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ECONOMIC AND INDUSTRIAL AFFAIRS

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4 April 1985

EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

CEMA STRATEGY, TACTICS IN INTENSIFICATION AREAS DISCUSSED

Prague PLANOVANE HOSPODARSTVI in Czech No 12, 1984 pp 33-41

[Article by Oldrich Chrons, RSDr, CSc, and Eng Michal Voracek: "CEMA Strategy and Tactics in Sphere of Intensification"]

[Text] Scientific inquiry into the objective immutable laws of economic development, particularly of the internationalization of economic life and the development of the international socialist division of labor, plays an increasingly greater role in the formulation of program platform documentation not only of the communist and workers parties of CEMA member countries, but of the entire socialist community.

The development of international socialist economic integration and, at the same time, that of individual national economy complexes of CEMA member countries does not progress in isolation, but in a dialectical relationship to the development of the world economy as a whole. This relationship is of extraordinary political importance, particularly during a period of peaceful coexistence and the concurrent mutual struggle between two class-antagonistic socio-economic systems in forming cooperation and friendship with countries where the struggle for national liberation continues. The development in that part of the world will have to be permanently considered in the promotion of socialist economics.

The international socialist division of labor is developing in mutual dependence with the worldwide division of labor. CEMA member countries are ready to expand and improve as part of their peace-loving policy mutual and equal-right contacts with all countries, regardless of their social or political systems. The reason why the extent and depth of mutual economic, scientific and technical contacts with capitalist countries is still lagging far behind their potential scope is not to be sought in the foreign economic policy of CEMA member countries.

A decisive course toward the intensification of economic development was adopted by communist and workers parties of European CEMA member countries at congresses that took place in 1981. At the same time they devised measures for implementing of this strategic objective in the years 1981-1985, in some cases until 1990. An important position in the contents of the agenda and resolutions of the congresses is held by the fact that the intensification of economic development in individual CEMA member countries must inevitably be

accompanied by an intensification of their participation in the international socialist division of labor and by commensurate changes in improving its management.

In connection with intensification and the long-term strategy of cooperation, the 26th CPSU Congress pointed out that "life demands that the coordination of plans be accompanied by the coordination of the entire economic policy."

This thesis was adopted as obligatory by the member countries at the 36th CEMA Plenum, which took place in Budapest in June of 1982. In this context, the chairman of the USSR Council of Ministers, N. Tikhonov, formulated the position that "the need for a closer economic unification of the countries of our community is by no means solely contingent on external causes. It is given primarily by the necessity for accelerating the transition of the national economy to intensive development. That calls for a deep restructuring of social production on a viable scientific and technological basis with a view to the mutually complementary nature of our countries' economies. There is a need for jointly reaching a strategic decision, choosing effective changes in the specialization of production, and efficiently combining our R&D potential. There is also need for continued improvement of the economic mechanism of cooperation."

From the above it follows that the communist and workers parties of the European CEMA member countries consider the key and future-oriented problem to be the implementation of additional important steps in the development of international socialist division of labor and integration, a recourse to joint transition to the intensification of economic development. The implementation of this transition is no simple matter.

Coordination of national economic and R&D policy from the long-term viewpoint is an objective need for the socioeconomic development of the countries of the socialist community. The most important part of economic policy as a system of a country's economic measures oriented toward dynamic and proportionate development of the national economy in the interest of continuous improvement in the people's standard of living is the formation of highly effective structures of social production, among other things, of its sectoral structure. For this reason, policy coordination in this sphere is of great practical significance.

The immutable laws of the building of socialism in CEMA member countries, mutual cooperation in socialist industrialization, and the generation of socialism's material and technological base called for unified trends in the development of the structure of production. In European CEMA countries there exists today an approximately conforming macrosectoral structure of national economy complexes; characteristic of countries with a high level of economic development.

Certain common features in the generation of the structures of production can also be observed in non-European CEMA countries where industrialization has not yet been completed. Participation by the Mongolian People's Republic, Vietnamese Socialist Republic and the Cuban Republic in the international

socialist division of labor, joint undertakings of CEMA countries designed to accelerate improvement of their economy and balance the level of economic development, create favorable conditions for continued development and improvement of the structure of national economy complexes.

Most problems of CEMA countries' structural development can be resolved today only within the framework of cooperation. Among them are primarily the raw material, fuel and energy problems, acquisition of the latest machinery and systems, and also high-quality consumer goods and foodstuffs, environmental protection, etc.

