance of methodology, we are still working with categories of decades. But for our discussion individual questions are also important, and one of them was indicated by Matejka when he said that "...something is moving our young people." Let us try to find the answer!

[Blahynka] I think that one of the things which are moving our young generation, and thus far they have not been discussed here, is the so-called official literature. What openly professes socialism appears official, same as that which is given prizes, honors, etc. In the prejudice against "official" writings there is a mixture of envy with the more or less natural distaste for what is obligatory, with feelings which abhor the "official" approach to life—after all, the word "official" is derived from "offium" meaning authority, duty. Emotions are difficult to argue against, lessons drawn from science do not reach them, do not move them. It is far better to simply call on writers who are "guaranteed unofficial," who are aware what unity and continuity of the national literature means. Karel Misar at the very beginning appropriately quoted early Seifert. After all, he was a poet who did not part with his humanistic ideas even at the close of his life, and such antiwar cycle as his "Bombardovani mesta Kralup" [The Bombing of the Town of Kralupy] belongs among those works which will always remain the pride of Czech poetry. But here I should also mention Voskovec and Werich. Before singing on the proscenium of the Osvobozené Divadlo [The Liberated Theater] about what Hitler sang to them about his program through his "fernsprecher," they remarked that "for those who are Marxists," there is "only the telephone for getting information" in the insecurity of Germany. Voskovec and Werich were not Marxists, of course, but there were times when they showed more than just solidarity with Marxists. And those were the times when they produced their greatest work.

It is also not without merit to point out that with the passage of time sometimes something will undeservedly appear to be official literature which in reality it never was. The author of "Zpev miru" [The Song of Peace] appears to the young generation to be the embodiment of the 50 years of official literature. He was honored several

times with a state prize, named a national artist, and was given the Gold Plaque of the World Peace Council. But in reality he did not enjoy even then the status of a spokesman of official spokesmen on literature, realism, etc. It is enough to look at the published passages from the protocols of the central committee of the Writers' Union to see how he acted during the struggle for contemporary poetry. After all, he even publicly defended Branislav's "Vecery u studny" [Evenings by the Well] against the interpretation that it is poetry running away from social problems, and so on. Somehow that is being forgotten. Forgotten, too, are his controversial verses in "Kridla" [Wings] and in "Chrpy a mesta" [Cornflowers and Towns], or in the "Rukavicka" [Glove] flung in the face of citizens honored by "the grand order of muchness" who insult "what is dear to the heart of a poet." That was supposed to be official literature? Nezval meant and still means something for socialism and the road to it, precisely because he was far removed from what was official, impersonal. Many of us have known this, anyway, already since high school. There, a mathematician, chemistry instructor, or teacher of another subject often did more for poetry than perhaps even a good teacher of Czech. That is because he talks to a certain extent "ex officio," whereas a mathematician who is passionate about poetry expresses his inner convictions. That is recognized in school as it is in poetry.

[Rzounek] Comrade Misar is right when he asks that writers express their basic attitudes on what makes our time the continuation of the past and what makes it different. According to my mind, our discussion should provide an incentive so that the idea enters the public consciousness, based on relevant analyses, that literature itself through its values but also through its criticism, and overall creative atmosphere demands restructuring. Continuity lies in values achieved, differences precisely in the need for change. Why?

The evolution of postwar literature is inseparably linked to society. That is not just our distinction. Dr K. Hyslova proved already at the beginning of the 60's in her book "Zapadonemecky polocas 1945-60" [West German Half-Time 1945-60] that the differences in the evolution of German literature in the German Federal Republic and the German Democratic Republic are precisely the result of social conditions. The postwar influence of the apocalyptic works of A. Huxley or G. Orwell on West German literature which was taking shape, as well as the renaissance of the works of F. Kafka, naturally interpreted from the point of view of a defeated nation, has its roots here. They are what differentiates it from the works of B. Brecht, J.R. Becher, A. Seghers, A. Zweig, and others in the German Democratic Republic.

The linkage applies generally. But the point is how it is understood. The first edition of the novel by B. Riha "Zeme dokoran" [The Country is Wide Open] was passed over by critics in silence. When J. Glazarova highly praised its new edition, critic V. Dostal literally

pulled the book apart because it did not contain exemplary events which were part of the "model" concept of socialist literature as it was formulated by a considerable number of critics at that time. Riha then wrote "Dve jara" [The Two Springs], a work based on an approved model. He was commended. And yet "Zeme dokoran" became a permanent part of postwar literature, whereas "Dve jara" Riha himself in retrospect rightly considered to be a schematic work.

Historical conditions of course do not determine a different, predominant type of literature. The extent to which they are understood conditions the creative climate and thus also the attitude toward literature. Experience teaches us that the postwar evolution of our literature (but not only ours) continues to be, precisely because of its linkage to society, an ideological conflict. Controversies about the form of socialist literature, its very character, controversies about what belongs in it, and what is contrary to the socialist character of society, are, after all, of this nature. And one cannot but see that in them are intermingled simplified ideas about socialist literature with simplified, or on the other hand underrated, ideological confrontation.

A comment was made here about administrative interventions into the literary process. They happened. For the same reasons which concerned the development of writing. Such an intervention was the closing down of the magazine KVETEN. The problems were suppressed, not resolved. But another situation evolved around the magazine TVAR. It gradually established itself as a group magazine and was therefore to become a publishers' magazine instead of a Union magazine. And it was this group which refused "degradation" and gave up the magazine on its own. It arrogated to itself the right to present its opinions as the only valid ones from the point of view of the entire Union. For they were not interested in literature but in politics. The closing down of the magazine was part of the tactics of the publishers to exert a demagogic influence on the public. What were the politics in question became clear when the crisis in our society reached its peak.

It is not possible to disengage the evolution of literature from the social process. The point is not, and cannot be even at this time, to do some arbitrary "bidding" with individual authors' names and "integrate" them into the existing Union. For me the question—what to do next—was and is this! We learned how to enforce the victory of the socialist revolution, we learned how to defend it and defend it successfully. But did we succeed in developing it further? Have we always understood in time that society has already outgrown the coat which it had to put on at a certain moment? In the second half of the 70's the thesis that there exists a homogenous socialist nation again became prevalent. But the very composition of the National Front shows the differences in views and the social differentiation as well. Did we learn to respect this fact, did we learn to lead society on the basis of this differentiation to the goal which we set for ourselves? Is

it normal, if on the pages of the daily of a political party with a non-Marxist world view a critic, who embraces Marxism, publishes practically basic articles about literature? That is quite ordinary buck-passing and an effort to evade responsibility for the creative dialogue of socialist pluralism.

When we decide that because of the condition of our literature as well we must push through the democratization of society—and there is no other way to go forward—we have to begin first of all with ourselves. Only when we ourselves realize to what extent we have been co-creators of circumstances which today are presented as something abstract or coercive, to which we either shall or shall not succumb, only then will it become clear why literature developed the way it did, and who had what share in it. Then it will become clear in what aspects contemporary literature lags behind life, what debt criticism, theory of literature, and cultural policy owe the concept of literature and art. Then it will become clear that the backbone of contemporary art is the body of works which express the ideological essence of socialism. Yet its essential part are expressions where this essence is communicated and the importance of which is determined by the amount of values which contribute to the humanization of the socialist society, to a real evolution of man. Then a discussion about, for example, where Hrabal belongs, will appear as something totally irrelevant, there will be no more embarrassment surrounding J. Nesvadba and V. Paral which we witnessed in the 70's, etc. This concept also contains the magic formula for the solution of the problem of continuity and discontinuity of the post-war development. (Conclusion in the next edition)

[23 Mar 89 pp 4, 5]

[Text] The Board of the Czech Writers' Union entrusted to the editorial staff of KMEN the organization of a roundtable the purpose of which was to undertake a comprehensive review of the literature of the past 40 years. Participants in the discussion were M. Blahynka, J. Hajek, H. Hrzalova, O. Chaloupka, J. Matejka, J. Peterka, A. Pludek, J. Rzonek, I. Skala, K. Sys and the Chairman of the roundtable, K. Misar. This is the final part of the recorded discussion.

[Pludek] It is said that the prestige of writers is low. That is a misleading statement, because what is low is the prestige of the entire society, of socialism as a whole. The prestige of our Union cannot be separated from the other structures of society. We have to ponder the question why that is so. The writers themselves did not make any particular contribution to that, they rather became the objects of negative influences. We do not have to repent of that. There are talented, clever and educated people among us, so we constitute quite a well armed front and are capable of cultivating the conscience of society. What matters are the nonliterary influences, be they internal or foreign. We all know them. In the first place, it is the incompetent management of great sectors of society,

ranging from economy to culture. In our capacity as writers, this is where we can exercise but a very indirect influence, but we should exercise it nevertheless. A writer conscious of his moral role in the society should—within the limits of his strength and talent—attempt to reach out in his work even in these areas. And that is where his prestige comes in, in a rather differentiated way. Some among us enjoy a lot of prestige—undeserved at times. Indigenous and foreign propaganda both have an impact here. Various major or minor mutually supportive groups are being formed in our country. The foreign propaganda that penetrates to us is almost exclusively based on nonliterary considerations. Many of our authors, regardless whether they are members of the Union or not, succumb to such influences and desert the basic mission of a creative person, in order to achieve prestige even by cheap means; vulgarisms, neo-naturalism, by keeping aloof from problems of society, having recourse to attractive publicity themes, such as drugs or AIDS. The elementary attributes of authors, all that could be best expressed by the words “morality” and “patriotism,” is being passed over by many of them, just to add to their prestige from nonliterary sources. That holds true also for literary theory and criticism. Even in such fields there can be found fawning over some small groups or trends, as well as propaganda for various neo-naturalist influences from abroad. Of course we ought to know those trends, but, as sons of our nation and of our country which had achieved its place in Central Europe by blood and sweat, we must imbue our work with more pride and responsibility toward the Czech nation.

[Rzounek] After this appeal for concrete and just assessment of individual facts, I should like to remind Comrade Blahynka, who had mentioned here the Marxist attitude of Voskovec, that one must, alas, take hard notice of the fact that he did write an introduction to Havel's plays of the seventies, published in Canada by Skvorecky; there you will read the exact opposite concerning his attitude to our present.

[Matejka] Question is whether the old Voskovec could deny that better part of his youth!

[Rzounek] That's exactly why one has to be guided by facts.

[Misar] Alexej Pludek says that writers do not have to wear sackcloth and ashes. Those are golden words. I absolutely do not understand the attitude of public opinion, inclined as it is to force writers to repent for the 70's or 80's, but they would not think of judging Jaroslav Dietl by such standards, for instance. If there was one single individual responsible for the stagnation of the seventies, then it was he. Remember his series “A Hospital at the City Limits” and compare its contents with Dr. Balas' speech on the condition of our health care. Dr. Balas speaks of a catastrophic situation of our

hospitals, of the lack of beds and medicines. Yet public opinion quietly accepts the “Hospital at City Limits”, which is but a melancholy lie from beginning to end.

[Sys] Public opinion is indeed often cruel. Recently we printed in KMEN a sharp essay written by Judita Bednarova, the winner of the Maruska Kuderikova Contest, on the deficiencies of our medical care; but the response of the readers was negative. In their letters, they demanded that “our medical profession be written about more openly”. Although I do agree with Pludek and Misar that we don't have to wear sackcloth and ashes, it is evident that Dietl's series somewhat resemble a country fair; people take them for a fairy tale. The role of literature, even of the entertaining variety, is more serious than that and using Dietl for excuses will not get us far.

[Hrzalova] Speaking of public opinion. What is public opinion? How is it formed? Is it the letters to the editor or only a selection from them? I see one of the objectives of our get-together in entering the creation of public opinion on the past and present Czech literature, in recalling facts that are about to be neglected, in referring to the half-truths which start appearing with regard to the post-war development of Czech literature and are being passed off as “public opinion”. During the past 40 years, certain inadequately covered spots exist, some of the judgments, characterizations, etc., upheld for decades have practically never been confronted with the circumstances under which the books originated and exercised their influence, some works disappeared altogether from the history of post-war literature. Jaroslav Matejka talked about Jan Prochazka. Prochazka's “Green Horizons” constituted a development impulse, they signified new approaches to reality, while “The Snowdrift” was a small conventional work that did not by far keep the promise suggested by “Green Horizons.” Today we have to get hold of, to read, to analyze, to integrate within the framework of art and society each and every work of the past 40 years. Reference was made to Riha's “The Earth Ajar” and the novel “Two Springs.” By the way, as far as “Two Springs” is concerned, Riha was aware why and how it had then an immediate impact, he marked its place on his road toward a new socialist realism. “Two Springs” attracts attention to one fact, namely that a part of the literature of the 50's reflected some events in society without stressing their human complexity. This—and other works—prove that inasmuch as literature limits itself to reflecting some events in society, the immediate response may be favorable, but finally it transpires that it was just a mirror image. I believe that we have to confront that entire 40-year period as well as the contemporary literature with the question of veracity. It does not matter which of the views of whatever group forming part of the National Front the author will express. Let us inquire whether the artistic perception—the realization of the problem from the social viewpoint notwithstanding—is capable of overcoming even that shortcoming, whether it indicates and serves notice; there is something going on in our society, something

that affects human fate. Comrade Pludek talked about authors who were hiding behind attractive themes. I don't know who he had in mind; with regard to Radek John, I appreciate in his "Memento" that the social problem was revealed there against the background of the fate of human beings, that it shows the falling apart of a human personality, that it even puts on stake the happiness of a person. I familiarized myself with the record of the proceedings of the international conference on socialist literature of the past decade, held in Moscow in 1988. Reference was made there to the existence in an artistic image of a symbiosis of symbolism with what they called "raw," at times even "cruel" realism. We find it reflected in our prose of the 80's. I perceive in it a great shift from the realism that was taking form in the 50's and 60's.

I repeat: it is necessary to analyze concrete, individual works, to make more subtle judgments, not to neglect the period connections. Only a concrete historical analysis, and checks of materials including periodicals, shall reveal where our perspective has been schematic and mechanical, where we did not account for the contradictions of literary development. For instance, Sotola's novel "The Society of Jesus." I reckon that it could not be separated from the atmosphere of the period during which it originated and in the context of which Sotola introduced and solved the relationship of man and history, of man and power. I do not accept the term "official literature." It is not attuned to reality, it is, in my opinion, one of those half-truths about post-war and contemporary Czech literature. Reference has been made to Voskovec. I would like to recall Jan Werich and his "Chat," where in the sections on the years spent during WW II in America he talks about the fact that they were unable to separate themselves mentally from the political theater which they had learned in the 30's, from the artistic thinking of that period which englobed necessarily also political thinking. Voskovec and Werich were not Marxists during the 30's, but they had truthfully and sharply grasped the substance of the social conflicts of those times; their work entered into political contexts, it became an inseparable part of the modern history of our culture.

We should discuss what effect on the development of Czech literature of the past twenty years had the so-called samizdat literature as well as literature published abroad. I think that the development of literature influences a work as it is read, perceived, recited. Without drawing comparisons, let me point to the years 1939-45. When Hostovsky's novels written during the war were published in 1945 in Czechoslovakia, they carried a position, an atmosphere, one of the reflections on war and occupation, but they did not influence the development of literature itself. That took another direction. It was alimanted by contemporary reality, it reacted on trends and experiences of the literature published at home, in the years 1939-45.

[Blahynka] Let us revert to a question which I consider as crucial for any assessment of the literature of the past

40 years, namely the question of confidence in literature. Literature will not achieve that as long as it will—in good faith in the historic role of socialism—excuse or ignore mistakes which we have made; it will thus yield ground to those who are not interested in correcting errors but in proving that socialism is worth nothing. The confidence we must be concerned with can be created only if socialist literature maintains the initiative in criticizing all that discredits socialism. In concrete terms: the young generation is disgusted with favoritism in admissions to studies and then at schools. We shall reach nothing if we limit ourselves to refuting to our ideological opponents only individual cases, and invoking even correctly, dark motives, class interests, etc. The most important is to engage in offensive criticism that would take the wind from the sails of those who pick on every mistake and deduce from it the inadequacy of socialism as a system. It is of the essence to apply hard criticism to everything that does in any form discredit the ideal of socialism. That is one of the genuine starting points for the evaluation of literature of the past 40 years; a point of departure to the future.

[Pludek] Allow me to state more accurately what I had said earlier: I consider literature of fact, reporting and all such genres as useful and necessary, but the main and permanent influence on social development can be exercised only by literature as art.

[Peterka] Our discussion would benefit from the presence in our midst of spokesmen and advocates of views that would not flatter us as representatives of "official criticism." We would be more specific and more self-critical. We—the whole society—are placed in a situation where we must engage in a struggle for works, for people, for the creative potential of this country. That's where politics and questions of literary criticism converge. Let me quote this opinion: "Creative work that carried innovative rebellion and enthusiasm used to be nipped here in the bud throughout history, indeed even in most recent history. It is a sad fact that those who—all interdictions, various recommendations and separations notwithstanding—were striving for quality, arrived soon at a startling ludicrous equation, namely that whatever was branded here as undesirable and bad has actually been a token of quality, and vice versa.... "We were encountering," says the author, "a blatant lie." And he insists, in conclusion: "What was deemed to be new, contemporary art, turned out to be often a strange conglomerate of dishonesty, untruth, and at times even a taste-insulting rubbish. Where did actually lead all the roads, paths or even thin lines in which we can see today the continuity of the development of the arts? What was our literature dragged through and what was it exposed to, who was entitled to triumphant arches and who was being spat at? What was considered sustainable and revolutionary and what was viewed as destructive, non-artistic and dangerous?"

Evidently, such a perspective serves to dramatize continuity and to make it appear to us less rounded. One would first feel like reprimanding the author of such a

position or labeling it as a layman's opinion of a not fully educated young person. Though the quoted view is unacceptable for me, I do still refuse to approach it with a pedagogical, superior stance and I believe that we have to come to terms with the problem which is appearing here by a literary-historical method. And, true to recent resolutions of the Union, we have to strive for a more comprehensive image of literature, for a fuller and more reliable memory, rather than to extend disjunctions tributary to a period. Marxist criticism, or criticism posing as such, has been often throwing the child out with the bathwater. The effort to confirm the identity of socialist literature and the stability of its program has led to a certain separatism, i.e., to the creation of artificial, unorganic antagonisms which we may, or indeed must, view from a distance in time as false antagonisms. Memory is tortured by recalling how many personalities and books owed to a holy but uncritical enthusiasm the label of antisocialist, or at least a note in their student's book, which in our conditions means vacuum and silence. For instance, Zdenek Nejedly, anxious to support the program of realism of his day, rejected Macha saying that Czech poetry went in an entirely different direction, while he and Vaclavek had still before the war correctly felt that the entire Czech revolutionary poetry was Macha's heir. Such blunders survived even into the 70's. Holan was reduced to the Red Army Soldier, Hrabal to Sharply Observed Trains, and the rest is a question mark. Sabouk was harassed for attempting a new interpretation of Halas' "Old Women"; the Czech everyday poetry, without which one cannot understand the development of postwar poetry even beyond our country, is omitted from all digests or is presented as an ideological deviation, though it has markedly enlivened particularly the bourgeois poetry. Continuity cannot be henceforth comprehended as monoculture or as a repertory of school reading. That harms socialism and turns the youth off. I will cite at random a few titles that have in recent years disappeared too much from continuity, though not from the reader's memory: Hrubin's "Hiroshima," Weil's "Life With a Star," Valenta's "Follow the Green Light," Mikulasek's "Agogh," Siktanc's "Heine's Nights," Holan's "Stories," Holub's "Spelling Book," Skacel's "Hour Between Dog and Wolf," Askenazy's "Black Box," Sotola's "The Society of Jesus," Korner's "The Scythe of Sand." We are embarrassed to take notice of works by emigres, while they were appreciated still under A. Novotny; or there manifest themselves somewhat ritualist attempts at finding an embryo of mortal sin even in Kundera's "Monologues," that could serve today as evidence of eroticism in the framework of socialist realism. It will be unavoidable to strengthen the principle that it is the work that qualifies the author, and it is not the author's peripeties of life that qualify his work. Of course, almost every one of them poses problems of interpretation, almost every one has its complex biography. And we have to help such works that encountered bad luck with interpreters as well as with publishers. I will cite just one example for many, namely "Life With a Star," of Jiri Weil. The publishing house Czech Writer has been

considering for years to republish it. It is an antifascist novel, but its reception was unfriendly, as if it were causing harm to socialist literature. One of the reasons may perhaps be the author's curriculum; he was among our first promoters of Soviet poetry, but after his return from Moscow he did write the novel "Moscow—Border," which reacted against Stalinist repression. Contemporaries were of course also comparing "Life with a Star" with Fucik's "Reportage From the Gallows" and felt that it was quite a different poetic approach, a different kind of engagement. Unfortunately, some interpretations have then degraded "Life With a Star" to an absurd episode from the life of a "Jewish petty bourgeois"; for me, however, he is a suffering, helpless human being deprived by a perverted regime of the right to life. It is not a celebration of passivity, for the hero does revolt at the conclusion of the book. But we do not find here the element of the proud person of the Fucik type, with a firm political faith in the victory of the new order. Weil wrote an apolitical novel, he does not connect the consolation for a crushed human existence with any political solution for postwar Europe; his theme is to bear witness, not to anticipate.

And now we are facing a choice: Is such a work part of socialist literature or is it not? Or only with reservations? I am convinced that it does belong, and that it represents a universally humanistic pole. Such work does not age even after decades. A line leads from it to Fuksa's Mr. Theodor Mundstock who was however already luckier—one barrier got broken through. That's what I wanted to say on the necessity of overcoming the harmful double track which has been created and unfortunately still exists.