International specialization and cooperation help overcome the conflict between the increasing universalization of production and the limited potential for producing in each country an entire nomenclature of products in optimum series and of the requisite quality. The most favorable conditions for the development of the chosen profiles of production, suspension of unprofitable production and replacing it by imports are hereby created, together with promotion of the processes of economic integration. Through all this the foreign economic contacts and, particularly, integrational processes are becoming important structural factors, and structural policy, without losing its national character, acquires integrational contents that call for its coordination on a multilateral basis.

Coordination in improving the CEMA countries' structure of production is provided by joint planning. Its tested forms and methods--from collective forecasting to coordination of 5-year plans for the national economy--help to a certain extent in coordinating the chosen directions and individual economic decisions connected with international exchange of the national product.

Continued development of CEMA countries' cooperation in planning, constant improvement of systems, their forms and methods and, particularly, supplementing coordination of plans by coordination of economic policy provide adequate conditions for a transition to direct coordination of the structural policy of interested CEMA member countries. The degree of maturity of the corresponding conditions can be ascertained through an assessment of the peculiarities of mutual structural adaptation and the incorporation of the individual countries into this process. This article will take notice only of selected aspects of the contemporary structural changes--using European CEMA countries as an example--primarily from the viewpoint of their orientation as well as of the role of integrational cooperation in the formation of a viable structure of production.

The process of structural changes promotes the transition of CEMA countries' economy to intensive development, improved effectiveness and quality of labor, accelerated introduction of findings made in R&D progress, more efficient utilization of the production potential, substantial cuts in the consumption of fuels, energy and raw materials, their all-round savings, expansion of the export base of fraternal countries, etc.

Sectors of the mining and extraction industry are of basic importance to the national economy of the community's countries. Decisive effects on the

development of fuel, energy and raw material complexes are exerted by the increasingly complex conditions of extraction of industrial minerals in the USSR, objective limitations to their possible exportation as well as increased prices of raw materials and energy on the world's markets. This requires CEMA countries to make wider use of their national resources, to improve their fuel and energy balance, to introduce into the economic cycle technologies using new unconventional energy sources, and to use types of raw materials deemed ineffective for use in the past, their improved processing, to promote economy and efficiency in consumption.

An important factor affecting structural development in the current 5-year plan is the accelerated development of nuclear energy. In 1985 the share of nuclear power plants in the generation of electric energy will reach 26 percent in Bulgaria, 12-14 percent in the GDR, around 13 percent in Czechoslovakia; first nuclear power plants will be launched into operation in Hungary and Romania. By 1990, on the territory of European CEMA countries alone, nuclear power plants with a total output of 37 million kilowatts are to be built. This task is being implemented through the coordinated effort of interested countries as part of the program "Maximum Development of CEMA Countries' Nuclear Power Engineering."

Another important trend in the area of the CEMA countries' fuel and energy complex is more intensive utilization of new, supplementary and unconventional sources of energy. The program for multilateral cooperation approved by the CEMA Council for Cooperation in the Sphere of Planning envisions the implementation of, e.g., a complex of measures toward the wider utilization of recyclable sources of energy and supplementary sources of synthetic and hydrocarbon raw materials. Currently under way is scientific research into the utilization of solar, wind, chemical and geothermal energy, agricultural and household refuse, etc.

Expanded prospecting for and exploitation of their own fuel and energy sources, their improved processing and economic consumption are the key directions of national concepts for development of the CEMA countries. For example, in accordance with the directives of the 12th BCP Congress, additional increases in the mining of lignite--the key source energy generation in Bulgaria--will be provided by expansion of the complex Maritsa-Iztok and also by launching extraction in the Dobrudzha and Elkhov coal basin. In the GDR the mining of lignite will increase, according to the plan for socioeconomic development till 1985, to 285-290 million tons, mining of bituminous coal in Romania will reach 85.6 million tons and that of oil shale 10 million tons; mining of brown coal and lignite in Czechoslovakia will increase to 99-100 million tons.

Most CEMA countries have worked out national goal-oriented programs for savings and efficient utilization of fuels, energy and raw materials (on the sectoral and on the national level). They include an extensive complex of measures for improving the structure of consumption of energy carriers, promotion of savings, a more systematic acquisition of all usable components, for collection and utilization of raw material waste, control and recording of energy consumption.