[Sys] Josef Peterka has read some important titles of books and some neglected names. But one must also see that certain authors do themselves not wish to step forward. I should like to give some examples from the past. When I joined Tvorba as a young editor, one of the first tasks I was entrusted with by Jiri Hajek was to make a telephone call to Jaroslav Seifert. We wanted to print a few poems from "Pest Column." I do still today remember Seifert's irate voice: "Print it all, or nothing!" Of course, Tvorba could have printed three or four poems, and had we done that, the fate of the book would have been certainly favorably enhanced. At another time, I visited Bohumil Hrabal with my then colleague Jaroslav Pelc. Hrabal did not refuse, he even wrote a fine accompanying letter which was published in Tvorba. And last year I laid my hands on the emigre newspaper Listy where Mr. Chvatil refers to that text as well. He insists that it was not authentic, that the editors of Tvorba must have invented it and that a linguistic analysis proved that indeed not a single word was in fact Hrabal's. This represents another example and another method of how one's good will could be turned inside out like a glove. You have mentioned Karel Siktanc....A number of times I have asked him for poetry. He refused very politely, but resolutely, saying that he would wait for a book edition. A pity, the reviews of the Writers' Union KMEN and

Literarni Mesicnik, are perhaps supposed to feature authors who have so far been on the outside, just to assure that they would not return by another door.

The same applies to the Chartists. I think of the article "Disjointed," in which I made known their views, with a commentary, of course, e.g., Pecka's "review" of Hrabal's work. But they refuse to appear in the limelight of a so-called official magazine.

[Matejka] Many do not care for integration, because the position of "not being integrated" is more agreeable to them and also more interesting from the viewpoint of popularity in the society.

[Sys] Certainly, there is still some advantage in sitting on two chairs. Many writers do indeed stand in a crossfire. So for instance does the chief editor of one of our publishing houses intend to publish a book of stories by Ivan Klima. Like any other normal publisher, he must offer him a choice; either to be printed by him, or by the emigres. I wonder what will be the outcome.

[Hajek] Karel Sys has rightly indicated here that quite antagonistic politico-cultural concepts have clashed in the course of the past 20 years. If we want to get going, we will have to return to this problem again with all seriousness. It is not a question of rehabilitating some and and sully others, but it is necessary to demonstrate which trends have objectively served the cause of enforcing continuity in our socialist literature, and which have eroded such continuity. But I would now like to revert to the antithesis of the so-called official and nonofficial literature. I consider that to be a forced and false construction. What we are concerned with today is, on the contrary, the creation of a uniform system of values by which we could measure all literature as literature. We have to create uniform criteria. We have no reason to write off everything that has been issued by our publishing houses over the past 20 years, only because somebody invented the pejorative designation of "official literature". We have to evaluate seriously the entire past period, because the so-called official literature did contain values as well as nonvalues, with values often beclouded by the impact of dogmatic trends or by values of a very temporary validity. I should like to add to the names of authors to whom we should return also that of, e.g., Milan Pavka, the author of "Malingerers," the first satirical novel after I don't know how many years. I also do not understand why there is continued embarrassment over Ota Pavel. His work is doubtlessly of humanitarian value. Or why our book reviewers were for such a long time unable to write about some important phenomena which were in the course of the 70's returning into the fold of our literature, such as Seifert, Hrabal, Mikulasek. But we have also to ponder the fact that some books, published with many years of delay, were deformed by temporarily applied ideological positions. In concrete terms, the novel "A Secret Information from Prague" by Josef Nesvadba: The book published after some nine or ten years was a brew-up, a mutilation of the original text. Initially, it was a book of great psychological perspective, of a deep knowledge of facts and people, that offered an

insight—such as would be badly needed right now!—in the atmosphere in which were born the false "heroes" of 1968, those who had manipulated the development of our society in a direction completely different from that we were set to follow in January 1968.

Today, 20 years later, it is high time to finally differentiate between the civic stance of writers and the objectively societal, ideartistic validity of their work. To illustrate truthfully some aspects of reality can even such people who were going through various crises and are to some extent still marked by them; yet they can play a positive role in contemporary literature, provided reviewers discern in their work their perceptive contribution and separate it from problematic mental generalizations. We could not win the struggle of ideas, which we will be facing, by simply suppressing some views and refusing them space. We could win only by the strength and power of conviction of our arguments. That is the only way how to gain confidence of the young generation. That is the only way how to renew the prestige of the Writers' Union and of our whole culture. Writers much achieve such positin that they would no longer be expected to be "yes-men" of most diverse campaigns, to display automatically affirmative reactions even to certain bends, tactical reversals and errors of our daily political practice, which we have to take into account on the difficult path of a revolutionary restructuring of society. We have to become a real motive force of social reconstruction. The plenary meeting of the Writers' Union can contribute to that, too.

[Matejka] Hajek was speaking here of criteria. I think that there is just one: We can dialogue with whomever, with whatever opinion, with the exception of a dialogue on the elementary postulate and on the rightfulness of this system. That's where the basic line is drawn. I speak from experience. When I was having discussions with students in the 60's and 70's, I happened to have in lecture rooms genuine "Hyde Parks" which lasted four or five hours after the class was over. But the students knew, with whom they were speaking, where the limits were—and they respected them. Within such framework, one may admit any opinion. It is possible, indeed necessary, to engage in criticism and self-criticism of the system's deformations. We cannot circumvent reality and gush forth "government-issue optimism" when society is facing a number of ills, problems and deformations. But there are limits to this. And that, of course, is politics.

Divergent Assessments of New Soviet Literature

Impact of New Culture

24000117 Prague RUDE PRAVO in Czech
28 Feb 89 p 5

[Article by Meritorious Actor Josef Vinklar: "It Depends on All of Us"]

[Text] At the beginning of February for the third time now a group of cultural workers, writers, painters, actors,

representatives of creative associations, college presidents, critics and other persons were invited to meet with representatives of our political life at the municipal council of the CPCZ in Prague where we were to discuss questions of cultural policies in our capital city and also questions of broader application. We were urged to be absolutely forthright, frank, and truthful and also to express critical opinions.

All those who took part in the discussions made full use of this opportunity. The truth was spoken. Opinions were freely expressed on questions and problems which trouble us and no one was stopped or restrained as so often happened in the past.

I brought up the question which has been bothering me for some time now, that is, the practical application of Soviet experiences in thinking, the arts and cultural policies in the broader general sense. I expressed the opinion that the saying, "The Soviet Union is our model" was depreciated in the past by the unwise, sometimes even stupid methods with which it was applied in practice. In fact, it disgusted people. How? By the issuance of mediocre and sometimes less than mediocre literary works, the purchase of mediocre and often bad Soviet films, inviting mediocre theatrical groups with mediocre and sometimes uninspiring performances and staging. That was a big mistake.

I believe that now the conditions are ideal to truly take over real Soviet experiences, especially in the arts and thinking and also in the critical evaluation of culture. New, highly inspiring works are now emerging in the Soviet Union. Let us consider only what is going on in cinematography, what great interest there is in top-rated Soviet films such as "Pokayanye" [Repentance] and many others.

Recently I was dubbing for the brilliant actor Leonov, a national artist, in Mark Zacharov's film "Zabit Draka" [To Kill a Dragon]. This is a great film, great art, proof of the high quality of Soviet cinematography. We ought to see and get acquainted with the best of Soviet dramatic arts, the Theater on the Taganka, the Georgian theater and the stage productions of its chief director Sturij, the work of the young director Vasilejev and his studio and performances of the outstanding director Mark Zacharov or the director Tovstonogov.

We ought to have the opportunity to get to know Soviet theatrical arts with new stimulating viewpoints. And if we show Soviet creative arts, let it be the best and not that which belongs to the era of poor interpretation and understanding of socialist realism. I am thinking what a contribution it would be for our dramatic arts to release such authors as Andrejev, Bulgakhov, Ajtmatov, Gelman and others. What beautiful stage productions have already come out here based on their texts. This is what I mean by practical application of Soviet arts under our conditions.

And one more thing, which I consider most important—thinking. I cannot speak of economics, I don't understand that and what little I know is superficial, but I certainly know that, regardless of the specific conditions in which we live, in thinking, morals and ethics the Soviet example in the given situation is indisputable. It creates room for a new climate in the arts and culture which is also necessary for us. At this meeting then, various views were expressed. They were listened to and heard which is not always one and the same. And it was said that they will be used for materials and measures which should improve and enhance cultural work in Prague and all of Czech culture in general. It depends on all of us to make sure it does not remain just words.

Reaction to Vinklar

24000117 Prague RUDE PRAVO in Czech
28 Mar 89 p 5

[Letters by Miroslav Zahradka, professor of Russian literature at Olomouc University, and Dr Bretislav Dejdar from Prague]

[Text]

Prof Miroslav Zahradka:

As a Russian philologist the views of Meritorious Actor Josef Vinklar, "It Depends on All of Us" published in RUDE PRAVO 28 February 1989 interested and greatly pleased me. His appeal to make better use of the results and values of Soviet culture also vitally applies to literature. It is paradoxical but even here at home all is not in order. Some unknown person is always hanging question marks over the issuance of those best works of Soviet writers.

I explain this to myself by the fact that some people confuse two things: first of all, there are the extremely journalistic presentations of certain Soviet writers or journalists who really can say something better only to Soviet readers and possibly distort the ideas of our public about the Soviet past or present. Although even journalism does not, for the most part, have this character (quite the opposite, it plays an important role in the clean-up drive of socialist morality), nevertheless, these characteristics exist and are rightly labeled as the froth on fermenting discussions of the legitimate process of democratization. Secondly, then, there is the artistic literature, the kind being written by Ajtmatov, Granin or Zalygin (among the living) or the kind that was written by Bek, Dombrovskij or Grossman and which through its humanistic pathos, criticism of the distortion of social orders and historical overview plays an important role in providing an objective view of the past and motivates the need to transform and overcome social corrosion. In the best artistic literature it is in no case a matter of sensation and short-winded reality on a single plane but rather of a complex view of man in today's world and of his human perspective. Calling it "froth" is contemptible and leads to distorting the scale of values in Soviet

literary life. It is precisely this literature, by its intellectual force and solidity, its internal democratism and humanity, inherited from Russian classicism, which may effectively contribute to activating public discussions without extremism, to responsible thinking about the state of our affairs. And therefore it ought to have the green light.

Dr Bretislav Dejdar:

Meritorious Actor Josef Vinklar (my longtime favorite actor from the Zdenek Nejedly Realistic Theater) expressed himself in RUDE PRAVO on 28 February about our cultural policies. As a Russian philologist I would like to react as follows to his spirited views.

The Russian (classical and Soviet) arts, that is, literature, the theater, film and the fine arts, cannot be judged unilaterally and nonhistorically. Present-day democratization, after all, cannot suppress proper discussion.

A foolish approach and extremism in making use of any kind of experience never pays off. One is only the worse off for it. The saying, "Only the East is our model" is as ridiculous as "Only the West is our model." The deciding factors should be quality and objective (historic) circumstances and traditions.

Certainly not everything Soviet was previously bad. Formerly we also translated books of good Soviet authors and formerly we were able to see good Soviet films, etc. However, even formerly there was no interest in them, quite foolishly. This goes as far back as the 60's. I can cite a convincing case in connection with Vinklar's example. Neither the current outstanding film "To Kill a Dragon" nor the earlier outstanding film "Beloruske Nadrazi" [Belorussian Station] attracted much attendance, unfortunately. (The brilliant actor Leonov plays in both.) Up to the present day we have not properly "discovered" the deceased Suksin.

Our reader or viewer (artists too) was and is more and more dependent on (belated) translations even though Russian for nearly a half century has been a required subject in our schools. So I perceive the reason to be absolutely inadequate timely, first-hand information about Soviet conditions in general and about restructuring in particular. Therefore many people make distorted judgments about many questions.

I will mention briefly that the latest Soviet literature includes a spate of new material, books as well as reporting. But this quantity is definitely not uniform, one must carefully differentiate here. Even with outstanding Rasputin, his story "Zij a Pamatuj" [Live and Remember] is absolutely first-rate, whereas "Pozar" [Fire] is of debatable value. Similarly, Rybakov's "Tezky Pisek" [Heavy Sand] is a literary feat, whereas "Deti z Arbatu" [Arbat's Children] is mere anti-Stalinist reading. (Its continuation "Tricaty paty a Jine Roky" [The Thirty-fifth and Other Years] is, in the final analysis,

fictionalized documentation.) Dudincev's "Bile Plaste" [White Mantles] in my opinion belongs among schematic works a la Cakovsky's trilogy "Vitezstvi" [Victory]. Meantime, the best artistically are the revived premiers of the works of Pilnakov, Platonov, Zabolocky, Bulgakhov and others. And even here one must "classify" carefully and not make the futile claim that Grossman's "Zivot a Osud" [Life and Destiny] is another "And Quiet Flows the Don" or another "War and Peace."

In addition, we must realize that there are very dissimilar, even contradictory periodicals: NOVYJ MIR, ZNAMJA, JUNOST a NAS SOVREMENNİK, MOSKVA and MOLODAJA GVARDIJA. On the one hand are the noted writers Zalygin, Baklanov, Bykov and on the other hand no less noted are Bondarev, Solouchin and Astafjev.

In conclusion, it is instructive to quote Ladislav Stoll: "There is always a certain risk associated with such intervention in real life, in the area of this or that political or ideological question and it is not only the risk of logical errors, of mere mistakes, but also the grave risk of actual intervention in history, which, should it turn out to be at variance with the actual movement of events, threatens to have worse consequences than the necessity of mere casuistic retraction of errors. Not all theoretical workers willingly undergo this risk. I myself have knowingly run this risk as a member of the collective of the revolutionary party in accordance with its line, but that does not mean impersonally, not subjectively." (On Criticism and Socialist Relations Among Peoples).

Daily Publishes Readers' Comments on Vaclav Havel

24000096 Prague RUDE PRAVO in Czech
3 Mar 89 p 3

[Article by (mb): "Who Is Vaclav Havel"]

[Text] On Thursday, February 23, RUDE PRAVO published a long article entitled "Who Is Vaclav Havel" which elicited considerable response from our readers.

Most readers agreed with the article; however, there were some who voiced different opinions. Typical for their letters is the argumentation expressed for instance, by H.S. of Liberec in her letter: "Every judicious reader must feel irritated by your obvious effort to smear a man whose qualities as a human being and as an artist are recognized throughout the world of culture." On the other hand, reader J.B. from Holesovice thinks that the Havels, a family of entrepreneurs, made already a considerable contribution to our republic by "building the Lucerna Hotel and all that belongs to it, as well as the Barrandov complex... What a pity that we have not inherited from the first republic many more people like the Havels." J.M. of Cesky Krumlov writes: "It was only after I read your article 'Who Is Vaclav Havel' that I became confirmed in my conviction that Mr Vaclav

Havel is a man of a noble, decent and fearless character who knows what he is fighting for..." Artur Steinberg from Prague I offers an interesting testimony in his letter: "I should like to add a few remarks to your article about Vasek Havel. I am personally acquainted with him and therefore, I know what he stands for. What you say about him is nothing but an unmitigated lie, even though it is true that he wishes that things return to the situation before we were born... If you fail to release and exonerate our friends, you will find out what we still can do. Be careful what you publish, or you will see how we will get things moving..."

However, most letters confirm the fact that our readers are of a different opinion. "I wish to commend you and thank you for your action and for your attitude. Indeed, these matters must be called by their real name, because many citizens of our country, even members of the young generation who were recently manipulated in Prague for foul purposes, have almost put this Charter [77] member on a pedestal as a "national hero." Experience has shown again and again how necessary it is to apply the class point of view in politics," write J.S. of Pardubice. (The names and addresses of this and other writers are included in their letters to the editor, but RUDE PRAVO decided not to publish them.)

"I welcome the publication of your editorial 'Who Is Vaclav Havel.' I think that disclosures that reveal the cadre, moral, human and political profiles of persons of a similar stripe should have been published much earlier. I am certain that if full information is made available to our public, in its great majority it will be compelled by its own conviction to choose sides correctly," writes J.F. from Jilove near Prague in his letter. Furthermore, his letter mentions the importance of glasnost. "If the public is not fully informed, many people get interested in the initiators of such movements and some even sympathize with them because their activities and intentions are surrounded by a halo of martyrdom and mystery. Our young generation does not have the firm views and convictions of most of the older individuals, especially of those who have first-hand experience with the situation before and after the Munich Pact, and thus, the young people shown distinct interest in general in what is secret and concealed."

"At long last you unmasked the Charter member Havel and took up the offensive against this kind of loud mouths not only in our country but also in foreign radio stations... Subversive elements in our country are calling themselves 'organizations for the defense of unjustly persecuted, and fighters for human rights,' but they themselves disturb the peace in our republic and intentionally foment acts of provocation and riots..." writes J. H. from Heroltice.

"How is it possible that all his life this man has constantly looked for ways to slander our government, our state authorities and the achievements of the honest working people in our socialist republic? Why are we

always so tolerant toward the representatives of the 'underground' and parasites?" asks V. M. from Semily. "We are facing a difficult task of fulfilling the restructuring program, yet all around I can see that some citizens are trying in some way to slow down and even to stop the restructuring process. Among them are persons of all ages and from every walk of life. My only wish is that all honest people start to implement without any compromise the restructuring of the economic mechanism, observe our socialist laws, and see through human character. Some individuals would like to destroy and subvert our beloved country. It is the highest time for us to properly train the new generation that will take over the scepter of our government, and teach it to work honestly. The basic precondition for such training is for us, adults, to act with absolute integrity, but so far in many cases it has been the other way around," writes V. M., a 40-year-old resident of Semily.

"I have just read the article 'Who Is Vaclav Havel.' We are completely shocked and cannot understand how could it be that such a man was able to travel abroad. Who employed him as script editor in the theatre? How could he write for magazines and publish? This man does as he pleases wherever he pleases," wrote J. and A. V., a retired couple from Uherske Hradiste, who assure us in their letter that they still try to remain active and help out at least in their community.

"I am 50 years old and a party member for over 30 years. All that time I tried to work honestly and in addition, to do something more for our society. I still continue to do so because I believe that it is necessary; I think that in their overwhelming majority the people in our republic will agree with me. It is true that during the building of socialism we committed a number of errors that can be now seen in many areas; we cannot be pleased with everything. We are aware of our shortcomings and we are not concealing them or hiding them, but unlike Mr Havel and the 'patriots' of his ilk, we, honest communists, and with us also the politically unaffiliated citizens concerned about the progress and welfare of our republic, shall do our best to eradicate any shortcomings and help translate the restructuring into reality.

"I should like to point out to Mr Havel and his kind of saviors of democracy that if they are such 'skillful politicians' they should realize how totally unrealistic is the development they would want to impose on our society, and how contrary it is to the historical development, because in reality the wheel of history is turning forward and there are enough honest people in our republic who will prevent it from turning back. In fact, our agricultural workers would give the bum's rush to anyone who would try to force them to slave for big landlords and private management. It is good that your article 'Who Is Vaclav Havel' informed in particular our young generation about his social background and explained what compels him to hate and slander our republic. Any rational and judicious person must appreciate the enormous amount of work accomplished after

February 1948. We have nothing to be ashamed of. Among us are many people who still remember and who could tell especially to our young folks about the life of miners' families in mining colonies or of the families of landless peasants in villages, and about the life led by the family of Mr Havel and others," writes J. S. from Duchcov. In conclusion, she voiced her objections against Vaclav Havel's sentence: "The sentence—and I am writing this without rancor—should be quite different and serve as a warning to all those who are trying to disturb the life in our country."

In his letter to RUDE PRAVO, reader S. S. from Chvaletice addresses all signatories of the recent appeal for Vaclav Havel's release sent to the premier of the CSSR. "How good it is that you exposed his moral profile and his antisocialist activities. It may open the eyes of individuals who defended him and who are petitioning for his release. Socialism offers our artists opportunities for their self-fulfillment and for the development of their artistic talents. However, every level-headed person must ask: Do they share the same goals and views with the man for whom they are petitioning? Everybody must realize that if our laws are violated, punishment must follow. No anarchy and subversion can be tolerated."

J. C. from Melnik asks a similar question: "I am sure that the facts stated in your article will open the eyes of many people; if they read it, they will change their mind about Vaclav Havel's character and fully recognize his aspirations and the motivation for his 'holy' war against our socialist system. Personally, I am not at all surprised that he is a sworn enemy of our socialist society. It prevented him from having a governess, a maid, a gardener and a driver, and from living off unearned profits. However, I cannot understand why this man is being defended by individuals who should be united with our working people and with our society that enabled them fully to develop their creative talents. Radio Free Europe very gleefully broadcast their names and thus, it uses them for its inflammatory propaganda against our country. And yet these individuals who are fighting for Vaclav Havel's release are not only representatives of our culture, but lately they included persons who achieved academic degrees in our society, who were educated at the expense of all of us, and who are acting against our own interests."

"I felt very angry that some members of our intelligentsia, our artists and scientists, have signed the 'pressure' letters. In many of their statements they claim the right to act as our nation's conscience, and yet they are addressing us even over subversive foreign radio stations. Some of them maintain that they never realized what they were signing, but that does not hold water. I am a simple retired man but I would never sign anything that contradicts the interests of our socialist society," writes J.K. of Prague 10.

Reader D.Z. from Olomouc recalls the 1945-48 period. "I am proud that even my wife took part in the congress of factory councils in February 1948. I recall how in April 1947 Comrade Gottwald, then our premier, spoke from the balcony of the town hall in Olomouc, and I still remember his words: 'In our state rats are creeping out from their holes in order to stop us from advancing to a socialist future.' In our days the antisocialist forces are again beginning to act in certain communities in our country. For that reason, it was very helpful that you explained in detail who Vaclav Havel is. Today we know that he is a sworn enemy of our socialist society, a man whose family never had anything in common with our workers' class. His writings about agriculture are good for a laugh. I do not know anyone who would today leave the unified agricultural cooperative and settle for any other kind of farming. I am astonished that our cultural vanguard defends a man like Vaclav Havel. What would Wolker, Olbracht or Pujmanova and the whole gamut of actors and other artists say to that, particularly those individuals who in 1948 of their own volition decided without any equivocation to go with our people? Our socialist system offers our cultural vanguard many great opportunities, and I expect that these individuals should be able to realize what is truth and progress, and what is backwardness."

In his long letter J.D. from Nove Hradky also recalls the period since 1948 and our past experience. "I appreciate your revelation of the true face and mission of an individual whom Western communications media love so dearly and who received a just sentence in accordance with our socialist law. Thus, every citizen of our country has the opportunity to learn about the character and the aspirations of Mr Havel and the so-called defenders of human rights. It is peculiar that these people have assumed the right to attack our constructive efforts and to besmirch the dedicated work of our workers in factories and agriculture and of our intelligentsia. They think that we should cast aside the whole post-war period—the period of the building of the foundations of the society in which we now live; what is more, they are trying to drive a wedge between the nations of the CSSR and the USSR. I greatly appreciate that persons who in their daily work create valuable assets and who are the leaders of the restructuring of our society are increasingly raising their voices about such attempts. They should speak even louder, openly—and I am not afraid to say—even more militantly. After all, one must not forget the years when our youth built such great projects as the Youth Railroad, the Construction of Young Builders of Socialism in Ostrava, the youth villages, and even before that, the construction of Litvinov and of Balaze in Slovakia, etc. Above all, one must not forget the legacy of the glorious February 1948 when we began, once and forever, to build the society in which we now live. It is not only the post-war period, but also the period 20 years ago when the very same persons as Havel and his ilk caused us losses which our working people had to undo with their persevering efforts." In the conclusion of his letter, J. D. stresses the importance of proper cadre work. "We must not permit access to office to individuals whose

antisocial proclivities and character jeopardize our march forward and the way outlined by our CPCZ."

He presumes that following the publication of our article "Who Is Vaclav Havel" "several hundreds of artists who defended Mr Havel should also state their position.

Their standpoint would certainly be interesting, if for no other reason but because now they are aware for whom they have fought, and thus, they may consider whether it was worth to them to have their names defamed and even exploited by Radio Free Europe for the sake of Mr Havel and his kind."

CZECHOSLOVAKIA

Individual Commitment to Economic Goals Urged *24000112b Prague HOSPODARSKE NOVINY in Slovak 14 Feb pp 1, 5*

[Article by Academician Anton Blazej, member of the Presidium of the CSSR Federal Assembly: "Requirement of Social and Economic Restructuring: Man's Internal Restructuring"]

[Text] As was shown by the debate concerning the government declaration of the 12th joint session of the Chambers of the People and Nations, the deputies fully supported the government's new directions, nontraditional approaches and new trends in resolving the tasks and long-time problems of socioeconomic development in the closing days of the Eighth 5-Year Plan. However, I want to emphasize that if the new government wants to be really successful in resolving these problems, it cannot allow itself to repeat the mistakes of the past in economic development. At least it cannot make the mistakes which are fundamental. The government cannot continue in the established trends of development of the national economy, it must clearly formulate where it will continue and in which spheres it will cut back, and which specific new trends it will establish in order to restore the economy to health.

How a Deputy Will Gain Authority

In this respect the controlling and initiative function of the Federal Assembly vis-a-vis the government, ministers, and the central agencies will have to be substantially increased. The deputies and the officials of the Federal Assembly must have a sense of greater common responsibility for the future development of the national economy. Nobody and nothing excuses anybody for the fact that the resolutions of the 17th Plenum of the CPCZ are not being realized. The difference lies in the extent of the responsibility of a deputy and, say, a minister. The more we want to hold the deputies responsible, the more we have to employ higher standards in evaluating and approving what the government, the individual federal ministries, and the central agencies submit for discussion and approval to the individual committees, presidiums and plenums of both chambers.

We shall have to get used to the fact that under the new conditions of social democracy, of refining the political system, the status and function of the Federal Assembly, its agencies and individual deputies will be substantially increased. It is becoming apparent that in many views, approaches, as well as proposals for action we shall not be in agreement. I consider that to be natural and normal. On the contrary, what is not normal is our not very persuasive and formal unanimity. The fact that as deputies we are always in favor of everything cannot be taken seriously by any of our voters. The fact that in 1988 we twice unanimously and with active backing

approved two different program resolutions of the two governments, does not enhance the authority of, or the respect for, deputies in the eyes of our voters.

I want to emphasize, however, that we must be very strict in judging the fact, not only in the Federal Assembly but also in our society as a whole, that we shall have to deal with two categories of people who are beginning to express themselves as "against". One group is actually, for whatever reason, against socialism and has antisocialist tendencies. Such attitudes and positions we must therefore reject, a priori and unequivocally.

But if a deputy in the Federal Assembly votes against, that means that he has a different point of view, that he is in favor of another way of resolving a problem, that he does not agree with the submitted proposals. In that case of course he must have enough time to explain his position before the voting takes place, as long as he wishes to give the reasons why he is voting against. It is not required, however, that he must explain his dissent. But the deputy must be responsible enough as a politician and a citizen that when he is against, he should offer an alternative solution, another approach. If he does not have an alternative solution which could be subjectively or objectively better, then it would not be right not to accept the proposal of the government or of the appropriate central agency. Such voting against cannot be classified as voting against socialism, on the contrary, it is in its interest, it is a searching for the optimal solution under given circumstances, it is a manifestation of shared responsibility.

Not Consequences, but Causes

If I personally disagree, for example, with the position of the government that in the national economy it sees "the center of gravity of problems as well as solutions in production, its efficiency and organization," it is because the problem is incorrectly formulated by the government. The current state of material production, its low efficiency, unsatisfactory organizational structure, and ineffective management is not the main cause of our problems and concerns, but the consequence of our incorrect understanding of economic development and interpretation of socialism and socialist construction in general.

Therefore if we want to talk about a new quality of economic development, then we must make an objective analysis of the state of our economy, the needs of society as well as of the individual, its organization and management, potential resources for satisfying needs, realistic possibilities for utilizing those resources, an analysis of the means for realizing goals under the conditions of the new quality of socialist construction. The traditional concept of the resources of our society and the classical possibilities for utilizing them for the restoration of the dynamics of economic growth are unrealistic and they

cannot ensure a higher level of a more extensive reproduction process even under the conditions of the new economic mechanism. Only after an objective analysis of the current situation can we responsibly propose solutions.

We must begin to solve not consequences, which are adequately reflected in current production and in the system of organization and management, but we must remove the underlying causes. Eliminating and solving consequences is always politically less attractive, economically less efficient, and socially very demanding. We must learn to evaluate the real situation more realistically and objectively, and propose realistic measures and solutions.

If the government as the center really wants to introduce already this year at least some of the new trends and positive changes in the national economy, then it must begin to remove very responsibly the contradictions between the everyday concerns, the real problems in the life and work of our citizens, it must respect their real, objective interests and collate them with long-range plans and goals, with the long-range program of socialist construction. We often present our goals in concepts which are too abstract. We do not make an effort to formulate concretely the real virtues of socialism and national priorities based on them or develop them purposefully.

Only 'Official Optimism'?

For a long time we have not been taking care of many problems and concerns of our citizens, which is having a negative impact on the individual as well as social consciousness of the people and is the cause of the negative attitude to the current social changes, to restructuring. During encounters with voters within the framework of talks with citizens, we hear a very critical tone and expressions of dissatisfaction with the current situation in supplies, in transportation, with the environment, with services.

Similarly, the young people as a whole and college students in particular are losing their trust and confidence that our generation is capable of successfully bringing about a new quality of socioeconomic development. What must worry us is the fact that poor quality and mediocrity are becoming to be taken as an immanent attribute of socialism. Those are symptoms to which we must react especially as far as the young generation is concerned. That is not a matter for schools and teachers only, but for the entire society. We do not have an objective analysis of the individual or societal consciousness, we base our program, pronouncements, and views on the so-called official consciousness, on that which is officially presented. We base them on official optimism, and as a result we gradually are getting further away from the social consciousness of our citizens and thus also from the real problems of the individual and of social groups.

A study of public opinion shows that about 70 percent of our citizens are in favor of the restructuring. In reality this percentage, according to my opinion, is even higher. The problem is not that many people are not supporting restructuring, but that a different idea of restructuring is held by the center, a different one by the economic and particularly the enterprise sphere, a different one again by laborers, technoeconomists and managers. The service sphere has different approaches and views on restructuring, and again different in the cultural, science, educational, healthcare, service sectors, etc.

The center talks about economic restructuring, gives priority to new organizational structures and searches for new instruments and incentives in management. The enterprise sphere lives under the illusion of some kind of "democracy in production," an undefined entrepreneurship and maximum autonomy and social noninvolvement. The service sector emphasizes deepening of social democracy and refining the political system.

Workmen also have a different idea of restructuring. The skilled core of the working class understands it as a renaissance of honest work; they believe that wage-rate levelling will be abolished, that undeserved advantages and privileges will be abrogated, that work discipline will improve. But we cannot close our eyes to the false idea of some of the workers that a growth in wages is possible even without improving the quality of work and efficiency of production, without increasing labor productivity.

However, what is serious is to observe in many of our workers in both the material and nonproductive spheres as well as in the civic life of a relatively high number of people a certain degree of passivity and indifference. Many workers are not interested in increasing the quality and efficiency of work, in common, societywide matters. A certain apathy or almost lethargy, a certain alienation of those people must give us pause and make us think about how to proceed. I have the impression as if some of our citizens had "emigrated internally," they do not identify with the environment where they work, with the environment where they live, they are losing confidence that we are capable of accomplishing the new tasks and solve the problems of future development of our society. And at the same time, the restructuring, deepening democracy, perfecting of the political system, economic restructuring, are all creating ample space for the growth in activity, initiative and nontraditional approaches to solve tasks and problems.

I am not a psychologist or a sociologist, but I am asking myself why is this so? Is it a syndrome from the sixties and its repercussions which many of us cannot overcome; is it a mistrust of the restructuring process, is it a loss of confidence in the renewal of the dynamism of societal, economic, social, and cultural development?

We must not be afraid to ask ourselves this question and try to find an objective answer to it. Because when formulating a new political strategy we must base it on real conditions. We are entering a stage of struggle for the people's trust and for their active support. New instruments and moral and economic incentives for activating people must be created.

In the past we did not take sufficiently into account societal, socialist as well as human values. We proclaimed many things, but we never realized them in practice.

Right to Work—Not Right to Wages

We have to go back to the basic value of society which is man, give up mass approaches to people's problems, differentiate our approaches to individual social groups. In the mind of society are fixed certain false ideas from previous years. It will not be easy to get rid of them. For example, abolishing the methods and forms of equal rewards for people. Social policy and social justice must be newly understood not as everyone's entitlement to everything, but as equal opportunities for everyone, and that it is up to the individual, his abilities, how he makes use of these conditions.

People ceased to value work; the right to work they conceive of as a right to a wage. It will be necessary to stop paying for work of poor quality. That is not inhuman, unsocial or unsocialistic. We must create a demanding social climate, where there is no room for laziness, immorality, or consumerism. We must evaluate people according to the concrete results of their work, the determining point being what they produce, not what they talk about. There has been a too pragmatic an attitude toward social values, many people consider only those things to be good from which they themselves gain a personal benefit. Therefore it is necessary to support in every way the effort of the government to strengthen the principle of merit in the wage policy and rewarding as one of the effective instruments for activating and stimulating people.

Without activating people it will not be possible not only to achieve a real turn-around in social restructuring, but also to deepen the democratization process, accelerate the economic restructuring, or improve the political system and enhance the elements of self-management.

This new social movement is for the moment concentrated here mainly on the economic mechanism. But we must not put too much importance on the economic restructuring only.

Equally important, and to my mind a more challenging, problem of the entire social restructuring and economic restructuring is above all—figuratively speaking—man's inner restructuring as a worker and as a citizen. The success of the restructuring depends primarily on how each of us will change. Everyone must become familiar

with the substance of the fundamental changes in all areas of society's life and work. These changes must be adequately reflected in our consciousness, thinking, behavior, in our approaches and attitudes. They must manifest themselves strongly and positively in our work results at every level, in every workplace, in every sphere.

All the effort for social restructuring, the extent and import of the changes, their social and economic effect, will depend primarily on man, on people, how they will relate to the new, how quickly, how consciously, how creatively, and how out of conviction they will absorb them, internally identify with them, and put them into practice in their activities. Man is becoming the central, determining component of the struggle for restructuring.

This internal change in us will not be either simple or painless, because it will deeply affect our work, our life, and our traditional attitudes, methods, and habits. Our thinking and actions are the product of a long period, 40 years of extensive development. We are the products of a time which formed us with both its positives and its negatives. Many of us are afraid to some degree of the fundamental changes which are beginning to be realized, or are being planned. Each of us is wondering to himself how the changes will be reflected in his life, his work. Everyone is searching for his place, his function under the new social conditions, in the new organizational and managerial structures. The speculations and worries, the waiting—we must be honest with ourselves—do not stem in many instances from fears for the future successful socialist development in the CSSR, but rather from a subjective personal concern for one's own position, for one's own function.

Our attitude toward the restructuring often depends on the extent to which we are prepared to accept these changes, understand new developmental trends, on how actively and creatively we shall get involved in effecting these changes, on what our moral resources are, how much confidence and authority we have to place ourselves at the head of the work collectives in order to provide incentives for the acceleration of restructuring in the political, economic, social, as well as cultural spheres.

If we wish to achieve in these last two years of the Eighth 5-Year Plan a real turn-around in the intensification of the national economy, then in the first place we must make a comprehensive call to mobilization of the non-material resources and unused capacities which we have potentially at our disposal in the CSSR and for which we do not need any investments, any imports, any new materials and technology. I see them in a more efficient utilization of skills, education and intellectual potential of our people, science, and research and development in societal practice, in creating more flexible and efficient organizational structures, in more rational and democratic methods of management at all levels, further in the stimulation of creative activity, initiative, and involvement of workers, in applying new efficient instruments

and mechanisms of moral and economic incentives, in improving people's work discipline, order, personal and social responsibility, but also in a consistent application of the principle of merit, openness, and critical attitude toward all those who do not meet their obligations, and last but not least, in working out a long-range, realistic program of economic, social, and cultural development of our society.

If we accomplish this, then we need not be afraid of what awaits us, of the future. We shall gain at the same time trust and respect for socialism, for socialist values, we shall gain the trust of the citizens, support and interest of the young generation. Efficient use of these nonmaterial resources will help us to speed up socioeconomic development and create financial and material resources for the process of structural restructuring in our economy as well as accelerate the intensification process in the national economy in the long run. I think that under those circumstances realistic conditions will be created for a qualitatively new stage in the development of socialism in our country.

Engineering Product Export Efficiency Viewed
24000112c Prague HOSPODARSKE NOVINY in
Slovak 14 Feb 89 p 3

[Article by Eng Marie Bohata, Central Institute of Economic Research, Prague: "Credits Reduce Earnings"]

[Text] In his article "Illusions Will Not Save Anybody" in HOSPODARSKE NOVINY No 47/1988, Dr Miroslav Kolanda, of the Forecasting Institute of the Czechoslovak Academy of Sciences, described the unhappy facts about the performance of our engineering industry as measured by the created values of processed materials. This is the only branch in this country that can still be said to be developing for export. But in evaluating export efficiency of the engineering industry, we often start with unrealistic premises. The basis for future development must be, as much as possible, an objective evaluation of the current situation. The author takes a look at some other facts, including the existing problem of foreign currency payback in export, which the currently used efficiency indicators do not detect at all.

The efficiency of engineering product export and its unsatisfactory growth has been creating concern for a number of years. It is at the same time the cause and the consequence of many economic problems, and it is thus becoming the focus of attention of the economic-political sphere. One of the most pressing—but not new—problems¹ which must be solved in order to ensure a balanced development of the Czechoslovak economy is the continuing increase in unpaid claims. It is puzzling that in the analyses of the efficiency of engineering product export the problem of long-term credits has been systematically neglected. As is well known, the relatively lower utility value of the engineering products (techno-economic parameters, quality, delivery terms, spare

parts, servicing, etc.) causes its export to be directed toward less demanding markets and is often offset by granting favorable price, payment, and credit terms.

Where to Export

At the same time, as a result of the lag behind the top world standards of our production destined for export, the terms of payment for Czechoslovak export are worsening and export prices are declining as well. During the eighties, not only has the index of export prices been falling, but the payback in export has been becoming longer, that is, the remainder of export claims and commitments has been increasing. The payback of foreign claims from developing countries, which these export operations mostly concern, is moreover often very problematical. It can be estimated that in the first half of the eighties at the very minimum every 10th foreign exchange koruna produced by our engineering export was not paid when due.

The seriousness of these aspects keeps growing, as is confirmed by the faster growth of the share of engineering products in export to nonsocialist countries than the share of earned cash. At the same time about 90 percent of Czechoslovak engineering export goes to developing countries, with all the risks arising from their economic situation.

The most serious risk can be seen in the failure to pay claims when due. During the current liquidity crisis in third world countries there are more than 30 territories from which the payment of claims is three months and up to several years in arrears. This risk has an objective impact, but it needs to be reduced by a correct territorial trade policy. In reality, however, we encounter a continuing export orientation of the Supply and Marketing Department for our engineering industry toward the so-called risk areas and a further concentration of export claims.

Thus, for example, six developing countries, most indebted in relation to the CSSR, share roughly in two thirds of the total Czechoslovak long-term claims. (In 1981 this share was 52 percent.) At the same time, the countries in question are, as far as return on claims is concerned, at the very least problematical. And we also cannot forget the risk of an inflationary depreciation of long-term export claims, which is, given the relatively low real interest rate, considerable.

Another factor, which has to be taken into consideration, is the heavy credit burden stemming from the import of assembly modules, which in some cases represents as much as 30 or 40 percent of the value of the contract. These imports for freely convertible currencies (mostly for short-term-credit at high interest rates) places a considerable burden on our balance of payments. At the beginning of the eighties interest payable was as much as 17 percent a year.

According to methodology, the amount of foreign interest is included in prices f.o.b. This is interest receivable, which actually represents the cost of the capital. The real value of the indicators of export efficiency based on the f.o.b. prices is therefore lower than the declared nominal value. The higher the interest rate and the longer the term of the credit which is granted, the higher the amount included in the prices f.o.b. Within the framework of the engineering export it is therefore necessary to judge separately the export for credit with a longer than 1-year term in such a way that there is no distortion in the f.o.b. prices, the differential indicator, and other related indicators.

To make the indicators of export efficiency realistic, we must exclude interest returns on the one hand, and express the depreciation of foreign claims including the risk of their payback on the other. Whereas the first step is entirely precise, with the second step we find ourselves in the realm of hypotheses and estimates.

Disregarded Figures

Serious evaluation also requires the solution of the problem of internal interest, which we encounter when we gauge the ratio of prices f.o.b to wholesale prices (to calculate the differential indicator, for example). I believe that the base of the total value added expressed in wholesale prices should be increased (for enterprise credit) by the internal interest, but at the same time the entire interest receivable should be retained in the f.o.b. price.

The seriousness of these matters and their influence on the actual foreign currency earnings can be illustrated by the example of the export of turn-key plants to nonsocialist countries. The exporting Supply and Marketing Organization as well as the producing enterprises judge it as being highly efficient. But let us look at this export somewhat differently. We can assume that 90 percent of the export goes for credit to developing countries, of which about half is enterprise credit and the other half government credit. In the case of the enterprise credit, we can start with these average terms: interest receivable (cost of capital) 7 percent, depreciation rate, expressing the inflationary devaluation of the claim, 8.5 percent, credit term 9 years with a 1-year deferment of installment payments (that means, the first payment is due in two years), therefore 11 years in all.

In view of the mentioned conditions, the following correction must be made. The nominal value (the volume of exports for enterprise credit) has to be reduced by the interest receivable, which represent cumulatively 30 percent of the final price. This amount has to be discounted by the difference between the interest receivable and the debetni [as published] rate and reduce it further by the amount of the uncollectible claims. We thus reach the conclusion that the original nominal value of the export falls to somewhat less than 49 percent.

In the case of government credit, the interest rate fluctuates between 3-4 percent, the depreciation rate is again 8.5 percent, and the average due date is 10 years with a 2-year deferment of instalment payment (first payment will only be made in three years). In this case the interest receivable is not included in the f.o.b. price, so that it is enough to discount the value in question by the difference between the interest receivable and the depreciation rate and deduct the uncollectible claims. The nominal value of export thus falls to 47 percent. The total foreign currency earnings from export of turn-key plants to nonsocialist countries, after the corrections have been made, is only 58 percent of the nominal value.

We have to make a similar examination of the export of individual machinery units to developing countries. This export is based on credit to the extent of about 85 percent. Average terms of enterprise credit, which in this case amount to roughly 20 percent, can be considered to be interest receivable 7.5 percent, depreciation rate 8.5 percent, and due date 3 years (without deferment of payments). After taking into consideration these facts and uncollectable claims, the real value of claims and enterprise credits is reduced to about 70 percent.

In the case of government credit, we can think of about the same terms as for turn-key plants. Under such conditions, the value of claims is reduced to 48 percent. Of the total nominal export of individual machinery units to nonsocialist countries, the net foreign currency earnings are only 59 percent of the reported production in f.o.b. prices.

Then, on the basis of the above facts, the overall efficiency of the Czechoslovak engineering industry in relation to developing countries looks different. By an optimistic estimate, the real values of the indicators used, including the differential indicator (for 1986) are reduced to 70-80 percent of the nominal values. That being so, the export efficiency of the engineering and electronics branch falls below the macroeconomic average (even though, of course, this branch because of its importance has a marked impact on that average).

The indicated quantifications are based on statistics, but also on expert estimates, particularly as concerns the uncollectible claims. They should therefore be considered more or less as merely directive. But they prove the seriousness and urgency of the problem with sufficient conclusive evidence.

The main cause can be seen particularly in the low competitiveness of our engineering products, even though understandably territorial trade policy is also at fault. The competitiveness of products is directly linked to the competitiveness of the producers. That can be judged from different angles, using different criteria. Interesting results can be seen, for example, by evaluating the export efficiency of individual enterprises of the processing industry. The appropriate methodic approach was worked out in the Research Institute for Foreign

Trade Relations. The results show that of the 224 evaluated engineering enterprises only 67 are export efficient, that is, not quite a third.

How Many Are Good?

The situation is different if we try to evaluate the competitiveness of Czechoslovak producers from the point of view of management, particularly at the level of costs (study by our institute). As long as the enterprise is not competitive in this sense, that is, given its labor productivity, technology, organization of production, etc. it would not be able to compete in the hard conditions of world competition, then we probably cannot consider its high export efficiency (particularly from the point of view of the share of its output which goes for export) as a positive phenomenon.