Thanks to the implementation of these programs, e.g., the average annual increment in the consumption of energy in Bulgaria amounted in 1976-1980 to 2.9 percent in comparison with 5.5 percent in the preceding 5-year plan, corresponding to a 12 percent reduction in energy demand on national income. Savings of energy carriers in Hungary is to amount in 1981-1985 in recomputation to petroleum to 1.5 million tons annually, and the collection and utilization of raw material waste will increase by 25 percent. The GDR will cover in 1985 12 percent of its needs by utilizing raw material waste. Recycling and secondary utilization of raw and processed materials in Romania is to cover at least 50 percent of their need. The average annual savings of fuel and energy in Czechoslovakia in 1981-1985 is to reach 2 percent, of metals in production 4.5-5 percent; lowering of production's demand on energy will make it possible to save 12 million tons of standard fuel in the course of the 5-year plan.

The attained degree and dynamism of the development of general engineering production determine the profiling of the national economy and the effectiveness of its participation in the international socialist division of labor. Success in this participation determines to a considerable degree the national economic, sectoral and technological structure of industry and of the entire national economy. The objective of the joint effort of CEMA member countries to accelerate intensive and multilateral R&D, production and foreign trade specialization and cooperation, particularly in general engineering.

General engineering production has been developing in CEMA member countries at a faster rate than the industry as a whole. The volume of its production underwent a twofold increase over the past decade (1970's). The share of general engineering in industrial production increased at the same time to 27-33 percent in 1980 as compared to 20-30 percent in 1970.

In view of the modernization of the material and technical base in all sectors of the national economy, the position of general engineering will become even more consolidated in the future. The increment in the volume of general engineering production is to amount in 1981-1985 to 50-55 percent in Bulgaria, 31-33 percent in Hungary, 41-43 percent in the GDR, 52.5 percent in Romania, and 28-33 percent in Czechoslovakia. The envisioned increase will be achieved mainly through increased intensity of the process of expanded economic renewal, purposeful overhaul and modernization of existing general engineering enterprises, effective utilization of capacities, improvement of technological processes and organization of production.

The prerequisites for continued effective development of general engineering are constituted by the purposeful formation of its structure and in taking advantage of the international socialist division of labor. The efforts of fraternal countries are concentrated on the development of scientifically demanding sectors of general engineering which generate the conditions for increased potential for exportation and effectiveness of the national economy. This calls at the same time for attaining the worldwide level and improving the quality of products and of the technologies employed.

Profiling of CEMA countries' general engineering and the generation of specialized or new production is aided to a considerable extent by

implementation of measures of the Long-Term Goal-Oriented Program of Cooperation in General Engineering. It has already served as a basis for the signing of over 90 multilateral agreements on specialization and cooperation in production. One of the most significant is the agreement regarding cooperation in the development and production of computer technology. In accordance with it the mutual deliveries of computer technology in the current 5-year plan alone will increase twofold in comparison to 1976-1980; this will contribute to improved meeting of the needs of the national economy of all countries of the community. Multilateral specialization and cooperation is being promoted in other sectors as well.

The electrotechnical industry and electronics, particularly microelectronics, will be developing at a faster rate in the coming years. The increment in their production will reach in the course of the 5-year plan, e.g., 56-58 percent in the GDR, 36-42 percent in Czechoslovakia. This will create conditions conducive to electronization of the national economy, accelerated improvements in the productivity of labor, and reduced consumption of energy and materials.

The key position in the CEMA countries' R&D policy is held today by the extensive introduction of computer technology, devising of control systems and complexes, and the development of industrial robots and manipulators. National programs were approved for many of them. The years of the current 5-year plan will see considerable expansion of the production of industrial robots and manipulators for shaping operations, operation of metal-working machinery and performance of assembly operations, including introduction of production of machine tools with the use of robots and automated production lines.

In this context it ought to be emphasized that wide utilization of microprocessors and robotization lead to far-reaching technical and social changes in the economic and social sphere of CEMA member countries. For example, each 1,000 machines equipped with programmed control by microcomputer can free approximately 2,500 workers. The application of each 1,000 industrial robots or manipulators will free almost 2,500 more workers. The substitution of minicomputers by microelectronic computer technology in technological systems improves their reliability 7 to 10 times, makes it possible to reduce the price by 5 to 7 times and significantly limits the volume of control means and components. The continued development of R&D, production and application of microprocessor technology, industrial robots and manipulators in the national economy is promoted by agreements signed at a high level regarding the organization of international specialization and cooperation in this area.