The evaluation of the competitiveness of the currently selected engineering enterprises (their share in the production of the engineering and electronics branch is 30 percent), with a production program that includes primarily the positively valued sectors, indicated that good results, as measured by the world market, were achieved by 40 percent of the enterprises in 1987. Enterprises with poor results carry equal weight in this sample. Of those, 24 percent have a level of competitiveness that is entirely inadequate.

Competitiveness is characterized by the productivity of direct labor in relation to the world standard. The newly created value expressed in "world prices" is compared to the newly created value in domestic prices (the utility value being equal). The newly created value in "world prices" is determined indirectly, that is, as the difference between the output of the enterprise in question expressed in world prices and the corresponding (revalued) costs. The revaluation is done by using Czechoslovak export prices for markets in nonsocialist countries (output), or import prices from those markets (costs), while in both cases the prices are corrected according to tariff barriers and other influences. We are therefore talking about a certain simulation of a parametric environment or an attempt to ease our producers into the hard conditions of world competition.

In evaluating the level of competitiveness, we start with the principle that an industrial enterprise should at least maintain through its economic results the officially set exchange rate of the Czechoslovak koruna for trade payments, that is, $Kcs1 = Kcs1$ f.b.o. Enterprises, which meet this condition, are considered to have good prospects. In this group (evaluation for 1987) belong, for example, První brněnská strojirna Brno [First Engineering Works, Brno], Slovenske energetické strojirny Timace [Slovak Power Engineering Works Timace], Chodos Chodov, ZPA Dukla Presov [Machinery and Automation Plants Dukla Presov], Choteborské strojirny Chotebor, Vitkovice [Chotebor Engineering Works, Chotebor, Vitkovice]—Zdarské strojirny a slevárny Zdar nad Sazavou [Zdar Machinery and Foundry Plant, Zdar

nad Sazavou], Zbrojovka Brno, Továrny mlynských strojů Pardubice [Milling Machinery Works, Pardubice], Buzuluk Komarov, TST Somet Teplice [Plant for Engineering Machinery Somet, Teplice], Zavody Vítězného února, Hradec Králové [Factory of the Victorious February, Hradec Králové], Laboratorní přístroje Praha [Laboratory Instruments, Prague], TOS Kurim [Machine Tool Factories, Kurim], TOS Hostivar [Machine Tool Factories, Hostivar], Elitex Trebic, Elitex Surany, Elitex Ústí nad Orlicí, Elitex Týniště nad Orlicí, and Kovopol Police nad Metují.

Closely behind them follows a group of the so-called conditionally prospective enterprises, those which have a chance—if they mobilize their internal potential resources—to meet the required conditions. In this group are Skoda Plzeň, Transporta Chrudim, Admamořské strojirny Adamov [Engineering Works Adamov], Elitex Chrástava, Frigera Kolin, and Igla České Budějovice.

When it comes to enterprises evaluated negatively from the point of view of their competitiveness, all the conditional character of any evaluation notwithstanding, we can mention, for example, KIN Bilovec, KIN Prague, TST Tona Pečky [Plant for Engineering Machinery Tona Pečky], Strojsmalt Medzev, Branecké železářny Hradec nad Moravicí [Branec Iron Works, Hradec nad Moravicí], ZVVZ Milevsko [Plant for Production of Air Technology Equipment, Milevsko], ZTS Brno [Heavy Machinery Plant, Brno], ZTS Olomouc [Heavy Machinery Plant, Olomouc], Tesla Lanškroun, Tesla Valašské Meziříčí, Tatramat Poprad, Calex Zlaté Moravce, Kovosmalt Filakovo, or AZNP Mladá Boleslav [Automobile Works, National Enterprise, Mladá Boleslav].

The indicated considerations thus prove that the export of engineering products contributes to the loss of a not negligible amount of national labor. In addition to the visible loss, which is obvious also from the current indicators of export efficiency, we have to stress the hidden loss, which is supported by giving favorable long-term credit to foreign buyers, particularly those from developing countries. Increasing the real export efficiency of the branch is contingent on the increase of competitiveness of products as well as producers. That is not only the measure of global efficiency, the condition for an active participation of our engineering industry in the international division of labor, in the global cooperative structures, in the integration processes of CEMA, but also the most important incentive for progressive structural changes.

Footnote

1. See report of the 12th Plenum of the CPCZ Central Committee.

**Problems in Workshop 'Democratization'
Discussed**

24000112a Prague RUDE PRAVO in Czech
9 Mar 89 p 3

[Interview with Jiri Neubert, secretary of the Central Council of Trade Unions, by Josef Jedlicka; date and place not given; first paragraph is RUDE PRAVO introduction]

[Text] Production quality circles in the workplace are an important part of social democracy. They make it possible for all the workers to express their views, experiences, initiatives, and suggestions on how to organize production and fulfill other tasks in which they are directly involved. We talked with the secretary of the Central Council of Trade Unions, Jiri Neubert, about the experiences trade union officials have had with their planning, proceedings and results, and what role they will play in the new economic conditions.

[Neubert] Production quality circles first began to be organized here in 1953, but their systematic development started only in 1974, when the Presidium of the CPCZ Central Committee, the CSSR Government, and the Central Council of Trade Unions approved the Principles for the Organization and Activity of Production Quality Circles In Workplaces. That document stemmed from the resolution of the 14th Plenum of the CPCZ and the 8th All-Trade Union Congress, and it set down the system, status, and tasks of the quality circles in the khozraschet sphere. It directed the attention of party, management, and trade union officials to follow uniform practices in organizing the quality circles and to develop them further, and gave all workers the opportunity to personally take part in the development, management, and control of their workplaces. It also contributed to a more widespread organizing of quality circles in the workplaces of nonproductive branches and the state administration.

To illustrate. In 1987 almost two and a quarter million production quality circles took place, in which almost 49 million workers participated. On the average, each of these circles brought one suggestion. Roughly 80 percent of those were implemented. The remaining 20 percent concerned basic questions, organization of production, industrial distribution system, and other problems and aspects of the life of the work collectives, the resolution of which generally was not within the jurisdiction of the enterprises. Nevertheless, we can say that on the whole the quality circles are an effective element of our socialist democracy, because they make possible a relatively broad and direct participation of the working people in the management and administration of the national economy.

[RUDE PRAVO] The facts which you have presented, for example that on the average each quality circle brought only one suggestion and that out of their total

number only 80 percent were acted upon, prove that in practice the necessary effectiveness of the quality circles has not been achieved. What are the reasons?

[Neubert] There are quite a few of them. One of the principal ones, to my mind, is the existing economic mechanism, which does not give enterprises enough authority so that they could act upon more of the suggestions on their own than they can now. The new economic mechanism should remove this obstacle. It markedly increases the authority of the enterprises, and at the same time it can be assumed that the interest of the workers in the results of the enterprise will grow as well. Under these circumstances the quality circles should fulfill their role better than has been the case thus far.

And there is still a number of reasons, one can say subjective ones, why we cannot be satisfied with the current standard of the quality circles. The most important one I see in the fact that managers still do not comprehend, everywhere and every time, the real import of the production quality circles. In fact, some of them are still of the opinion that they are something which is not necessary, which only takes up their time and complicates their work. They do not comprehend that it is the production that is at stake, as is quite evident even from the name of these consultations, therefore something which is precisely their responsibility, for which they have to answer, that precisely they should be the initiators in planning and conducting these proceedings and drawing conclusions from them. They should know best the problems in their workplace, know what and how they need to be resolved, and see to it that justified suggestions are carried out. The production quality circles are the joint concern of the management leadership and the trade union organization. It is essential, therefore, that the trade union functionaries and the economists in question cooperate more closely than before, that they have a program worked out for each of the quality circles, and that they see to it that suggestions which are made are implemented.

[RUDE PRAVO] Both partners then have something to improve. Is it possible to describe more specifically how those external and internal conditions and causes manifest themselves?

[Neubert] Yes. Our conclusions are not made in a vacuum. We make them on the basis of practical observations. In this respect, among other things, it is instructive to take a look inside the largest machinery enterprise, the Plzen Skoda Works.

This enterprise combines 13 plants and has more than 40,000 permanent employees. The enterprise committee of the Revolutionary Trade Union Movement (ROH) has under its direction 32 factory committees of ROH, which comprise 236 workshop committees and 1,700

trade union sectors. In 1987 more than 16,000 production quality circles took place there, in which 11,623 suggestions were submitted of which almost 90 percent were implemented.

Production quality circles in the Skoda Works take place regularly once a month, and their level varies. In this respect a lot depends on the individual technical, political, and organizational capabilities of the foreman and the sector shop steward, who work closely together on the planning and running of the quality circles. The program of the quality circles is based on enterprise principles and is supplemented by topical problems of individual workplaces. The effectiveness of the quality circles is evaluated by the workshop and factory committees of ROH, and quarterly they are the subject of discussions at trade union conferences. An important role is played by the production economic commission of the ROH enterprise committee, which regularly controls the efficiency of the quality circle with the aim to remove formalism from their proceedings.

[RUDE PRAVO] What critical comments are most frequently heard at quality circles in this enterprise?

[Neubert] According to our information, the comments which are constantly repeated in the Plzen Skoda Works concern poor communications within the enterprise, obsolete machinery stock and its insufficient renovation an, unsatisfactory supply of tools and instruments, lack of provision for investment capital needed for the development of production lines, and cooperation between external and internal subcontractors. Serious and ticklish are also social questions for which the management of the enterprise as well as the trade union organization are hard put to find an answer.

One can say that the production quality circles in the Skoda Works are the center of attention of the trade union organization and the management leadership, that they contribute to the fulfillment of planned tasks.

[RUDE PRAVO] What prospects are there for making the production quality circles as effective as possible even under the present complicated conditions of the transition to a new economic mechanism?

[Neubert] In this respect valuable experiences were gained in the Slovnaft Bratislava. First of all, they found it useful to closely link the evaluation of economic tasks with an objective analysis in connection with the setting of the collective premium and the share of each individual in it. The effectiveness of the production quality circles rises markedly in those workplaces where the manager creates conditions for engaging workers in problem solving. In this the managerial style of the manager is decisive. The subordinate worker must be convinced that there is interest in his suggestions and experiences. A lot depends on the quality of the information which the manager, as well as the shop steward, provide and whether it is in agreement.

The experiences in Slovnaft also show that the production quality circle is the ultimate place where the participation of workers in the preparation and creation of the plan is provided for. It is an instrument for finding the possibilities and unused resources for its implementation.

[RUDE PRAVO] But in many enterprises they are constantly pointing out that they do not receive the information about their specific production assignments in time, and therefore they cannot very well discuss them with the workers. That applies to the newly established state enterprises as well.

[Neubert] We live in an era when the old economic mechanism ceases to function and the new one is still just in the first stages of implementation. That causes considerable problems, and it is therefore very proper that it was decided to speed up this process as much as possible. It is absolutely necessary that the increased authority and independence of the enterprises be manifested in the fact that the enterprise shall be able, under certain circumstances, to construct the plan by themselves, in good time and according to their own conditions, although, naturally, while keeping national interests in mind. Only then, when the enterprises will actually be constructing their own plans for economic and social development in this way, will they have the requirements for consistently introducing khozraschet as far as their individual workplaces and fully develop the initiative of their workers.

I was convinced of it recently in the plant 05 Bizuterie Jablonec. In that plant, 85 percent of the production workers are organized in the brigade form of work and reward. The collective each month evaluates the work results of each of its members. And it also decides how high a special component of the wage structure based on the contribution of each individual each worker will receive. The results of the collective's decision are posted on a bulletin board in the workshop. It clearly shows exactly how much each worker gets. I noticed that the differences in the premiums were as much as Kcs 600 among individual workers. This is obviously the way which leads to an effective enterprise management, full application of the khozraschet, and the most progressive form of remuneration. In this way the collective as a whole, but each individual in it as well, will feel responsible for the management of their plant and enterprise, and the economic incentive will become the engine driving the development of labor initiative, competitiveness, political involvement, and social activity.

[RUDE PRAVO] To implement such a system as soon and as broadly as possible is the goal of the restructuring of the economic mechanism and the development of socialist democracy. In practical life, do we see efforts to speed up this development?

[Neubert] I must say that on the whole, in connection with the entry of many enterprises into the experiment and at this stage of changes in the structure of our technical, R&D, and distribution base, the interest of workers in the production quality circles has grown. That is logical. Everyone is curious to know what status he will have under the new conditions, how the enterprise will function, what will be the requirements for the economic and social development of the work collective, what will be the outcome for each individual. Even though it must be said that during this phase the production quality circles are primarily of an informative nature. But providing information is also important. However, our management leadership now must come up with a specific program how the organization will function under the conditions of the state enterprise, what it will mean for the work collective, where its effort must be directed in order to ensure the required economic and social development. The production quality circles will become a place of lively debates, of searching for ways for the best possible approaches.

[RUDE PRAVO] We already spoke about the need to improve the quality of the planning process. Can it be said, comrade secretary, that an improvement in this respect is under way?"

[Neubert] I have to admit that generally there has not been an improvement. With the exception of the experimenting enterprises. This year, too, excluding the organizations and branches which joined comprehensively in the experiment or work already according to the principles of the new economic mechanism, the plan is being constructed by the old method. The conditions, which limited the effectiveness of the production quality centers, persist. To be frank, in a number of enterprises the plan has not been made clear to this day. The management can hardly come to the workers with incomplete or contradictory data.

Where branches, which are already functioning entirely according to the principles of the new economic mechanism, are concerned, the situation is substantially different. I have in mind those enterprises where the plan is constructed, so to speak, from below, where the organization presents a proposal for the plan. Under such conditions the workers, in contrast to other branches, are much better acquainted with the plan. They discuss it in detail as far down as the workplace, even though everything is not yet ideal by any means. It is becoming apparent, however, how the changes in conditions increase the quality of the management. The management leadership must appreciate also the fact that people's participation in the management of an enterprise must be a part of their economic management activity. If we are saying that the point of the new economic mechanism is, among other things, to activate the so-called human factor, then the failure to see the value of the production quality circles from this point of view

would be a great economic and political loss. People's participation in the management is not only a political but also a very important economic factor.

[RUDE PRAVO] What role will the self-management officials have in this?

[Neubert] That is a very important question, which is now coming up in practice. There is a variety of views, one among them being that the production quality circles should be the concern of the socialist self-management. It has to be pointed out again that the production quality circles are a joint responsibility of the economic management and the trade union organization. As such, it is a part of the mechanism of the socialist self-management. After all, even the trade union organization is in a broader sense of the word a part of the mechanism of the socialist self-management, united by the organization of the Communist Party. But the production quality circles cannot be run by councils of the work collective. Then there would be the danger that another structure of enterprise management would be created. And that would be wrong. There must be only one management responsible for production. Nobody can take the place of the enterprise management. On the other hand, it needs to be said that the officials of the socialist self-management, the council of the work collective, and the workers' group should rely on the opinion and suggestions of the production quality circles and act on them.

[RUDE PRAVO] How will the council of the work collective get information about them?

[Neubert] For one thing, the members of the council of the work collective are members of the enterprise collective itself. Further, in the council, after all, are also the members and functionaries of the party, trade union, and youth organization and other organizations which are active in the enterprise. It is self-evident that these council members will rely on the collective wisdom. And finally, there is nothing to prevent the trade union organization, its factory or enterprise committee, to bring from time to time a list of suggestions from the production quality circles to the proceedings of the work collective council and request the council to take them up together with the management and make the necessary conclusions.

[RUDE PRAVO] The importance of the production quality circles then will grow in the future as the new economic mechanism enters into the practical life. Can we say that the Principles of Production Quality Circles, approved in 1974 by the Presidium of the CPCZ Central Committee, the Czechoslovak Government, and URO continue to be valid, and there is no need to change them, to adapt them to the new conditions?

[Neubert] Those principles are fully relevant today as well. There is no need to change them in any way, because they contain correct basic principles. They state

that the production quality circles are the responsibility of the management and the trade union organization, that it is mandatory to organize them together with the manager leadership and the trade union organization, the sector shop steward in particular, that the management is obliged to act on the suggestions of the production quality circles and respond to them. Such a position was supported also by the secretariat of the CPCZ Central Committee, when it was recently discussing the future development and mandate of the quality circles.

[RUDE PRAVO] This also goes for the collectives which use the brigade form of work organization and rewards?

[Neubert] Certainly. After all, the work collective applying this progressive form is a production quality circle in the real sense of the word. There would be no point in organizing a separate one. The brigade form is to be established primarily in a khozraschet unit in which there is also as a rule a trade union sector.

I would also like to add that in connection with the reduction in the administrative activity of ROH, we are also abolishing the central supervision and reporting of the production quality circles and acting on their suggestions. This is based on the idea that it is above all in the interest of the enterprise that the production circles fulfill their purpose, and that for that reason their supervision should end at the enterprise level. It would certainly be the right thing to have the trade union organization deal with the problems of the production circles at their membership meetings or conferences at least once a year, for example during the evaluation of the collective agreement.

[RUDE PRAVO] Thank you for talking with us.

HUNGARY

Future CEMA Relations Analyzed

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[Responses to KULGAZDASAG annual questionnaire by a panel of 20 economists, government officials and enterprise executives: "Questionnaire on the Future of CEMA Relations"]

[Excerpts] Amidst the accelerating changes in the world economy during the 1970's, the system of relations within CEMA remained essentially at a standstill. This created a serious disadvantage for the member countries' economies, including the Hungarian economy. From Hungary's viewpoint, the division of labor established with the Soviet Union and the other member countries ceased to be one of the main sources of economic growth. These relations led to the development of an economic structure, enterprise incentives and patterns of behavior,

and practices in the administration of the economy such that they isolated the Hungarian economy from the changes in the world economy and were a contributing factor to the inability of the domestic economy, founded on CEMA relations, to adjust to the requirements of the world market. In our journal's questionnaire this year, we are seeking answers to how the theoretical and practical experts on CEMA relations perceive the way out of this situation.

Our questions read as follows:

I. Do you see any realistic possibility of restructuring CEMA relations in a way such that they will not hinder, and instead will support, the Hungarian economy's adjustment to the world economy? And how can such a restructuring be achieved? By changing CEMA's joint institutions or by developing bilateral relations in accordance with the opportunities that arise?

II. On the basis of what principles should our economic administration reshape our policies on trade with CEMA, and the institutional, organizational and regulatory systems of our CEMA relations, so as to minimize the present negative effects, and to make the impact of the changeover tolerable, in the microeconomic sphere among others?

III. Among the elements of our trade relations within CEMA, are there any whose restructuring would be realistically feasible already in the short term?

Adam Angyal, Director General
Ganz Danubius Shipyard and Crane Factory

I: I regard CEMA's restructuring not only possible but necessary as well. A key issue of the Hungarian economy's development is that our future can be based only on our participation in international integrations. I consider as without foundation any possibility of organizing an autarchic economy.

The choice among the various economic integrations, of course, is not solely a matter of what Hungary wants. In my opinion, the most important reason for our participation in CEMA is not political commitment, but the evolved—traditional, one might say—system of market relations, and also the fact that, in terms of the economy's sophistication, we are much closer to the CEMA countries than to the industrially far more advanced European Common Market, for instance. Which also means that, unfortunately, we are less likely to find in CEMA a base for technological and technical progress. But on the other hand, we have more opportunity to ensure the basic conditions for the functioning of our economy and to load our capacities. Another way of putting this, with some simplification, is that CEMA relations are indispensable to the functioning of our economy, but relations with the groups of more advanced countries are important for our economy's development.

As to improving in the near future CEMA's ability to function, I find bilateral advances more realistic than comprehensive development, because of the diverging views that are well known from the press. And even among the bilateral advances, in my opinion, it will be advisable to strive for agreements of the monetary and commercial types that bypass the very highly specialized, bureaucratized and formalized system of institutions. Our participation in CEMA's system of institutions can be scaled down—without harm, I believe—to mere presence. And I think we should judge by the yardstick of economic rationality the economic agreements of the so-called internationalist type: in other words, the agreements that are politically motivated.

II: Hungarian economic management's internal debate on what role the plan should play in a market economy is leaving its imprint also on CEMA relations. Reassessment of the plan's role in this debate will necessarily bring with it signs of thinking along the lines that CEMA-level agreements, hence international ones, are merely agreements of an indicative nature, rather than planning directives, so far as the entrepreneurial sphere is concerned. In the final outcome this means that entrepreneurs fulfill international agreements the way their interests dictate. To achieve fulfillment of the international agreements, these interests can be motivated respectively by means of subsidies and by siphoning off income. We will probably have to employ conversion systems for a long time yet to link the relatively lower CEMA price level and the domestic price levels. Supplementing the exchange rates at any given time, this linkage system will have to be geared to products and services.

At the same time, exchange-rate policy will have to be in line solely with the forint's ratios to the key currencies. A separate CEMA exchange-rate policy will not be workable, in my opinion. Which in other words means that the direction and ratio of the exchange rate between the ruble and the forint will have to adjust to the exchange rate between the ruble and the dollar, and not to the balance of trade. A further corollary of this idea is that it will be worth while to make clearing between socialist countries convertible, in either the original currency or a freely convertible currency.

Trade policy toward the CEMA countries will have to be much more tolerant of entrepreneurial interests than at present, and thereby agreements between countries will have to be regarded as less significant. It will be worth handling by macroeconomic methods, basically with lending techniques, the stresses resulting from an imbalance of trade, and to use trade restrictions or incentives only as subordinate methods.

III: I think it will be possible in the short term, or even immediately for that matter, to alter the forint's exchange rate in rubles, commensurately with how the ruble's exchange rate in dollars develops in international money markets. Furthermore, I think it is possible to resolve immediately that the socialist partners designate bilaterally the commodities within their mutual trade that are of strategic importance, and then have the trade agreements between countries cover only such items. Over and above this, trade would be based only on agreements between enterprises, to the extent that the markets of the individual countries allow. I think it would also be possible to coordinate immediately, by means of equalization accounts, the differences between the level of socialist import prices and the level of Hungarian export prices. But I wish to note that there is no great need for such equalization at present, in view of the position of our balance of trade: The stimulating effect of relatively cheap imports is beneficial for the time being, and the low export prices are likewise having a favorable impact upon the balance of trade.