A serious problem that has failed to receive adequate attention up to now is the promotion of international specialization and cooperation in general engineering, specifically unified assemblies, parts, sets, etc. Their typical representatives are, e.g., hydraulic and pneumatic systems, bearings, etc. Use of international specialization and cooperation of production in this area can help to optimize production of highly specialized groups of assemblies and parts which will form the replacement parts base of CEMA member countries' general engineering. Calculations of Soviet economists confirm that the transition to intensive development of specialized and unified production of assemblies and parts will increase the productivity of labor 3-5 times in

comparison with general production. The effects brought about by a faster rate of quality improvements of the thus organized production are deemed to be of no lesser importance. The mutual interaction between international specialization and cooperation in production and improvement of quality is an important factor in the intensification of the economies of CEMA member countries.

Chemistry is one of the priority industrial sectors of CEMA countries. The total increment of production in the chemical industry will amount to 61 percent in Bulgaria and at least 12 percent in Czechoslovakia. Improvements in the intrasectoral structure of the chemical industry in CEMA are oriented toward improved processing of initial raw material and rapid increases in the production of technologically complex products with a high share of skilled labor. Of particular importance is increased production of high-quality petroleum products through the introduction of new technological processes and wider use of lignite as a raw material for chemistry.

Priority will be accorded in 1981-1985 to the development of small-scale chemistry, production and processing of plastics, production of synthetic resins, industrial fertilizers, the assortment of polymers and coating materials will be expanded. For example, the emphasis in Bulgaria is on innovation of the assortment and improved quality of dyes, catalyzers, chemical fibers and rubber products. Processing of plastics in Hungary is to be expanded by 42 percent. Hungary has approved a program for developing the production of pharmaceuticals, herbicides and semifinished chemical products.

The gross production volume of the Hungarian pharmaceutical industry is to increase over the next decade by 150 percent, with a twofold increase in exportation of medicines to socialist countries. The GDR will give priority to the development of the production of pharmaceutical preparations, photographic and film materials, magnetic recording tapes and consumer goods. Romania plans an increase in the production of goods made of plastics by 100 percent, chemical fibers and yarn by 120 percent, and synthetic rubber by approximately 100 percent. Czechoslovakia plans to increase the production of special polymers, plastics and chemical agents for agriculture.

International specialization and cooperation in production is of basic importance to the implementation of viable structural changes in the chemical industry of CEMA countries. This is shown by the agreement regarding cooperation in meeting the needs of chemical production with a higher or lower demand on energy in CEMA countries. Under its auspices the Soviet Union will provide interested CEMA countries with production and deliveries of products that are highly demanding on energy, such as ammonia, methanol, polyvinylchloride resins, isoprene and polyvinyl rubber. CEMA countries will export in recompense to the Soviet Union an agreed-upon assortment and volume of synthetic dyes, polyurethane, epoxy resins, chemical herbicides, plastics, additives to polymers, and other products not demanding on energy. In addition, production and mutual exchange of synthetic resins, chemical fibers, biochemical additives to fodder, etc., is developing in CEMA member countries on the basis of multilateral specialization and cooperation.

Constant improvements in the standard of living are also reflected in increased consumption of industrial consumer goods. This places new requirements on shaping the structure of their production. Agendas of congresses of the communist and workers parties of CEMA member countries emphasize the necessity for increasing production, expanding the assortment, improving the quality, accelerating innovation and making these goods competitive on foreign markets.

An increasingly important factor is the extensive participation of sectors of the material sphere (among others, sectors producing the means of production) in the production of consumer goods. Its share is to increase substantially in the current 5-year plan. For example, the GDR plans to increase the production of household refrigerators by 120-150 percent. In Czechoslovakia the production of goods in the electrotechnical industry is to increase by 10.5 percent, particularly color television sets, tape recorders and radio receivers.

The production volume in traditional sectors of light industry is to increase in 1981-1985 as follows: by 25-30 percent in Bulgaria, 11 percent in Hungary, 26-28 percent in the GDR, 43 percent in Romania, 15 percent in Czechoslovakia. Priority will be given to the development of sectors using domestic raw materials, particularly furniture manufacture, the printing, knitting, clothing, glass and ceramic industries as well as the leather, furrier and shoemaking sectors. The assortment of production of goods for children will be expanded.