**Deputy Minister Janos Ambrus
Ministry of Trade**

I: The problem of achieving greater participation in the world economy is not peculiar to Hungary alone. All the other CEMA countries are having similar problems.

The present system of cooperation does not provide suitable support for attaining this objective, and that too has been a factor behind the adoption of the joint resolution on restructuring CEMA. But views differ on how, by what means, and within what time frame to accomplish this.

Hungary has introduced numerous proposals. We see the course of evolution in the spreading use of economic instruments, in the application of market methods, and in the foreign exchange and monetary system's transformation. But tangible progress depends, of course, also on the changes taking place in the individual countries' systems of economic management. On the basis of the experience to date it now appears likely that a profound restructuring of CEMA's joint institutions can be implemented only in the longer term.

In the short term there are more opportunities to fruitfully develop bilateral relations, because the bilateral forms of cooperation—which are based on the individual partner countries' domestic economic mechanisms, and are better able to make use of the advantages that these economic mechanisms offer—can be devised and introduced more quickly.

II: Our system of organizations and institutions is now due for modernization. We have to consider carefully the division of labor between the state and the enterprises. The enterprises must be given more scope, a greater and more independent role. At the same time, the enterprises' responsibility must increase in the sense that

profitability will have to be the main criterion in judging their performance. The excessively detailed system of quotas that cover trade in all commodities must be relaxed as soon as possible, and wider opportunity must be provided to trade without quotas and above the set quotas.

It is important that the agreements reached with the individual countries in the ongoing coordination of national economic plans make the quota system's relaxation possible. At the same time we must also bear in mind that it will be reasonable to balance trade by government measures when necessary, until the time when the convertible ruble is able to assume its medium-of-exchange function.

Our trade policy must reflect the changes that have been made in managing the Hungarian economy, and also the fact that in the coming period our economic relations with the CEMA countries will invariably retain their significance for the Hungarian economy. It is important that we refine our economic regulators and thereby stimulate, within the system of relations, the expansion of the export of products that are of a high technical level, satisfy more fully the stricter requirements of our partners, and can be produced economically; in exchange for commodities that are indispensable to the national economy.

III: The intensification of cooperation and direct contacts between enterprises, and the formation of joint ventures can enhance, on the one hand, the expansion of trade, product quality and the efficiency of production; and on the other hand, they can accelerate the reform of CEMA's cooperation mechanism, by experimenting with new forms of cooperation and new solutions.

However, evolution will not be trouble-free here, either. The unsolved foreign exchange and monetary problems will emerge here, too. But it should also be noted that some of the enterprises are not seeking ways to produce modern products of good quality; instead, they want to expand the export of our present products that do not fall in this category.

**Henrik Auth, Department Chief
Ministry of Industry**

I: I am convinced that in the mechanism of CEMA cooperation we can and must find the opportunities for advancement which will help our integration into the world economy. CEMA trade is a very important part of our external economic relations at present. Our imports include items so essential that they rule out as an alternative any integration into the world economy which would involve large-scale contraction of our CEMA relations. At the same time we must face the fact that our traditional net exchange of manufactures, including engineering products, for basic materials cannot be maintained at its present volume; and that this may force a reduction primarily of our engineering exports, unless we are able to find and acquire imports as offsets to these exports. But the experience to date

indicates that, even outside the framework of central coordination at the state level, it is possible to find stocks of commodities to import and to expand the market through joint ventures. This way the forced reduction of exports can be alleviated. The most important conclusion we can draw from this is the following: the efforts to develop market relations are the strongest at the micro-economic level, and some scope for this already exists there even today.

In perfecting CEMA's system of institutions we must start out from the fact that CEMA is not a common market. The member countries' systems of economic management differ significantly, and the commodity and market relations of these countries vary widely. Therefore the perfection of the system of institutions must be founded primarily on bilateral relations. First of all the changes now taking place in the Soviet Union could enable market relations to emerge and consolidate, essentially on a bilateral basis. Naturally, a comprehensive reform of CEMA's system of joint institutions must be kept on the agenda, but a future breakthrough can probably be based on bilateral relations. The quantitative expansion of these relations could be the force that will compel a qualitative change in CEMA's system of joint institutions.

II and III: In my judgment, trade policy does not require any significant course correction. For we have long been aspiring to continuously maintain our position as a net importer of basic materials and exporter of engineering products, to improve the structure of exports (for instance, by reducing our light-industry exports that is unfavorable mainly for price reasons), to curb the rise of the dollar-import content of exports, etc. The interests of our partners obviously limit the realization of these aspirations, but I doubt that we will have to take a basically different approach even in future to shaping and influencing the structures of exports and imports.

In the restructuring of the system of institutions—over and above keeping the need for this on the agenda—the existing system's inertia is much greater than to allow any hope for quick results. As I mentioned earlier, probably the development of bilateral relations between enterprises, rather than alternatives that can be worked out theoretically, will point and force the way to changes.

At the same time I am convinced that progress on two essential points is urgent, and that we are able to move ahead on them. Our present system of regulation is a mixed system of price equalization and income equalization, one that more or less does its job. But budgetary considerations predominate in this system's operation, and it is unable to introduce market forces, the elements of supply and demand, to trade. Within certain limits,

we can do that one-sidedly: i.e., even when state coordination prevails in the economies of our partners. Here I have in mind a proposal that has been advanced repeatedly: a substantial proportion of exports (for instance, where respectively the domestic market is in equilibrium, several producers are able to make the product, the quotas are in value terms or are not specified in too great detail, etc.) would be transacted on the basis of state orders, and the transacting trade organization would buy the export products at domestic prices and would have an interest in maximizing its own profit. These exports would be linked to the state budget through a fiscal lever of a certain amount, and its rate would depend on the transacted export-import volume and its structure. A portion of the imports could flow through the same channel to the domestic market, as competitive imports. This briefly outlined proposal has already been formulated several times, but the feasibility of its implementation has not been studied seriously. For it is undeniable that many difficult questions would have to be solved here. (For example, how could this solution fit into the present quota system? On whom would the fulfillment of the quotas be binding? What would be the mechanism for modifying the system of fiscal levers [taxes and subsidies], etc.?)

The other question of fundamental importance that must be solved in conjunction with CEMA relations is the switching of markets by the large enterprises—primarily in engineering—that now are exporting predominantly to a single market. Significant reductions of exports will probably be unavoidable in some areas. Fiscal austerity, the stricter regulation of ruble-denominated trade, would not be a suitable tool for controlling these reductions. The enterprises accustomed to CEMA relations are now experiencing two fundamental negative effects: a shrinking export volume, and their declining profitability. At many enterprises, on the other hand, the large volume of ruble-denominated exports absorbs overhead costs and is thus “financing” exports to capitalist countries. And it is likewise not uncommon to use the retained earnings from ruble-denominated exports to finance development projects that provide exports intended for capitalist countries. The picture is further complicated by the fact that basically these areas are not subsidized, but are paying taxes on their earnings from ruble-denominated exports. By siphoning off more income from the enterprises, fiscal austerity in such a situation would become a fundamental obstacle to structural change. What we need to do instead is to take structural consideration into account and decide which products, and at what levels of efficiency, to phase out of CEMA exports. Here we must start out by reconciling the imports that are of strategic importance to us, with offsetting exports that are acceptable to our partners. We will have to give the deselected enterprises also central resources to help them switch markets. The by no means negligible resources for this purpose will have to be provided primarily within the framework of the system for bidding to export to capitalist countries.

**Mrs Ilona Nyitrai Baar, Counselor
Hungarian National Bank**

I: The one-time advantage of CEMA relations has by now become more of a drawback, for us and—in one respect or another—for most of the participating countries as well. So far as Hungary is concerned, the situation has not worsened primarily in terms of the existing direct macroeconomic advantage. Far more the cause of the worsened situation is the fact that the rigid mechanisms of cooperation within CEMA, the intentional deflection of the set of economic tools, and the price and exchange-rate ratios that thus evolve are hampering, rather than aiding, continual structural change and adaptation to the processes taking place in the world economy. The declining but still existing advantages, and the immediately appearing unfavorable effects of the necessary changes are acting in the direction of keeping the system unchanged. They are at complete variance with the advantage that would arise from basing cooperation on market forces, and would manifest itself in greater efficiency and in the forcing of structural changes. This contradictory situation explains the generally ambivalent attitude toward CEMA reform: The need for change is recognized in principle, but in practice there is the requirement to leave the conditions unchanged.

In my opinion, the roots of the problem lie in the long-term and annual trade agreements between countries, as well as in the system of pricing and in the applicable price and exchange-rate ratios. Notwithstanding certain undeniable advantages, over the years this system has created extremely serious economic, fiscal, equilibrium, production and market-structure deformations. In Hungary, moreover, there is the peculiar situation that this type of cooperation became amalgamated, and therefore necessarily clashed, with a market-driven domestic economic mechanism that is based on enterprise independence. Because the prices and exchange rates applicable to cooperation do not provide realistic guidance for making rational decisions at the microeconomic level, it has been necessary to install built-in transmissions that mostly transform the existing short-term macroeconomic interests in the direction of the microeconomic sphere. This “buffer” between the economy’s players and economic management is contradictory in its economic principles and rationality; it is unable to consistently assert the changes in the market’s set of conditions, because it harbors the possibility of individual bargaining. Therefore it has now become a significant subjective factor, one of confidence.

Thus I believe that there would be a radical change if the conditions mentioned above were to alter basically. But at the same time we must realize that such a radical change—although unquestionably desirable from the viewpoint of our long-term interests (adaptation to the processes taking place in the world economy, and structural change)—would have the immediate effect of

becoming yet another serious destabilizing factor, due to the significant role that the ruble-denominated sphere plays in trade and production. Therefore we must think in terms of solutions that are based on a definite concept of retaining the ruble-denominated market but qualitatively improving the system of relations, and which will gradually and consistently assert our long-term as well as short-term interests.

I think that within CEMA there can be progress in this respect primarily in the area of bilateral relations. Perhaps the situation regarding the other small countries is easier at present, because our trade with them is more balanced. Far more difficult is the situation regarding the Soviet Union, whose role in our trade is "preponderant" and where the earlier opportunities for dynamic growth have become strongly limited. For that very reason, however, the pressure for change is also the greatest here. This is where we have to show initiative and be constructive. Due to the nature of our relations with the Soviet Union, we must develop primarily at the government level the framework for greater scope: by reducing the circle of commodities coordinated centrally, for instance. But also at the enterprise level we must avail ourselves of the opportunities that the changes taking place in the Soviet Union offer: in the area of direct cooperation with enterprises and republics, for instance.

It is at least equally important, in my view, that we also take full advantage of the opportunities our own regulatory and institutional systems provide, to expose to real market impulses the economic players who are interested in ruble-denominated trade.

In my opinion, however, progress in reforming CEMA's entire operating mechanism will be possible only to the extent, and at the rate, that nonuniform but essentially adequate operating mechanisms are created in the individual countries, and among them primarily in the Soviet Union whose economic potential is decisive. Providing scope for the microeconomic sphere, these operating mechanisms could lead to a market-based, higher-level integration that would fit into the world economy's processes in accordance with its particular interests.

This does not mean that the CEMA's present system of cooperation must be left unchanged. There is need for each and every innovative step. The Hungarian proposal to introduce partial convertibility of certain claims, for example, has a certain degree of rationality and is therefore realistic. I could list here also our proposals on settling payments for services. These, of course, are not comprehensive proposals, but they could produce movement toward the solution of some of the partial problems.

II: From the viewpoint of trade policy, I consider the following as important.

In my opinion, uniform treatment of ruble-denominated trade is not possible under the present conditions and in its present structure. It will suffice to point out that our substantial imports of energy and of raw and processed materials, at relatively favorable prices, can be offset only with commodities that are less and less economical to export. At the same time, our opportunities to export profitably have narrowed considerably. Therefore, and because the orders of magnitude are such that we are unable to implement meaningful changes overnight, it will be expedient for us to select separately the commodities that we are now able to procure in the ruble-denominated market under conditions favorable for us in terms of price or foreign exchange, and the range of commodities that our partners are demanding to offset their deliveries. These commodities could be centrally coordinated or strategic commodities, and trade in them would continue under agreements between countries, and hence on the basis of set quotas.

The range of commodities that are coordinated centrally and subject to quotas must be narrowed, in part because the profitability of a rising proportion of our offsetting exports is unfavorable, and in part because we have to consider the profitability of diversifying our markets as well as the possibility of changes in our price and exchange-rate ratios, which cannot be ruled out in the long term. Consequently, the maximization of imports as an objective of trade policy must be handled with due consideration for the preceding; in other words, we must not make a fetish of it. In my opinion, it would be worth devoting more attention to broadening the import structure, for which suitable forms must be found, primarily commercial ones.

A question of trade policy that affects structural policy is the treatment and expansion of trade that is not coordinated centrally, i.e., not subject to quotas. This is the circle within which real market relations could develop, where the pressure of supply and demand could trigger impulses for greater efficiency and structural changes. These efforts, in my view, could start out, with the least national economic sacrifice, specifically from the sphere of ruble-denominated trade. If for no other reason, already because the narrowing of manufacturing's, and within it of engineering's, ability to export is now real. (This must prompt a switching of markets, market penetration or changes in the production structure, otherwise even the possibility of bankruptcy will not be excluded.) I stress the importance of this because the outlined approach is more realistic and more obvious to my mind, considering our indebtedness, than pressure for structural change from competitive hard-currency imports would be. In general and for the future, I do not deny the "beneficial" effects of such imports. In the given circumstances, however, I basically doubt that it would be sensible, and from the viewpoint of our balance of payments it would definitely be undesirable. For when the objective is structural change and there already are pressures operating in the economy to enhance the potential for such change, then a search for additional impulses requiring greater financial sacrifices is not warranted. Instead, we must let the already existing impulses do their work.

Concerning the questions of institutions and organizations, what has been outlined above requires of the existing foreign-trade institution system work of a fundamentally different quality in terms of attitude, in part independent initiatives (in imports, for instance), and in part the creation of opportunities to let the enterprises compete. The establishment of trading houses and the participation of commercial banks could be proposed as novelties in CEMA trade. Through their own particular activities, the trading houses and commercial banks could enhance in this sphere the emergence of a new trade, organized on the basis of market incentives.

From the range of questions pertaining to regulation, I would single out the role of the exchange rate. The possibilities of using the exchange rate to control the regulation of ruble-denominated trade are rather limited, but they do exist, in my opinion. As long as the domestic and the CEMA systems of pricing differ, significant differences between exchange-rate ratios exist, and the traditional price-level distortions remain, in domestic regulation it will not be possible to guide the microeconomic sphere solely by means of the exchange rate. On the other hand, it is likewise my opinion that—under a system of fiscal levers attached to a system of domestic regulation whose principles and mode of operation remain fixed for a long time, and where the fiscal levers are not manipulated subsequently, but the possibility of so-called fine-tuning within certain limits is not excluded—the exchange rate can have a normative controlling and orienting role. But this requires that the system of fiscal levers linked to ruble-denominated trade be administered separately from the state budget, as a self-financing fund, as long as the system's existence is warranted. The elaboration of such a fund is absolutely essential to prevent the economically warranted system of fiscal levers from becoming a source of concealed subsidies or a means of raising more budgetary revenue. The way I see it, if an exchange market were maintained for transferable rubles, the exchange rate that developed there could play a real role within trade that is not subject to quotas.

The inclusion can be imagined of commercial banks and trading houses for CEMA trade, and possibly of other schemes as well, in a system of institutions that, under an essentially unchanged system of CEMA cooperation, transmits to the microeconomic sphere the harsher requirements stemming from long-term macroeconomic interests—economic equilibrium, market shifts, and changes in the production structure—without paralyzing the microeconomic sphere's scope, yet exerts strong and consistent pressure through the tools of the market, through prices and the exchange rate, for instance. This way, in the ideal case, we could still enjoy at the macroeconomic level the existing advantages of CEMA cooperation, but the domestic economy would be potentially forced to prepare to gain a stronger market position than at present. This concept unquestionably has its voluntaristic elements, but its alternative is a radical change that could perhaps be scheduled only later on in

time, but would cause serious losses due to our worsening terms of trade, and would squeeze us out of trade denominated in convertible currency as well as ruble-denominated trade.

III: The concrete steps we can take already in the immediate future, in part within our own competence and partly in the area of bilateral relations, are as follows:

- The gradual narrowing of the range of commodities subject to quotas, respectively the substitution of value quotas for commodity quotas wherever possible. The value quotas would be fulfilled on the basis of competitive bidding. This is a task that could be partially implemented already as of 1989, but would have to be left mostly for the period of the next [5-year] plan.
- The development of trade not subject to quotas, with the participation of commercial banks and of trading houses for CEMA trade. Here the prices would be negotiated by the enterprises, and the exchange rate would be set flexibly in the exchange market, in accordance with supply and demand. I think that this could be introduced on an experimental basis already in 1989, if we work out the details for the participation of the commercial banks.
- To secure the enterprises' long-term interests, production-type cooperations can be formed based on realistic price and exchange-rate ratios, and in accordance with the interest of the potential participants.
- I consider it very important to form so-called three-legged [including joint R&D and marketing] coproduction arrangements and other types of production cooperation—joint ventures, etc.—with the developed capitalist countries. The potential opportunities for this are not excluded, its prerequisites are now emerging, and the benefits we would derive could be considerable. Cooperations of this type could contribute significantly toward the formation of [export] stocks of quality goods, and toward shaping the single-market perception and practice, which can best ensure the economic development of CEMA as a whole.¹. Purposeful government policy could accelerate the formation of such cooperations.

**Jozsef Bard, Senior Counselor
National Planning Office**

I: I know from practical experience that it would be a mistake to judge one-sidedly either the past or the present of our CEMA relations as something that typically obstructs the Hungarian economy's adaptation to the world economy. I would like to note this in conjunction with the raised question, without any opportunity for an analytical exposition of my standpoint on this occasion. At the same time, I am convinced that CEMA cooperation must be radically renewed if it is to support

the Hungarian economy's adaptation to the world economy, meaning here of course both sectors of the world economy. The long delay of this renewal manifests itself acutely in more and more areas and is increasingly hampering the development of the Hungarian economy and, I believe, of the economies of other CEMA countries as well. On the other hand, the progress of renewal will determine what role CEMA relations will be able to play in our economy's future development, and whether they will be able to facilitate and make more effective the efforts of the individual CEMA countries' economies to catch up with, and adapt to, the advanced sectors of the world economy.

The Hungarian economy's developmental prospects are not influenced solely by the CEMA system of multilateral and bilateral cooperation, and by the nature, extent and rate of this system's change. I have in mind primarily the state of the CEMA member countries' domestic economies, which in the present situation is a mutually inhibiting factor. The progress in reforming domestic economic policies and mechanisms, particularly in the Soviet Union, may make the restructuring of CEMA relations both possible and necessary.

Naturally, the interpretation and progress of the necessary domestic reforms differ by countries. It also follows already from this fact alone that in the short term it probably will not be possible to reach a common standpoint with every CEMA country on every issue, and thus transform CEMA relations. This, too, is what the standpoints adopted by the individual countries to date indicate. But they also show that in Hungary, and a few other countries, there is a willingness to forge ahead bilaterally with the interested countries. We, for example, can expect that the implementation and consummation of the reform measures in the Soviet Union will provide a suitable foundation for this. In the development of Hungarian-Soviet economic cooperation the political intentions coincide, and the more exact interpretation and discussion of the specific ideas have begun.

I would like to add that, in our search for bilateral opportunities, we must remain invariably open and resourceful to institutionally renew the mechanism of CEMA cooperation within the framework of that economic organization, because certain measures can be implemented only that way.

I would mention first and foremost the need to be realistic, in more ways than one. I agree with those who see CEMA cooperation as a decisive factor of our further economic development, but who also recognize that in the medium term, and hence permanently, CEMA cooperation will not be able to generate progressive impulses to the same extent as before, and that it will not have a dynamizing effect for the time being, or that such an effect will be confined only to some areas. This is not enough for solving the economic tasks of stabilizing the economy and extricating ourselves from our present difficulties. But the modernization of our production

structure, the competitiveness of our products in several markets, and generally our adaptation to the world economy become our objectives parallel with, rather than in place of, our CEMA relations. Naturally, it is much easier to formulate economic-policy aspirations than to reshape the practice of economic management and especially the enterprises' investment and marketing policies, where leaving everything unchanged often seems, mistakenly, the most readily tolerable solution.

When perfecting our system of economic management, we must be aware of a certain natural contradiction in conjunction with CEMA cooperation: We do not derive our domestic reform measures from CEMA cooperation, rather we devise them primarily as domestic necessity dictates. But CEMA relations also require that, in accordance with our interests, we continually create suitable bridges and be able to direct those relations. In their day-to-day operations, for example, we are not letting the enterprises feel at present that ruble-denominated imports are inadequate; and we are unable to utilize at the macroeconomic level the one-sided efforts to export, but this is not reflected in the enterprises' export earnings.

Regarding the mechanism of CEMA cooperation, I think we must start out from the fact that the essentially central and commodity-centered organization of CEMA relations through agreements between countries has exhausted its possibilities; and that now, on the basis of urgently creating the necessary conditions, this organization of CEMA relations must be supplemented, or replaced where necessary, by direct relations between business organizations, and by contracts concluded in accordance with their own interests.

I perceive the task of coordination between countries as more thorough consultations on economic policies, and as the coordination of national economic plans that concentrates on the truly strategic problems and on exploring the opportunities for cooperation and mutual deliveries. While the coordination of national economic plans will refrain from making decisions that can be considered only at the enterprise level, it will have to solve essentially better the set of economic conditions for cooperation in general, and will have to urgently provide real opportunity for direct contacts between enterprises. It is especially important at present to create a mechanism for foreign-exchange and monetary cooperation that works. Domestically, I consider it an integral part of the urgent Hungarian reform measures to provide scope for liberalized relations between enterprises, in accordance with the features of Hungary's system for managing its economy. The utilization of the opportunities inherent in such relations would then depend not on Hungary's economic management, but on the actions of the business organizations. [No separate answer to Question II as published]

III: My assessment of the proposals received from several quarters to reform CEMA is that they are in the stage of being studied for the time being, which is not encouraging from the viewpoint of their quick introduction.

But I think that the necessary acceleration of domestic reforms in the individual countries could help also the restructuring of the mechanism of cooperation, so that the first results could mature by the early 1990's.

Some initial progress is already evident in perfecting the coordination of national economic plans between countries. For instance: It has been decided at the intergovernmental level to narrow the scope of coordination in future on truly strategic issues; in addition to setting up programs, coordination is being considered also in terms of implementing them; the ensuring of balance-of-payments equilibrium has become a central issue; less specific commodity quotas, and value quotas are becoming more common; and several countries want their business organizations to actively participate in the coordination of national economic plans, the same way Hungary has begun to include them some time ago.

Although we are still seeking solutions in many different directions, several countries have already come to realize that reform of the monetary and foreign-exchange conditions of cooperation, and the creation of a currency that is able to fulfill its medium-of-exchange function, are a key problem. I am convinced that the proposal Hungary introduced in CEMA—the partial, and gradually the full, settlement in convertible currency of the net clearing balances in transferable rubles—will be able to prove itself as realistic also in the short term, and that its chances of being introduced on a bilateral basis are especially good. This method has an inherent, broad disciplinary effect that would be able to impose economic reason; it could end the red tape hampering investment and exports, the principal motive forces behind international integration; and it could also serve as the starting point for perfecting CEMA's monetary relations at some later date.

I expect also that the new forms of cooperation—they are arousing great expectations at the political level as well—will act as a ferment. It is already evident to many people that, except for a few fortunate isolated examples, direct relations between enterprises and the formation of mixed enterprises will mostly remain merely slogans, until the sophisticated foreign-exchange and monetary conditions are created that are necessary to enable the partners to consider their interests, and to operate smoothly and in a business-like manner. The creation of these conditions will also make unnecessary once and for all the practice encountered in several countries: that of the branch ministries' acting as midwives in this area. [passage omitted]

**Laszlo Csaba, Section Chief
KOPINT-DATORG²**

I: After the 1987 and 1988 CEMA sessions, it became quite obvious that multilateral cooperation's market reform could not be expected with certainty within the next 3 to 5 years, when it would have been the most

urgent for the Hungarian economy. This is one of the given facts from which decisions regarding the Hungarian economy and its reform must start out.

Another given fact is that also the Soviet economic mechanism's restructuring is proceeding more slowly, and with more contradictions, than the Soviet leaders themselves thought in 1985 and 1986. From these two given facts there follow two further conclusions that may be regarded as premises:

a) In Hungarian-Soviet relations, the two partners' respective ways of thinking have converged considerably in recent years. Within the next 3 to 5 years, however, the enterprises' scope in the Soviet Union in general, and in Soviet foreign trade in particular, will not widen sufficiently to make the maturing of the set of conditions for market integration seem a realistic prospect. The individual noteworthy exceptions—the Baltic republics' proposed economic independence, for instance—do not alter the overall picture in this respect. Of course, the business opportunities arising in this manner will have to be exploited in the same way as the greater opportunity that the republics' foreign-trade enterprises, and the [other] enterprises' foreign-exchange funds, provide for direct transactions between enterprises. In any event, developments during the past two years do not make it likely that the Hungarian enterprise's typical Soviet partner will be an enterprise exercising its subjective right to engage in foreign trade, as perceived in the Soviet Union's 1987 Law on the Enterprise. But there undoubtedly may be also such Soviet partners (and that should be borne in mind).

b) Partially for that very reason, it will remain typical of Soviet overall supply at the macroeconomic level, and—certain exceptions notwithstanding—of the aggregate supply as well, that the quantity will be limited and will tend to decline rather than to rise, in spite of the balance-of-payments situation. It is reasonable to continue to expect particularly in manufacturing that its competitiveness and technological level will at best lag, typically and considerably, for 4 or 5 years more behind the level recognized and required in the world market (as this is best reflected in the structure of Soviet exports to the OECD countries). Therefore Soviet manufacturing industry will remain incapable of supporting a process of adapting to the world economy, with the objective of closing the technological and the marketing gaps. In the medium term, therefore, the exchange of manufactures will certainly not become the force to dynamize trade within CEMA.

c) The third given fact is that the level of the world-market prices of primary products remains steadily low, and therefore the 1988-1990 trade approved during the coordination of national economic plans would be feasible only with an economically intolerable Hungarian balance-of-payments surplus. This would be just as impossible for Hungary as for the other small CEMA countries. Therefore a decline in Hungary's exports and

trade turnover is unavoidable. This can be attributed to the wide gap between the Soviet Union's intentions as declared in its (trade) policy statements, and the actual Soviet ability to deliver, as the experience of recent years has shown. Due to the state of our indebtedness now and especially in the near future, the Hungarian economy would not be able to bridge this problem by borrowing in the West: if for no other reason, already because the servicing of this loan would coincide with an accumulation of the repayments that will become due at the same time on an increasing number of hard currency loans. Therefore this solution, which the Czechoslovak government favors, cannot even come into consideration in Hungary.

As several authors have proposed in the literature, turning the traditional practice—and hence also the editors' question—around may provide the way out: the compass of the world market, and adaptation to it, could help resolve the technological, trade and competitiveness tensions within CEMA. This is indeed a prerequisite for resolving those tensions. In other words, the member countries must first open their socioeconomic systems to the outside world, to the world economy, and they must be integrated into the world economy in order to trade profitably among themselves. It is no accident that a sense of mutual and clear advantages is much stronger in trade between the Soviet Union on the one hand, and Finland, West Germany or Austria on the other, than it sometimes is in trade within CEMA.

I think there can hardly be any doubt that the convergence of thinking in Hungarian-Soviet trade is a necessary but not a sufficient condition for faster and especially more fruitful progress on a bilateral basis than in perfecting the CEMA system of multilateral cooperation. This is decisive also from the viewpoint of the second subquestion's significance. After all, trade between the small countries of East Europe today is not so intensive as it was between the two world wars.

Aside from the otherwise not insignificant considerations of our military-alliance policy, therefore, it is only natural that the small countries severally should model their CEMA relations primarily on the country that accounts for two-thirds of their trade, and should regulate their relations accordingly. Even if it becomes possible eventually to form subregions within CEMA, this will not alter the fact that Hungarian-Romanian or Hungarian-Polish relations can only retain their incidental significance from the viewpoint of CEMA trade's macroeconomic function in Hungary. But this is the very reason why it would be possible to experiment with more progressive forms specifically here, assuming that—unlike under the present rules—a given bilateral solution would not automatically serve as the basis on which other CEMA countries could demand equal treatment. (Such demands would be justified only if CEMA's internal rules were to conform to those of GATT.)

II: Due to space limitations, I am able to introduce merely as a proposition the provable argument that what needs to be changed is not primarily the position the Hungarian government has been taking before the multilateral CEMA forums. For that position, as a partial policy, is merely an outward projection of the balance of macropolitical and economic power evolving in the entire country, and of the system of decisionmaking. The Hungarian government, moreover, has generally been using its relative independence in a progressive way. Under the given conditions, and over and above pursuing the present policy direction far more consistently, also the introduction of openness regarding the government's position can be warmly recommended. In my opinion, it is preposterous that the layman, university student or ordinary reporter interested in some topic is able to obtain, even after diligent inquiries, only a fragmentary picture of the Hungarian official position (and especially of the motivating considerations behind it), whereas information about the main features of, say, the Soviet position or that of the CEMA bodies can be obtained without any great difficulty. It is good that such information is available, but it should be rounded out with information about the Hungarian position; and not merely from the viewpoint of CEMA relations, but in the context of the entire reform process. As we have already seen in conjunction with the stricter regulation of ruble-denominated trade, the conflicts of the coming years are focusing public attention on this range of questions that has been handled so extremely bashfully in the past. And the silence maintained in years past is opening the gates to unscrupulous economic and political demagoguery, and to the purblind pursuit of self-interest. Especially the daily press and the [other] mass media have tasks and responsibilities in this respect. But an uninformed person is unable to inform others. And as last summer's VILAGGAZDASAG debate revealed, secrecy is keeping even the official spokesmen in the dark.

Also the preceding example illustrates that a change is necessary not primarily in the policy on CEMA trade, but within the entire country, in the treatment of the important issues that shape the real conditions under which the economy operates: the choice between protecting jobs and the market, or having competition and market forces; the search for soft markets so as to utilize capacity, or the adaptation of our capacities and employment structure to the harsh limits imposed by the world market; the relationship between politics and the economy, the retention or abandonment of the belief that the economic processes can be shaped at will, etc. For these are the issues that determine practice. In other words, without them only the vocabulary of managing CEMA relations changes, but the quality of management remains the same. A good example is that the government's liberalization program and the related extensive debates on reform have left essentially unscathed the coordination of national economic plans and the practice of cooperation in industry and trade, which just keep rolling along in their accustomed rut (directly affecting to a large extent the entire period through 1995).

All this is the more regrettable because—considering the processes of historical importance that are unfolding in the CEMA countries and are not exactly devoid also of sharp turns—it is a dangerous illusion to assume that the future through 1995 will develop in accordance with the intentions the governments have formulated in detail and framed in numbers. Specifically the tensions already perceptible throughout the entire region could finally force us to realize that it is neither possible nor worth trying to plan and to foresee on the basis of the old methods and assumptions. We need a new type of offensive planning that serves to prepare us for the foreseeable; one on which the practical implementation of economic policy can be based; one that points beyond the day-to-day improvisations and sets the course of the entire process, but relinquishes the planning of the details. What is needed, then, is the exact opposite of the traditional practice. This [new] plan cannot be based on the primacy of the real processes; nor on the failed assumptions of import maximization; nor on the state's structure-forming policy that controls in detail, and for decades in advance, specific commodity groups or sub-sectors, but the need for such a policy has not been confirmed anywhere, and its promises have not been fulfilled. What has become unstable by now is the very foundation on which national economic planning was built. In its place, also the practice of economic policy will have to be based, outside the plan, on what up to now has essentially been a leftover: on relations with the world economy.

If the Hungarian economy is to derive any advantage from its CEMA relations in these circumstances, instead of letting the disadvantages multiply to which the head of the Hungarian delegation has called attention at the latest CEMA session, and if the conditions outlined above are realized, then what we must do primarily is to put certain old myths to rest at home, rather than try to make the leaders of other countries see reason and modify their standpoints on various issues. The myths that have been indelibly impressed on certain decision-making circles at the time of superpower confrontation and the two oil-price shocks, and which regard the procurement of every ton of fuel for rubles an achievement (no matter what the production costs are of the exports necessary to offset imports, or what losses in terms of static and dynamic competitiveness the given export structure generates). It is a mistake to think that the earlier suppliers of certain essential commodities would oppose procurement from other sources and would respond, like a woman spurned, to some degree of alternative procurement by completely cutting off the rest of the supply.

In my opinion, the only way we can end the self-terminating rounds of professional debate, and practice that vacillates likewise between conflicting objectives (consider, for instance, the reduction of subsidies for ruble-denominated exports, and then the ruble's upward revaluation), is to finally stop asking ourselves the moot question of where would we get our oil from (or what

would we have to offset it with) if, God forbid, we nevertheless did change our failed practice? The substantial trade surpluses that Hungary has been maintaining for years with the petroleum-exporting countries are not the only reason for doubting what this "ultimate trump card" is actually worth. If it is true what economists have been saying all along ever since the idea of planning first emerged (and what over seven decades of experience have confirmed) about the utopistic nature of total and detailed planning and foresight, then it is hard to understand why anyone could or should foresee specifically what 10,000, 20,000 or 100,000 entrepreneurs in country A might consider as good business 10 to 15 years hence, amidst the world market's continually changing conditions of competition? Today we already know, from our own experience as well as from international comparisons, that the task of a state prospering in the world economy is not entrepreneurship or the running of businesses, but the continual creation of a socioeconomic environment conducive to the tens and hundreds of thousands of entrepreneurs, and the compensation of the various losses stemming from the free market's imperfections, and from its monopolization as well. Where this exists, you will find also export earnings.

Unreasonably, under the influence of ingrained habits, doctrines and reflexes, we tend to exempt CEMA trade in advance from the validity of these practically commonplace perceptions of international economic theory and practice. Today there can no longer be doubt in anyone's mind that to export to Mongolia, for instance, is not in itself a political achievement. The government, too, ought to declare this openly.

We should face up to two other developments as well. First, that the 1950-1980 protective umbrella function of the system of CEMA relations has ceased for Hungary; indeed, in many respects this function has turned into its exact opposite. This stems primarily from the fact that the changes in the world market, the new technological revolution, the transformation of the entire system of international competition, and the remarkable rise in the valuation of services have had a very adverse impact on CEMA as a whole. They have assigned a premium to the traditional shortcomings of our cooperation—the lack of precision, innovation, customer services, etc.—but have downgraded our traditional advantages (stability, secure production, and secure employment) as elements that determine international performance. Second, the doctrine that "CEMA trade shall remain decisive" has become an empty phrase. The point is not only that—as the combined effect of the convertible currencies' realistic valuation at marginal exchange rates, and of the already foreseeable rate of decline in the trade volume—the Soviet Union's share of Hungary's total trade can be expected to drop to between 15 and 17 percent in the first half of the 1990's; in other words, the Soviet share will be of the same order of magnitude as Finland's is at present. The point is also that only trade with the provenance and destination from where the Hungarian

economy receives growth and modernization impulses can be considered decisive from the viewpoint of its development.

In the regulation of CEMA trade I consider it essential to revoke from the Hungarian state administration the right to trade in specific commodities, and to transfer this right to the enterprises, together with most of the business risk. It is very important to point out also the fact that the problems already perceptible in CEMA trade, and which can be expected to multiply, are not threatening by any means the "very existence" of the entire Hungarian economy; rather, the problems are concentrated at 10 to 15 large enterprises that have considerable political influence, but were not exactly noted for the efficiency of their operations even in the past. For the changeover problems of this well-organized minority it would be worth elaborating a reorganization and modernization program with state aid, and with promises of state funds if certain conditions are met. But whether an enterprise or specialized subsector will fight tooth and nail to continue its earlier activity as a "subjective right" regardless of the market conditions, or will it cut back voluntarily and/or switch to some other activity (just as Finland's shipyards did in a similar situation), already brings us to the range of questions concerning ownership relations and equity interest.

III: The 1989 regulation of CEMA trade in Hungary can be termed a very poor compromise. This area offers even less than a modest step toward comprehensive reform. As a trend, the relaxation of regulation at the enterprise level and the slight gain of regulation based on the commodity principle [product-specific price equalization of exports] could have asserted themselves more forcefully even under the present conditions. There is now actually nothing to retreat from during the softening of management during the year.

Firm measures are necessary to curb agricultural, light-industry and metallurgical exports that are uneconomical to an extent which substantially exceeds what the national economy is able to tolerate. In view of the present and the expected balance-of-payments surpluses, the curbing of such exports is the obvious solution even if the offset drops out (there is no reason why it should, but it conceivably could). Considering especially the international experience of settling clearing balances, it is incomprehensible why the many managing authorities just stand impassively and idly by, or merely pretend to be taking action, when they see the sharp rise in the hard currency content of Hungary's clearing exports. It is incomprehensible why prompt cash terms still apply, why the Hungarian enterprise automatically gets 100 percent of its forint earnings on an export item for which there is no offset, or which is not as essential a commodity (by the value judgment of the domestic market) as the export, or which arrives only with considerable delay. An

exchange market dealing in convertible rubles is already emerging in the Soviet Union. In the opinion of several authors, it would be timely to consider the establishment of such an exchange also in Hungary, because then the exporter would obtain forints for his ruble earnings at a rate recognized by the user, rather than by some office. This would cause the interests of the national economy and those of the enterprises to converge. Auctioning off the export quota and limited imports could put an end to many of the present bureaucratic anomalies.

Despite its dubious economic content, not even the ruble's exchange rate is able to rise when there is a trade surplus. It is probably not true that every Hungarian enterprise's budgetary limit is allegedly so soft that the level of the ruble's exchange rate is completely indifferent from the viewpoint of macroeconomic income regulation and the influencing of enterprise behavior. As a general rule, unprofitable exports should not be made mandatory, especially not for periods longer than one year. But then it is an indication of a primitive mind to equate the national economic interest with the real process.

Incidentally, mandatory unprofitable exports also serve to preserve the structures of both production and marketing. Production directives must be banned from the arsenal of the Hungarian system of regulation, and so must the rule that, in the case of bankruptcy proceedings, the mere existence of an international contract automatically rescues the enterprise for reorganization, without consulting the creditors, among whom there may also be foreigners.

It follows from what has been said above that the most important task is for the state administration to enter already the present round of coordinating the national economic plans in full awareness of the fact that any obligations it assumes can be merely skeleton agreements, even according to our present laws. Only the enterprises' incentives will (or will not) lend substance to such agreements. And on the basis of the experience gained in recent years, there is no reason to expect incentives. It should also be announced to our partners that Hungary's domestic system of decisionmaking, recognized for decades as different, is now becoming even more so. Thus it is not possible to reach agreement on every question with the organs of Hungary's state administration, because the enterprises are getting exclusive authority over an ever wider circle of business decisions. Therefore the Hungarian plan coordinators must take special care not to overcommit themselves, not to sign export commitments or purchase orders for something over which they have no decisionmaking authority (at home). Since the Soviet Union has been able to conduct half of its trade on this basis for decades, only clinging to what is familiar—aside from the one-sided defense of partial interests—can be given as a reason [against] the mentioned changeover.

**Imre Dunai, Deputy Minister
Ministry of Trade**

I: It has become increasingly clear to some CEMA countries in recent years that the roots of the problems lie in the system of managing the economy. The realization has become more and more definite that the intensive growth path's new type of dynamism and international competitiveness, and the sustained consolidation of trade equilibrium as well, require more than ever before modern cooperation among the CEMA countries, the adaptation of the entire system of economic management to the changing conditions, to the peculiarities and stricter requirements.

Also within the framework of CEMA, we have reached the point of identifying the principal causes of the problems. But there are two, essentially different schools of thought on how to overcome the problems:

a) By retaining central planning, but using other methods and allowing economic accountability to unfold.

b) By attempting to transform economic management, in the direction of a planned economy with a controlled market.

The official Hungarian position favors the second alternative. Which means that attainment of the set objective will be realistic only if significant changes are introduced in the CEMA mechanism, affecting every element of cooperation. First and foremost, the foreign-exchange and monetary system, the price system, and the planning mechanism must be reformed, and this focuses attention on the market mechanisms and the decentralization of decisionmaking. Therefore the question should be considered only in its entire complexity.

From another approach, however, the creation of an internal CEMA market presupposes the existence of international markets; or in other words, the set of conditions for cooperation at the macroeconomic level must be ensured, and that includes also the set of conditions for cooperation at the enterprise level.

But the course of reforming the CEMA mechanism to date supports the conclusion that it is unrealistic to expect any profound restructuring of CEMA cooperation in the short term. For specific progress depends to a large extent also on how, with what changes in their domestic economic mechanism and at what rate, CEMA's member countries intend to solve the pressing problem of adapting to the world economy.

Hungary regards as important and necessary a comprehensive change of CEMA's system of institutions. Because of the reasons outlined above, however, such a change can realistically be expected only in the longer term. Therefore in the short term, in my opinion, there is a better chance of introducing changes at the macroeconomic level through the sets of conditions for bilateral

cooperation, based on the opportunities stemming from the changes that the individual partner countries have made in their domestic economic mechanisms.

II: A new type of CEMA strategy can be based, in my opinion, only on establishing an effective linkage, on the possible expansion of market relations, and not on an exodus from the CEMA market.

It must be clearly understood that we will be needing also in future the raw materials and sources of energy that we have been procuring from socialist countries up to now. It is in our interest to increase the importation of materials essential to the operation of our economy, but there are objective obstacles to our doing so. In view of the ruble-denominated merchandise account in our balance of payments, on the one hand we ought to increase the procurement of commodities that we regard as essential. On the other hand we must be selective also in our imports, because the sources for supplying the commodities we need are limited. Therefore we have to devise a domestic incentive system that will encourage the expansion of economical exports, and at the same time we have to find imports that are essential to our economy and will help to reduce the existing disproportions in our balance of payments.

More emphasis must be placed on enterprise independence, which will have to be accompanied by the greater economic accountability of the enterprises and by a rise in their profitability.

In enforcing the interests of the national economy, changes will have to be made also in the present system of regulation. The probable directions of the changes can be characterized as follows:

—In exports that offset the import of so-called essential commodities, where quotas set at the government level are retained, methods different from the present ones are needed to provide an incentive to export (prices set by mutual agreement in forints, instead of fiscal export levers; and perhaps state orders, instead of the allocation of export quotas). These methods must be combined with organizational changes (trading houses) and changes in the system of institutions (a greater role for associations representing the producers' interests). Within this circle, then, increased government intervention and control can be expected.

—The exchange rate would be the only instrument for regulating trade in so-called nonessential commodities, where respectively the filling of a part of the quotas would be left to the enterprises, and more emphasis would be placed on direct relations between enterprises. The main question in this area, under the present clearing system, concerns the way clearing balances are handled. Therefore the increased use of banking methods is desirable. Ruble auctions, ruble-forint accounts, barter deals combined with the maintenance of accounts, and blocked accounts may be warranted within this circle.

III: In CEMA trade relations, direct contacts between enterprises, and the mixed enterprises may produce changes in the short term. But at the same time I would like to emphasize that too high expectations must not be attached to either direct relations between enterprises or the mixed enterprises. Within the present system of CEMA cooperation there are enormous obstacles to the unfolding of either form. Among these obstacles it will suffice to mention the foreign-exchange and monetary problems. By forcing wider the limits of the present framework, nevertheless, experimentation with new forms of cooperation and new solutions could contribute toward the reform of CEMA cooperation.

**Andras Edelenyi, Deputy Director General
Taurus Rubber Industry Enterprise**

I: I do not see any possibility of restructuring CEMA's system of relations in the short term. There is no real readiness to cooperate among the CEMA countries. A striking manifestation of this is their willingness to export to one another only the commodities they are unable to sell in hard-currency markets, but at the same time they want to make maximum use of CEMA imports to reduce their imports denominated in convertible currencies. And in the hard-currency markets they are competing ruthlessly with one another for greater market shares.