The directions for continued promotion of specialization of production and mutual exchange of goods of mass consumption in CEMA are contained in the long-term goal-oriented program for cooperation in the production of industrial consumer goods. For example, a skeleton agreement was concluded for the period until 1990 regarding the expansion of capacities for the production of upholstery fabrics in Bulgaria, Romania and Czechoslovakia: these fabrics will be supplied to Mongolia, Poland and the Soviet Union. The volume of production will increase by 33.7 million square meters, helping to satisfy the demand for these goods.

The long-term goal-oriented program of cooperation includes partial programs for radioelectronics and household technology. In keeping with the preceding, the 36th CEMA Plenum approved a program for multilateral cooperation of CEMA member countries in the development and introduction of production of new types of color television sets. The objective of this program is continued improvement and unification of instrumentation for color television and providing the indispensable complementary products and modern technological systems for the production of color television sets. The program envisions development, specialization and cooperation in the production of new generations of apparatus and systems for color television with an expanded scale of utilitarian properties and technological parameters, which would meet not only the current but also the future worldwide level. Interested countries signed agreements regarding the development of new designs of freezers and refrigerators as well as automatic washers. Measures were also worked out for cooperation in expanding the capacities for the production of furniture, development of specialization and cooperation in the production of nonwoven materials, high-quality synthetic furs, etc.

Plans of CEMA member countries for 1984 follow up on a great many positive trends of socioeconomic development in the preceding year. A certain amount of acceleration in economic growth and, in a number of countries, progress in the elimination of external economic imbalance, is organically connected with overcoming persisting shortages more rapidly. This process reflects the rate of transition of the economy to a path of intensive development during a tense international situation, when emphasis is on providing for the defense of socialism, reinforcing economic independence, and the accelerated development of cooperation of CEMA member countries. These factors served to modify the CEMA member countries' plans for 1984 to a considerable extent.

Key Objectives of CEMA Member Countries' Plans for 1984¹
(selected indicators in percent)

<u>Country</u>	<u>National income</u>	<u>Industrial production</u>	<u>Foreign trade</u>
Bulgaria	3.8		
Cuba	5.5-6.0	2.5-3.0 ^a	9.0
Hungary	1.5-2.0	1.5-2.0	
Mongolian People's Republic	6.0	7.8	5.1
GDR	4.4	4.2	5.0
Poland	3.5	4.5-5.5	
Romania	7.3	6.7	13.8
USSR	3.1 ^b	3.8	10.0 ^c
Vietnam		9.5	22.0 ^d
CSSR	3.0	2.9	9.0 ^e

1. Compiled from documentation HIZ No 8/1984 and SE No 2/1984;
 - a. growth of productivity of labor in industry;
 - b. consumed national income;
 - c. foreign trade turnover with socialist countries;
 - d. exports;
 - e. foreign trade turnover with socialist countries

Attention is devoted in the cooperation of CEMA member countries to the implementation of an extensive set of integrational measures and concentration of efforts on the most important directions of R&D progress and its organic linkage with material production. Structural changes planned in industry for the current 5-year plan, and also for the more distant future, bear witness to a certain degree of coordination of their directions.

Structural changes introduced at the macroeconomic level must receive commensurate support in the system of intrasectoral division of labor. The mechanism of cooperation at the level of ministries and ministerial sectors and, particularly, at the level of associations and enterprises is still not sufficiently effective. A great untapped resource in this direction is constituted by the development of direct production contacts and the establishment of joint companies.

Direct contacts between economic partner organizations are to provide for specific analysis of production operations, unveil additional untapped resources in specialization and cooperation in production and in so doing consolidate the profiling of associations and enterprises which participate in international cooperation while forming an optimum structure of production within the socialist community.

Expansion of direct contacts, incorporation of production collectives into the working out and implementation of measures for integration, calls for mutual and close collaboration at all levels of management of the integration process, precise harmony and subordination of economic interests of individual ministerial sectors, organizations and enterprises. With a view to these requirements and new conditions, emphasis must be on developing and improving not only the national planned management of foreign economic relations, but also the system of joint planning by CEMA member countries.

The forms of joint planning by CEMA countries (primarily long-term goal-oriented programs for cooperation and bilateral programs for specialization and cooperation), as well as long-term coordination of plans in key sectors and types of production, provide to a certain extent for the coordination of structural policy in selected spheres on a multilateral basis. However, these forms do not include structural policy as a whole, but are limited to very important, yet partial orientations.