The only feasible way of restructuring CEMA is to create a CEMA common market. Today the greatest obstacle to CEMA's restructuring is the great diversity of views on economic policy among the CEMA countries' governments. Some governments regard the decentralization of economic management, and the establishment of real market relations, as an important prerequisite for further development. Other governments hold views that are the exact opposite: they believe that only strict centralization of economic management, and the maximum possible exclusion of the market mechanism's effects, can guarantee further progress. In these circumstances it would be illusory to attempt to create a CEMA common market.

What we can expect in the short term is merely that countries of like mind regarding their systems of economic management will gradually introduce into their bilateral relations the new elements necessary for development. But all this will not bring us any closer to a more advanced form of CEMA integration; indeed, it could pave the way for CEMA's complete disintegration.

II: CEMA trade plays such an important role in our economy that any fundamental change in this sphere immediately has an impact on the development of national income. Therefore the reshaping of the policy of CEMA trade must be done with great circumspection and caution. The partner countries' behavior also has a decisive influence on the rate at which the restructuring can proceed.

In our opinion, the range of commodities that will remain within the rigid framework of "barter at the state level" ought to be narrowed. Only commodities indispensable to the national economy belong here. Outside this range, the enterprises would be completely free to arrange barter deals, and the contracting parties would set the prices by mutual agreement. This way market elements would be reinforced in a part of CEMA trade, albeit a small part.

Parallel with this, it would be possible to vigorously advocate at the government level the dismantling of CEMA's present, rigid and market-alien system, the introduction of a real international currency, and the relaxation of the present restrictions on direct relations between partners.

However, some enterprises could find themselves in a very serious situation, even if the transition were gradual.

III: There appears to be a realistic opportunity to expand direct relations between enterprises, but the extent to which this would be feasible varies by countries. However, in itself the evolution of a wide range of direct relations between enterprises will not mean a reform of CEMA trade. A fundamental price reform will also be necessary if direct relations between enterprises are to lead to the development of trade.

Regardless of what concomitant confusion it may cause, we believe that basing an ever-greater proportion of CEMA barter on direct relations between enterprises will undoubtedly be progress. With time, a rising proportion of barter deals between enterprises could force the adoption of such fundamental reform measures as the adoption of a real international currency. [passage omitted]

**Andras Koves, Deputy Director General
for Science
KOPINT-DATORG**

I: The attempts during the past two decades to convert CEMA cooperation into a market-type integration open to the world economy have failed one after the other, due to opposition from the member countries. Similarly, the developments in the past year or two—in spite of the political changes wrought by perestroika in the Soviet Union—warn us not to expect within the foreseeable future changes in the system of cooperation that would convert it from an obstacle hampering adaptation to the world economy, into a promoter of such adaptation.

In contrast with the situation just a few years ago, there undoubtedly is no dearth of new initiatives at present, including even ones that set as their objective radical changes in the system of cooperation, basing it on market forces. One such initiative is the proposal which drew its inspiration, admittedly or tacitly, from the plan to create a unified Western European market by 1992; on that model, the proposal calls for the creation of a unified

CEMA market. The trouble is that, by definition, only market economies can form a unified market. And not only are the CEMA countries not market economies for the time being (the history of economic reform in the Soviet Union during the past two years merely illustrates the enormous difficulties of overcoming the command-directed system of managing the economy), but many of them reject market-type reforms. Moreover, such market economies—unless they are aiming for collective autarchy—must become open to the world. The most important lesson of the Common Market's formation and subsequent rapid development is that the integration came about on the basis, rather than instead, of the member countries' vigorous integration into the world economy. This consideration is particularly important in the CEMA countries' case. First, because they have not yet abandoned definitely the concept of autarchic development on the scale of CEMA; and it is to be feared that, until they do so, their collective "market" would be an alternative to, rather than an integral part of, an opening to the world economy. And second, because a quantitative decline of trade within CEMA (and the intensification of structural problems) will undoubtedly be unavoidable in the medium term, due to the Soviet Union's limited ability to supply, and therefore the individual countries' economic development will depend more strongly than before on how they link up with the world economy.

The individual CEMA countries' economic situation, economic policies, mechanisms, and attitudes regarding cooperation are by now so different that they will presumably find it easier to solve on a bilateral basis with individual countries, in a novel way and advantageously, many of the problems pertaining to the development of their relations, than to find multilateral solutions for them. But this, I believe, is more of a rational—and not even new—practical consideration, rather than some fundamental principle of a policy on external economic relations. What I regard as essential is something else: because we cannot expect a reform of the system of cooperation with the CEMA countries, we will have to implement at the system's Hungarian end the changes which will result in that our participation in CEMA cooperation will no longer be in conflict with our export orientation, with increasing our competitiveness in the world market.

II and III: If we wish to subordinate our CEMA relations to an opening to the world market, then in the specific way of handling our CEMA relations we must start out in the present circumstances from the fact that in our external economic relations the share of trade with CEMA countries, and with the Soviet Union in particular, significantly exceeds an economically rational level. In itself the inflating of relations merely for political reasons explains the low effectiveness of cooperation. What makes the problem serious is that, for a number of well-known reasons, specialization based on CEMA (and the Soviet Union) has produced, and is continually reproducing, inability to compete in the world market.

From which there follows a twofold task: First, CEMA's share of Hungary's foreign trade must be reduced. And second, for CEMA trade it is necessary to develop a system of institutions and a mechanism that are in accord with the priority of an opening to the world economy, and of liberalization, in Hungary's economic policy.

It is a known fact that the first of the mentioned tasks is particularly timely because a substantial surplus will arise in bilateral trade with the Soviet Union in the coming years, unless the export volume is reduced. This could increase our Western debt and generate more domestic inflationary pressure. Therefore a Hungarian economic policy that has set consolidation as its objective has no other choice but to reduce the export volume significantly and thus restore the equilibrium of bilateral trade. (The conception that the equilibrium of Hungarian-Soviet trade can be restored also by increasing our exports is unrealistic.) But restoring the balance of trade to equilibrium by reducing the export volume is merely the minimal requirement. We also need a change in economic policy to ensure that the curtailment of socialist exports, including Soviet exports, will be accompanied by an increase in our ability to export to capitalist markets.

As evident also from the sharp domestic debates in recent months, the curtailment of exports to the Soviet Union is in itself an extremely difficult task for economic policy. The greatest difficulty is caused by the opposition to the curtailment from the circle of exceptionally influential large Hungarian enterprises that export to the Soviet Union and import from there. Yet, the curtailment of exports is realistic as it does not involve anything that economic management could not solve even with the tools now at its disposal, nor would it encounter any insurmountable external difficulties. But depending on how the reduction of exports is carried out—whether it will change the system of relations between the state managing organs and the enterprises; whether their rights, risks and responsibilities will be defined in trade with the Soviet Union, and also with other provenances and destinations; whether we will be able to meaningfully change the nature and structure of our participation, and the rules of the game, in CEMA cooperation (or in "plan-coordinated" trade with the Soviet Union, which is the same thing for the purpose of our discussion); and whether the compulsion, and especially the opportunity, to export to capitalist markets will increase as a result—this process could equally be the most important factor behind either the further deepening of the crisis or consolidation.

The gist of conventional thinking, as we very well know, is that the coordination of national economic plans results in the assumption of mutual obligations by the governments concerned, regarding the lists and quantities of the commodities to be shipped. The latest approach (its advocates in the Hungarian economics literature are primarily Laszlo Csaba, Kamilla Lanyi and

Gabor Oblath) starts out from the principle that, in accordance with the Hungarian economic system's peculiarities and the concepts of domestic reform, a distinction must be made between matters for which the state and the enterprises are respectively responsible; and that in production and trade matters over which the enterprises have authority the state must not assume any obligations—not in the course of coordinating, nor in trade agreements, nor in any other way. We have to secure the Soviet Union's and other CEMA partners' acceptance of the fact that in this respect the Hungarian economic system differs from the systems in other CEMA countries. Essentially the objective is to abolish the system of binding quotas. The point is that this has to be done gradually, but with sufficient progress made immediately in this direction to start the process, and to make it obvious to all the interested parties—primarily the enterprises, and the Soviet partner—that the Hungarian government is determined to get the system for the coordination of national economic plans changed.

Restructuring is mentioned so often that it is becoming commonplace. From the viewpoint of foreign trade, its essence is specifically the curtailment and the eventual termination of the Hungarian economy's one-market orientation, the basic fixtures of which are the coordination of national economic plans, and the system of binding quotas. Therefore competitiveness in the world market cannot be created merely with those tools of economic policy that leave intact the manner of handling CEMA trade, which accounts for more than half of our foreign trade, and Hungarian-Soviet trade that accounts for a third of the trade turnover. The reform, the change in economic policy, must apply equally to trade with both socialist and capitalist countries. Because of the reduction of exports to the Soviet Union, the shares of other markets in the sales of the Hungarian enterprises, especially in manufacturing, must increase, otherwise we can expect the situation of these enterprises to worsen. The switch in the economic policy sense of this word—in other words, the hard-currency markets' growing shares of Hungarian exports—does not necessarily and primarily mean that the products now produced, and the capacities developed, for Soviet exports are to be used to supply other markets (although it does mean that, too). Rather, the switch means economic policy changes in the widest sense, changes that will compel the enterprises to modify their developmental, production and marketing concepts.

The thinking outlined above perceives the switch as an urgent but extended process, and does not deny at all that it could be accompanied by serious upheavals in the short term. But we must likewise realize that the need to switch markets also arises directly from the Soviet Union's economic situation, regardless of Hungary's intentions and decisions. For that reason—even though Hungarian economic policy during the past 10 years has repeatedly issued the command to substitute socialist imports for capitalist imports—what has actually been happening for some time is that we are increasingly

procuring from outside CEMA the commodities that previously we were importing from the Soviet Union. By every indication, this process can only intensify. And the only rational response to this is to increase our ability to export to the world economy, including also what I have called switching to other destinations the exports earmarked for the Soviet Union.

Are we able to undertake now the change in economic policy outlined above? The counterarguments mention also the high short-term costs, which in themselves are undeniable. But this citation is nothing new: The same arguments against a change have been voiced for at least 10 years. But unless a change in economic policy does occur, there will be nothing to improve the Hungarian economy's ability to compete in the world market, and nothing from which to expect a situation in which the costs of a change in economic policy might be lower than at present.

It would be self-delusion to think that Hungarian economic policy is able to decide when—whether immediately or a planning period later—is the right time to make the change. The decision can only be on the question of whether or not to set the change in motion.

**Gyula Munkacsy, Department Deputy Chief
KOPINT-DATORG**

I: Several spectacular answers offer themselves to this question. First: there must be a realistic possibility, by all means. If one is lacking, then it must be created.

Second: Yes, a realistic possibility does exist, and there are numerous examples of it already now. Nonsocialist countries, too, are maintaining economic relations with the CEMA region, in a way that is advantageous for them; and such relations are supporting, rather than hampering, these countries' adjustment to the world economy.

The situation, of course, is much more complicated than that. The trade which we are now conducting with the CEMA countries is not suitably exposed to market forces, and this fact is hampering our adaptation to the world economy. The domestic reforms taking place in several of the CEMA countries hold promise that we may be able to place our merchandise trade, at least bilaterally with them, on a more rational footing. But the fact remains that this is a slow process, and the problems are pressing ones.

My actual answer, then, is as follows: We have to carry out the Hungarian economy's adaptation to the world economy parallel with, or despite, the fact that our CEMA relations will hardly be of any help to us in this process. To the extent that we carry out this adaptation and, as a result, change the structure of our production and the quality level of our products, we will be commensurately in a position to apply our trade methods, terms and concepts to our CEMA partners as well.

But it is specifically one of the fundamental problems of our CEMA relations that this last statement applies only in general: it is valid only with major transmissions and over a longer range. In specific instances, our CEMA partners' domestic systems of regulation, and their incentives, often hamper them in adjusting flexibly to the situation that exists at any given time; for example, in rewarding with higher prices the better quality, the more favorable delivery terms, the reliability, etc.

As to whether we should seek a way out by developing the systems of bilateral or multilateral mechanisms, my answer to your question automatically follows from what has been said above. We should seek a way out in every direction, but only bilaterally can we expect meaningful results within the foreseeable future, especially with partners whose conceptions of their economic mechanism are similar to ours. If we were to wait for a consensus of all member countries on every issue, that would defer indefinitely any possibility of restructuring CEMA relations.

II: If I understood your question correctly, we are talking about the Hungarian economic administration's domestic economic policies. The debates on the regulation of CEMA exports and imports are common knowledge. The battle lines are not clearly drawn, but the two opposing sides are the economic administration and the economist (national economist) community on the one hand, and that part of the production sector and business world which has a strong interest in exporting to socialist countries on the other. And the most active among the latter group are those who, in terms of the economic efficiency of their products, "do not fit" into the framework of the ruble's given exchange rate in relation to the forint.

In my opinion, the economic administration ought to firmly resist any effort to institutionalize individual exceptions to the normative requirements of profitability. (In this year's No 7 issue of KULGAZDASAG, Eva Voszka reviews Adam Angyal's book, entitled "Navigare Necesse Est," which systematically presents these latter views. Had the title included also the other half of the Latin saying, "Vivere Non Est Necesse," it would have summed up the author's view most succinctly. A slightly paraphrased Hungarian translation of this saying would read: "We must sail at all cost, even if it kills us.")

On the other hand, any argument or demand that merely wants a definite period of time for the adaptation to run its course (reasoning that in the short term the harmful side effects of the therapy are stronger than its main effect), without requiring special treatment for unprofitable exports as a matter of principle, should be considered on its merits.

In what follows, I am merely writing down a sudden brainwave I have had, triggered by the asked question. I have not thought the matter through and would hesitate to raise my answer to the "rank" of a recommendation.

But the unfortunate debate on the profitability of ruble-denominated trade would run out of steam if the state were to give exports over and above the quota a green light, but without guaranteeing the conversion of the earned transferable rubles into forints at the fixed exchange rate, while enabling exporters and importers to freely buy and sell their ruble receivables among themselves.

III: Some degree of progress is possible practically in every area, but I do not see any chance for meaningful and comprehensive changes in the short term.

Essentially CEMA's collective cooperation mechanism can only be a certain projection of the individual countries' domestic mechanisms, and its autonomous role is limited. But none of the countries is promising a complete change of its domestic system within the next two years. (That would be the earliest when the current phase of the reforms launched in the Soviet Union and other countries ends.) The actual effect of the adopted measures is even less certain. For let us not forget that the reforming countries are walking an untrodden path.

As I have already mentioned, the likelihood of meaningful progress is much greater in the area of bilateral relations than multilaterally. But there are some elements of cooperation within CEMA's framework where changes, even rapid ones, could be in the interest of every country. For instance: cutting red tape within the CEMA apparatus; terminating all work of low effectiveness now being conducted under CEMA auspices; eliminating empty runs; and streamlining the work of the various conferences.

There is a real possibility of shedding on the level of the entire region certain old and ingrained bad habits and attitudes. Thus the attitudes that generally regard foreign trade as a channel through which shortage items can be procured and surplus production disposed of, rather than as a mode of effective participation in the international division of labor, through which a country gains comparative advantages and keeps abreast of worldwide technological progress. The views that consider the maximization of trade among the CEMA countries important for political reasons, regardless of its effectiveness, and that the turnover should rise steadily in volume, regardless of whether realistic conditions for such a rise exist, will undoubtedly soften and are already softening.

Well, these are conceptual aspects of CEMA cooperation that do not require detailed and time-consuming coordination.

If we embark on the path of reforming the mechanism of CEMA cooperation, a fundamental—but by no means easy—task will be to classify the mechanism's individual elements into two groups: some elements can be changed without damaging the mechanism's consistency, while other elements cannot. As an example of the latter group, it would be illusory and even dangerous to abolish the

quota system as long as real prices and a real currency are lacking to mediate the exchange. We will not be able to dispense with the distinction between essential and non-essential commodities as long as prices do not reflect the real exchange value of their products. And unless one country wishes to extend credit to the other, their exports and imports will have to be in equilibrium as long as procedures similar to clearing are used to settle accounts.

On the other hand, there will be wide opportunity to introduce partial changes. The system of coordinating national economic plans could be relaxed so that it might become the terrain for the loose coordination of individual conceptual plans for domestic development, for exchanging macrostructural and mezzstructural information, and for the coordination of infrastructural development projects. Wherever possible, preference should be given to aggregate quotas over itemized ones, and to quotas in value terms over ones in physical units. Trade not subject to quotas, and in excess of quotas, must be expanded.

Market forces must be given more scope. But we must realize that we cannot make any meaningful progress in broadening the use of market categories within the mechanism of our mutual trade, as long as the individual countries' domestic mechanisms disinform the producer, seller, buyer and consumer regarding their own rational interests, or induce them to depart from objectively rational behavior (or from behavior that is rational from the viewpoint of the national economy, if you prefer).

It follows from the preceding that any new type of initiative—joint ventures, or the use of national currencies in foreign trade—can acquire real content only if, and to the extent that, the changes in the domestic mechanisms of the countries concerned provide a suitable basis for it.

I am at a loss to explain making the transferable ruble convertible, or the plans to do so. Who would issue this currency? And who would exchange it for dollars, upon request? Convertibility, in the long term, can be imagined only for the individual national currencies; although some kind of convertible collective currency cannot be ruled out in the more distant future, but it would be based on the already convertible national currencies.

**Andras Patko, Deputy Minister
Ministry of Finance**

I: At present the developmental level of the CEMA countries' economic cooperation mechanism, and within it of the monetary and credit systems, is already hampering in many respects the expansion of economic relations, the unfolding of direct cooperation between enterprises and of the various forms of microeconomic integration, the creation of a real incentive to export, the

solid assessment of economic effectiveness and, in consequence, the timely identification and assertion of national economic interests. It likewise hampers the rapid and flexible adaptation of the community's countries to the world economic processes that appear sustained.

Regrettably, the measures adopted in the Comprehensive Program of 1971 to reform CEMA's arsenal of economic instruments have not been implemented in practice. In my opinion, the time that has since elapsed proves nevertheless that there is no realistic alternative to the concept of integration that is based on activating the commodity and money categories. But the country must now undertake to implement this concept under external and domestic economic conditions that are less favorable in several respects.

Today it is already easy to verify the existence of the two-way relationship evident in that the restructuring of the CEMA mechanism depends to a significant extent on the direction, rate and depth of the national economic-management systems' reforms, while the integration mechanism's unsolved problems are having an increasingly unfavorable effect upon these national reforms. The difference in pace is causing contradictions particularly in the countries that are ahead in this area, and that includes also Hungary.

In conjunction with restructuring CEMA's cooperation mechanism, I consider it essential that we change, in a coordinated manner, the most important elements of this cooperation mechanism (the system for the coordination of national economic plans and the conclusion of trade agreements, the pricing system, and the monetary system). The similar experiences of the domestic reforms illustrate that if we fail to act in this manner, then the partial measures will wither away or will "merely" result in a redistribution of national incomes among the countries, without stimulating their economies.

Hungary's dual link with the external market, through CEMA and the capitalist countries respectively, is a historical and economic reality. And so is the fact that the mechanisms of this linkage with the two distinct economic regions are still marked by significant differences. In this situation, I believe, we have to work hard in two directions: On the one hand, we have to actively promote the CEMA mechanism's reform; and on the other hand, until that reform unfolds, we have to ensure the compatibility of CEMA relations with our own domestic system of economic management and system of regulation.

Regarding the first topic, also in several other CEMA countries the realization is gaining ground that it is inconceivable that the structural and effectiveness problems in the individual countries and the entire community could be solved without taking into consideration

the processes taking place in the world economy, and this in its turn presupposes an economic mechanism that consistently and systematically employs commodity and money categories.

Obviously, such a mechanism can be implemented only in stages, but it is essential that there be "qualitative" changes already in the short term. Naturally, not every country in the community is interested in elaborating the individual specific measures or is prepared to take part in such work. Nevertheless, we need multilateral forums before which to expound the conceptual plans for reform and to let them clash, because such exchanges of views will stimulate thinking in all the countries and could serve as a basis for refining the concrete proposals. But this cannot prevent individual countries from seeking bilaterally particular solutions to the problems in trade with their respective partners. Among these particular solutions there may also be ones not yet adopted multilaterally, but their successful application on a limited scale could help to get them adopted also multilaterally.

It will be remembered that, as the first step in implementing a CEMA monetary reform, Hungary has proposed strengthening the monetary functions of the convertible ruble, the introduction of its partial convertibility for hard currencies, and the eventual expansion of its convertibility. In the long term we are thinking of a multicomponent currency system that would include, in addition to the convertible ruble, also hard currencies and the member countries' national currencies, and would ensure that all these currencies are mutually convertible. As the objective of creating such a system can be reached by several routes, it will be expedient to examine the feasibility and expediency of various clearing arrangements with individual countries, and also the possible areas where direct clearing in convertible currency could be employed.

While starting the construction of a long-term model that will be based on currency convertibility, in the short term we can expect management of economic cooperation to remain predominantly within a bilateral framework, even if several interested countries decide to participate in some of the reform measures (partial convertibility, the introduction of clearing in convertible currency, or the use of national currencies, for instance). Parallel with this, nevertheless, a process will start that will lead to the gradual devolution of decisionmaking authority from the government down to the enterprise level, and to the replacement of administrative regulation with management predominantly by means of economic instruments, respectively to the strengthening of the normative nature of such regulation.

II: In the domestic fiscal regulation of CEMA trade we must strive to ensure that the set of conditions for the regulation of socialist exports will conform as much as possible to our fundamental objectives in perfecting our system of economic management, and that it will support, or at least not hamper, the realization of these

objectives. Another important expectation is that this regulation of socialist exports must transmit the objectives of current economic policy also to the economic units in the CEMA countries.

The perfection of the fiscal regulation of ruble-denominated exports for 1989 is making this system considerably more normative, and it is also improving the role that the conditions of regulation play in providing guidance for enterprise decisions. A new element in the system of regulation is that in specified areas of trade (metallurgy, and agriculture and the food industry, for instance) product-specific price equalization will be in force as of next year. If we take into consideration that the new sector- and branch-neutral forms of business association are expected to spread, it will be expedient to eventually broaden the area in which this latter mode of regulation will apply.

The perfection of the export-price-equalization system as outlined above also means that regulation could exert a more active influence on trade policy in future. At the same time, in view of its normativity, this system would necessarily transmit also a stricter monetary policy's effects upon the enterprises.

The barter deals transacted on the basis of interenterprise relations, besides the trade agreements between governments, may be regarded as an important and promising element of CEMA cooperation. In addition to the expansion of trade turnover to date, the barter deals between enterprises offer numerous other opportunities for the development of mutually advantageous bilateral trade.

III: As we very well know, the CEMA countries are maintaining economic relations with one another within the framework of a special kind of cooperation among governments. The present integration mechanism and domestic systems of economic management lack, or contain only in immature forms, the economic conditions essential to the development of cooperation at the enterprise level (for instance: pricing based on the law of value, a system of exchange rates that works, currency convertibility, etc.). In these circumstances the emergence and spreading of the elements of microeconomic integration can only be a contradiction- and tension-laden process. But I am convinced that both business organizations and state administrations must accept these conflicts—not only in Hungary, but in the other CEMA countries as well—if the integration mechanism's comprehensive reform is to be achieved without further delay. We may regard as such progressive elements the direct cooperation between enterprises above the commodity quotas or within value quotas, and the activities of mixed enterprises. Besides these elements, we must continue to make use also of the forms offering mutual advantages, such as barter deals. But I could mention also our proposal regarding the partial convertibility of the ruble, as outlined in somewhat greater detail in my answer to the previous question.

It is perhaps apparent also from the preceding that, in my opinion, it would be difficult to achieve in the near future a "breakthrough" in individual elements of our economic relations, and that radical changes in these elements singly would have only a limited effect, because they would not be in the context of the system as a whole. For that very reason, I am basically in favor of comprehensive reform.

**Kalman Pecsí, Deputy Director
Hungarian Academy of Sciences,
World Economy Research Institute**

I: The question could be restated briefly as follows: Is there any sound reason why we should withdraw from CEMA? Or as the question puts it: Are the trade relations with CEMA really hampering the economic development of the Hungarian People's Republic? The dilemma that the question poses for me is this: Is it CEMA's fault that we have sunk so low, and is it true that we would be better off if we withdrew? My customary answer to this question is that Finland imports from the Soviet Union mostly the same things that Hungary does: petroleum, iron ore, coke, coal, etc. From the same raw materials the Finns make Finnish products, and the Hungarians make Hungarian products. I think it is hardly necessary to explain the difference. In my opinion, therefore, external conditions—and among them CEMA—are not to blame for the Hungarian crisis. That crisis is the fault of the entire domestic economic mechanism, of domestic economic policy and politics, of socialism's Hungarian version.

There is also another side to this question, which I will now ask: If the Finns, British, Germans, Japanese and Koreans are so eager to enter the Soviet market, then why should we want to withdraw from it? What would that help? I am convinced that it would not help at all.

And now the direct answer to the question: I as an economist find it hard to imagine that we as a small country could extricate ourselves from the hole we got ourselves into, unless we cooperated with the countries of East Europe. The domestic market is too small for the Hungarian producer. That market must be expanded, in the direction of other countries. Given the present [commodity] structure—however much we want to change it in a pseudorevolutionary fashion, by the methods of fiscal bureaucracy, and I for one do not think that is possible—the best chance for expansion is in the direction of the socialist countries. In sum, then, economic recovery would require a new concept of external economic relations. In none of the socialist countries is there any sign of one. The parties' economic policies are concentrating almost exclusively on the solution of everyday domestic problems.

It is evident from the preceding that I do see a realistic possibility of restructuring CEMA relations. As the main way of achieving this, there must be an economic and political review of CEMA's present macroeconomic,

formal system of institutions. At the microeconomic level, economic cooperation and the integration it involves must be directed toward economic objectives that stem from the enterprises' interests. The dismantling of the present structure must be carried out in the form of bilateral relations. And a new, progressive structure should accomplish development within the framework of the aforementioned microeconomic integration.

II: The answer ties in with my answer to the previous question. We can place the present phenomena of CEMA relations that manifest themselves in inefficient and often seemingly unprofitable qualitative shortcomings on both sides—i.e., in both exports and imports—only in the context of the Hungarian economy's general recovery, or rather in the context of a conceptual plan for its recovery. The real question, then, is how and by what means to overcome the negative aspects of the Hungarian economy, and within it of production and marketing? The questions that belong here are primarily those of unsatisfactory quality, the absence of customer services, the symptoms of an economy of scarcity in the narrower and the wider sense, etc. Actually this question, too, will have been solved once we have an industrial, farm, etc. policy that transcends the present fiscal, bureaucratic conceptions, and once the market and non-market mechanisms function in a mutually complementary manner.

In an economic mechanism that lacks a price system, wage system, profit and loss regulation and a suitable tax system, however, it is not possible to single out just one segment and introduce special rules and regulations for it. The outcome would necessarily be the same as we have seen in conjunction with the inconsistent tax system, the illogical uniform exchange rate, the conception of a wage reform that goes its own way, etc.

Starting out from the preceding, therefore, my definite answer is that here the economic mechanism—already burdened with today's reform rhetoric and, in many instances, rendered impossible by bureaucratic regulations—must not be overburdened also with the problems of how to handle CEMA.

As a constructive solution, I recommend that this entire question be solved in the course of new price, wage and tax reforms that radically depart from the principles of our present economic policy and economic mechanism. The new price, wage and tax reforms require also a new concept of external economic relations. Therefore, in my opinion, several teams of experts must simultaneously begin the preliminary studies for formulating new concepts of economic policy, and new strategic directions, which repudiate the present ones to their very foundation.

III: At an international conference on the problems of a radical CEMA reform, held in Sopron on 3-7 October 1988, we proposed that the external, limited convertibility of the Soviet Union's national currency, the ruble, be

introduced immediately. We had worked out years earlier the payment mechanism's techniques for this as well as the methodological questions; and all the necessary practical measures were outlined, virtually up to writing the executory instructions. A significant new development over the earlier situation is that some of Hungary's experts are not alone in their almost fanatical espousal of such a step, because now prominent names from Soviet science and practice are also supporting it. If the convertible ruble were introduced immediately, joint ventures and other new, structure-modifying measures within CEMA could start without any further delay.

**Ferenc Petenyi, Director of Economic Affairs
Institute of Energy Management**

I: A variety of goods can be obtained from the Soviet Union, at low cost. These goods have to be found and procured. In many instances, their quality has to be upgraded. The Soviet Union is a large export market, and therefore we must not relinquish this [in terms of imports]. To achieve it, primarily the conditions for trade must be provided. In other words, we have to do the following:

- We have to acquaint ourselves with the Soviet enterprises and their products;
- The conclusion and administration of business contracts must be simplified;
- The opportunities for settling accounts through clearing must be broadened;
- and we must demand of our partners that they price their products reasonably.

The institute's ability to export, based on its intellectual property and capacity, is much greater than what can actually be realized. Therefore it is in our interest to increase imports, which can then serve to offset our potential additional exports.

Our interest in boosting imports could be strengthened by the fact that this way we occasionally would be able to dispense with an expensive Hungarian collaborator in our exports to either the socialist or the capitalist market.

The obstacles to boosting imports from the socialist market are the suppliers' problems with quality and with meeting delivery schedules, and the Soviet partner enterprises' complete confusion regarding their own potential.

As a rule, the socialist partner enterprises are not well known. There is no suitable listing of them. And promotional material (describing their products and potential, and giving references) is lacking. Thus we are practically able to concentrate only on strengthening our randomly established relations.

The restrictions on trade in intellectual property, or on providing incentives for such trade, is a problem that leads to a lack of interest.

Payment for capitalist imports contained in the services provided mutually could cause very great difficulties.

The question of pricing, and within it the antagonistic contradiction of the exchange rate between the dollar and the ruble, are a fundamental problem.

The CEMA pricing principle, including the differences between countries in terms of price stability and inflation rates, aggravates the situation.

Cooperations between enterprises ought to be fully operational in its own right, with only coordination at the intergovernmental and the interministry levels. Our fundamental interest is primarily capitalist import substitution of a suitable [technological] level and quality, as well as the working of third country markets. The behavior of economic management's institutions must be predictable in the long term, must take the enterprises' interests into account, and must ensure the enterprises' independence. The political organizations' positive support is indispensable, but their practical intervention is unnecessary.

Cooperation between enterprises ought to begin with delivery contracts, to allow the partners to get to know each other. Coproduction contracts can be concluded, and joint ventures formed, only by enterprises that know each other and are able to collaborate. The legal, financial and other questions of such cooperations have not been clarified. Generally speaking, cooperations today are aimed at relaxing and circumventing the rigid CEMA rules.

The greatest opportunity that the Hungarian side must take advantage of is that it is now possible to get to know the Soviet enterprises, and that a much broader range of production capacities is being uncovered than what traditionally existed. A large proportion of the Soviet enterprises avoid exporting, because they find domestic deliveries more advantageous. We are the ones who must provide an incentive to export, and we must help these enterprises to find their way through the maze of Soviet bureaucracy.

Relations at the enterprise level must be developed so that the Soviet enterprises become just as valuable subcontractors of the Energy Economy Institute as the Hungarian enterprises are. This can be achieved even in the present circumstances. But much time will have to pass before this becomes an actual market relationship. [Passage omitted]

II and III: Automatic regulation of socialist exports through the fiscal levers of subsidies and taxes has never worked in practice, no matter on what cost-recovery ratios these levers are based. Instead of stimulating

cooperation and the export of turnkey plants, this system encourages enterprises to attempt to do everything themselves inefficiently, and to export only their own products. It makes ruble-denominated export licenses and exporting know-how pointless, because the export earnings above the average cost-recovery ratio are siphoned off by taxes. It gives the enterprises a disincentive not to develop products for socialist exports, and makes for indifference in pricing ruble-denominated exports.

A radical change is needed. Subsidy and tax rates differentiated by commodity items and subgroups ought to be introduced, exclusively for the turnover that is included in the trade agreement and is being transacted at prices distorted by the application of the CEMA pricing principle. But enterprise initiatives in excess of the quotas should aim for deals that are profitable without subsidies or taxes. [passage omitted]

**Ivan Szegvari, Deputy Director
National Planning Office's Planned Economy Institute**

I: The question branches off in too many directions to allow a definite yes or no for an answer. For one thing, the factors of uncertainty in our CEMA environment's future development are exceptionally strong regarding: (1) the rates at which the domestic reforms will unfold, and their content; (2) the foreseeable behavior of our trading partners; and (3) the partners' attitude to CEMA reform. Answering the question is further complicated because it is not really clear what exactly "the Hungarian economy's adjustment to the world economy" is supposed to mean here. Although there is a consensus on the general requirements, in my view neither the practice nor the theory of our economic policy has a ready-made realistic program that would "merely" have to be introduced and implemented. If that is true, then the yardstick or criterion by which the possibilities and potential effects of our CEMA relations' development are to be measured is not so self-evident, either. The answer to the question is influenced also by the time frame we are thinking in. Obviously, one can soar more freely into the hazy distant future, whereas in the short term there are strong limits imposed by the constraints of the real economy, the mechanism and the approach.

I would simplify and rephrase the original question as follows: In the near future (meaning the next 2 or 3 years), from the viewpoint of the external conditions, what possibilities are there of restructuring cooperation within CEMA?

I wish to mention in advance that I am able to picture reform only as a longer-term and gradually unfolding process. Regardless of how we interpret gradualness, in actual fact CEMA reform has not even started. The reform's "charter" is the document adopted at CEMA's 43d (special) session. Although it outlines a kind of market integration as a distant objective, it is essentially nothing more than a general and conflicting statement of intent. Behind it, then and now, there has been and still

is a strong division of national standpoints, in several directions. A group of countries, notably the GDR, Romania and Cuba, are actually recommending merely the perfection of the traditional system of cooperation. But even within the majority that is urging a radical reform there are considerable differences of opinion, primarily on what reform measures are feasible and necessary in the short term. The present stalemate comprises all kinds of elements: differences in the content and timing of the national reform processes; sharp conflicts between momentary trade interests and strategic interests; differences in levels of economic development; a good many unclarified fundamental theoretical questions, etc. At the same time, one must realize that objective circumstances can not only block reform, but may also stimulate and force it. By now the previous model of CEMA cooperation has essentially undergone spontaneous disintegration, and the tensions that this has caused in mutual relations lend themselves less and less to resolution by the traditional methods. Perestroika in the Soviet Union has or may have a decisive role in breaking this vicious circle.

My forecast for the immediate future is that comprehensive changes in the mechanism of CEMA cooperation as a whole cannot be expected. But the system, uniform up to now, will become considerably differentiated, by groups of countries or bilaterally. I regard as possible a partial reform with a narrow group of countries, including the Soviet Union. But the prospects of such a reform will depend also on our constructive proposals.

II: The future development of our CEMA relations and their possible effects depend decisively on what we want to do, or are able to do, in our domestic economic policy, system of economic management and, within the latter, in regulating CEMA trade. Strict general requirements for profitability and equilibrium, clear directions in structural policy, and a definite program for phasing out subsidies are essential information, and also a compass, for restructuring our CEMA relations. In the consistent regulation of the conditions that will provide incentive for the enterprises in the three different markets, logically and practically the domestic mechanism and that of trade with capitalist countries have priority, because in the final outcome the regulation of ruble-denominated trade takes its cues (one way or another) from the first two mechanisms. But even assuming favorable changes in the domestic economic climate, I cannot envisage a complete reform of our system of regulating ruble-denominated trade. For it is entirely unlikely, on the basis of both theoretical and practical considerations, that in the near future there will be normative regulation of CEMA trade, based on a uniform exchange rate.

I perceive the realistic directions and principles of development as follows. The scope of centrally administered trade that is based on the assumption of obligations between governments must gradually be narrowed, and at the same time the set of conditions must be put in

place for a new, liberalized type of system for cooperation between enterprises. There are several factors that warrant the creation of such a system of cooperation—i.e., one that remains outside the coordination of national economic plans, and is not subject to quotas or to any other of the present administrative restrictions—and its growing role with time. These are: the present crisis of confidence between the government and the enterprises; the partial inclusion of ruble-denominated trade in the process of liberalization; stimulation of the influx of Western equity capital through new opportunities; and the influencing of our potential partners in such cooperations in the direction of real reform.

The most important task within the sphere of ruble-denominated trade that will remain centrally administered is to treat jointly and systematically the assumption of obligations in physical units, the contractual prices, and the conditions of regulation. This, in my opinion, necessitates that we separate from the state budget the fiscal levers of ruble-denominated trade: in other words, that we form a separate fund for the regulation of ruble-denominated trade. Within the framework of this fund, the rates of the subsidies and taxes in ruble-denominated trade would be tailored to the annual quotas at any given time, through a process of domestic competitive bidding.

Furthermore, even though the system of assuming obligations between governments will gradually be trimmed and dismantled, I think it is essential that we mutually and always take the assumed obligations seriously. Effective sanctions are necessary to this end, between governments and in domestic regulation as well. The settlement in convertible currency of a part of the clearing balances in bilateral relations would be an important regulator also in this respect.

III: In restructuring our system of CEMA relations, I see a realistic possibility already in the short term to develop the liberalized sphere of relations between enterprises as mentioned earlier, and I also regard this as a requirement of strategic importance. The external conditions for this (decentralized stocks of commodities for export, and the enterprises' right to engage in foreign trade) already exist in some of our partner countries, primarily in certain areas in the Soviet Union. And the rules of the game by which such cooperation would operate could be devised to mutual advantage through negotiations between governments and within the framework of a comprehensive system of regulation. In my judgment, regulation in this area must enforce three basic requirements: the problems associated with clearing balances must be solved within the system; exports must be profitable without export subsidies; and the decentralized turnover must not violate the state's obligations that exist at any given time.

Under what specific regulation solutions would all this be conceivable? A real reform solution that goes beyond simple barter relations would be to give the

enterprises the right to do with their foreign exchange receivables what they like. They could choose between importing directly and selling their foreign exchange receivables to other enterprises, or to institutions (commercial banks, trading houses, etc.) engaged in the business of buying and selling foreign exchange. The functioning of the system in this manner presupposes that the state would be under no obligation to exchange such receivables. Within the liberalized sphere, the exchange rate would evolve spontaneously, in accordance with the balance of supply and demand. Of course, the state itself could also be a buyer or seller in the foreign exchange market. In principle, this system could operate in convertible rubles, in the national currencies of the countries concerned, or in any other clearing currency; but I consider the national-currency version the most viable and the most expedient. The outlined system would solve the clearing-balance problem automatically, in the sense that enterprise interest itself would limit the accumulation of illiquid foreign exchange receivables. It would be in the interest of business enterprises to become profitable without subsidies, because only the domestic price of the import, or the forints obtained by selling the foreign exchange, would ensure the profitability of exports. However, the handling of the relationship between the spheres of centralized and liberalized trade respectively would be a separate task. It would be best to guarantee fulfillment of the obligations that the governments mutually assume annually, by means of the incentives and sanctions that are built into the system of regulating centralized trade. If that were not feasible, then the system of licensing would have to be retained also in the liberalized sphere, merely for this purpose.

In the outlined regulatory climate, cooperation would be possible free of the present encumbrances of quotas, central price control, foreign exchange restrictions, and day-to-day intervention by central agencies. This liberalized system of relations would be established only with partners capable of this type of cooperation, and even with them it would be limited initially to a modest proportion of the trade turnover. But it would mean actual reform wherever and to the extent it can be developed, and it could become the tractive force pulling along the rest of the reform process.

**Marton Tardos, Director General
Financial Research Corporation**

The questions cannot be answered without first characterizing the initial situation.

Hungary's evolved relations with CEMA, and within it with the Soviet Union, are one of the most conflicting areas of our economic life. It is common knowledge that during the past 40 years the Soviet Union has become Hungary's supplier of raw materials, and simultaneously also a particular market for Hungarian manufactures. And the terms of trade between manufactures and raw materials have been to our advantage

in recent decades. At first glance, then, these relations appear very favorable. Therefore many people probably find it incomprehensible why the demand to radically restructure our trade relations with CEMA, and within it with the Soviet Union, has appeared on the agenda. However, the new demand is not unwarranted, for the following reasons:

—The Soviet deliveries of raw materials are declining in volume, and their relative prices are becoming unfavorable, due in part to falling petroleum prices in the world market, and in part to the work required of us as a prerequisite for further deliveries (construction of the Tengiz gas pipeline, etc.).

—The CEMA demand for industrial products has set particular requirements for Hungary's manufacturing industry. These requirements are particular not because Hungarian enterprises find it easy to meet them, but primarily in the sense that setting up production for large volumes of deliveries to the Soviet market almost always isolates industry's performance from the world market and makes it increasingly dependent on the world market for deliveries of materials, semifinished products and subassemblies.

—Specializing in large volumes of deliveries to CEMA markets and relying on imports denominated in convertible currencies, much of Hungarian industry has gradually become the beneficiary of Western indebtedness. Today, as a result of this process, industry is unable to provide any help in extricating ourselves from the debt crisis. Indeed, due to the absolute or relative decline of CEMA deliveries and, in conjunction with this, to the CEMA partners' tapering effective demand, industry itself has fallen into a trap from which it is unable to find a way out. In this complicated situation quite a few of industry's representatives are acting against the country's general interest, demanding the continual expansion of trade relations with the CEMA countries and with the Soviet Union in particular, even if the foreseeable development of these relations will not help to resolve, or even to alleviate, the debt crisis.

After these preliminary remarks, my answers to the editors' questions are as follow.

I: Within the next 4 or 5 years, CEMA's administration will not be capable of undergoing a general restructuring of the kind that could significantly alter the development of Hungary's CEMA relations as outlined above. Therefore a considerable lessening of CEMA relations is unavoidable. The government must openly accept this change, not only to neutralize the enterprises' understandable resistance to it, but also to make it clear to them that the country's situation demands keeping the volume of our CEMA deliveries within the limits of our partners' effective demand, i.e., within the limits of the

goods and services that they supply to Hungary, and for which there is a demand here. This restriction necessitates the rapid transformation of Hungary's production structure, and giving preference to the domestic and the hard currency markets. Parallel with these significant changes, everything possible must be done not to lose the actual advantages that CEMA relations still have to offer.

II: This set of requirements is causing a shock in the manufacturing enterprises' situation. Very many enterprises will be able to adapt to the new requirements only if they change their product mix and set themselves up to produce new products, to substitute hard currency imports, or to supply hard currency export demands, which up to now they have completely neglected. This realistic requirement to restructure is catching enterprise managers and collectives unawares, and unprepared to carry it out. The enterprises will be capable of making meaningful changes only if they are forced very consistently to do so. We can expect such pressure from a reform of ownership relations, and from a renewal of the banks' credit policies. But the present practices in the founding of corporations and in bank lending are not yet pointing in the desired direction; they are even helping the old developmental concepts to survive. Strict control of a return on the invested capital—of the foreseeable profit, in other words—must be demanded of shareholders. And the banks must call in their loans which finance unprofitable projects or unpromising exports to CEMA countries, and they must not deny financing for the substitution of hard currency imports or for hard currency exports.

III: It is invariably in our interest to continue with CEMA countries our advantageous bilateral relations, as well as the relations denominated in hard currencies. Moreover, in trade with the countries that are implementing market reforms (I have in mind primarily the free zones being established in Poland and the Soviet Union), it will be expedient to proceed in the direction of making the domestic currencies directly convertible. [Passage omitted]

Footnotes

1. In my article "Comments on the Sopron Conference," published in the No 10-11 issue of BANKSZEMLE, I have expounded in detail the relationship between opening up CEMA and the creation of a new type of cooperation.

2. The author is currently a visiting research fellow at Munich University, on a fellowship from the Alexander von Humboldt Foundation. KOPINT-DATORG [Business Cycle and Market Research Institute—Foreign Trade Data Processing and Systems Analysis Corporation].

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