Joint planning by CEMA countries offers at the same time objectively great possibilities in envisioning the results of the mutual collaboration of productive forces in each country and plotting rational directions for their utilization in the sphere of international relations. In this context we are of the opinion that multilateral coordination of the directions of structural adaptation of interested CEMA countries can find full development as part of the coordination of the entire economic policy. This coordination should hereby be considered as an independent form of cooperation among CEMA countries in the area of planning. It organically fits into the system of forms and methods of joint planning by CEMA countries and holds in it a precisely delineated position. As a logical extension of mutual consultations among CEMA countries on key problems of economic policy, coordination of the overall economic policy of interested countries is becoming an indispensable form for the interlinkage of strategic goal-oriented directions of prospective development of the national economy which will create even more favorable conditions for the continued promotion of integrational processes.

One of the key points is the coordination of strategy in the formulation and mutual adaptation of sectoral production structures of CEMA countries. Success in this area depends to a considerable extent on the degree of coordination of the efforts of interested countries in investment operations, distribution of production forces and R&D policy, and their implementation in harmony with the structural changes in sectors of material production.

Multilateral coordination of investment policy should help implement a structural shift in CEMA countries' economy and modernization of the structures of the national economy. On this basis it should provide for all-round

intensification of social production, the core of which today is becoming an efficiency drive directed toward the saving of resources. Another important task of investment policy coordination during the overhaul of the structure of processing sectors, primarily in general engineering, is to preclude unjustified duplication and new productions in small series and to eliminate parallel, economically unjustified production. An important unused resource is the promotion of international specialization and, particularly, cooperation in production that offers almost unlimited potential for the overhaul of capacities at the disposal of individual CEMA countries and for the establishment of mutually interconnected and complementary productions oriented toward the production of products that are in short supply within CEMA.

An important part of the coordination of the structural policy of interested CEMA countries is an efficient distribution of production forces with a view to the prospective orientations of the international socialist division of labor in the area of large national economy complexes.

An effective tool of such coordination carried out throughout several 5-year plans can be a general outline of the development and distribution of the productive forces of CEMA member countries. Particular attention in its compilation must be devoted to the complexity of the development of regional production structures providing for the utilization of resources without producing any waste, distribution of productions that are particularly demanding on energy, development of national power supply and transportation systems in the interest of full utilization of the advantages offered by their interlinkage, efficient distribution of production forces, and formation of an infrastructure of contiguous border regions of CEMA countries.

The agreed-upon changes in the sectoral and territorial structure of the production sources of CEMA member countries must be inevitably backed up by coordination of their R&D policy. The combination of the R&D potential of interested countries in key directions of modernization of national economic structures will accelerate the implementation of the set goals, particularly during the period of transition to an intensive path of economic development.

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BULGARIA

PROGRESS ON MARITSA-IZTOK COMPLEX REPORTED

Politburo Member Conducts Inspection

Sofia RUDNICHAR in Bulgarian 7 Feb 85 p 1

[Article by Nayden Rangelov: "Moving Everywhere Toward High Efficiency"]

[Text] On 31 January there was a meeting in Radnevo, which included participation by member of the Politburo of the Central Committee of the Bulgarian Communist Party, associate chairman of the Council of Ministers, and Minister for Energy and Natural Resources Todor Bozhinov; First Secretary of the Okrug Committee of the Bulgarian Communist Party Mincho Yovchev; and chairman of the executive committees of the Okoliya People's Council in Stara Zagora Mincho Tabakov, as well as other party, economic, and other leaders in the okrug and the Radnevo village system. They discussed the tasks which will be solved by the economic mining and power complex collective at Maritsa-Iztok; these tasks are derived from the counterplan for this year that was adopted. More than 650 million kilowatthours of electric power are expected to be produced, more than 1 million tons of coal will be mined; and 1.45 million briquettes will be produced.

Comrade Todor Bozhinov visited the Dimo Dichev Thermolectric Power Plant and the Maritsa-Iztok 2 plant, where he was informed about the course of construction and installation work and about the work completed so far on starting up the 5th 210 megawatt power block by expanding the 2nd electric power plant, which must be included in parallel by the middle of this month, and about the more rapid pace in outfitting the 6th power block with the same capacity.

Comrade Todor Bozhinov stressed that work must be speeded up on the further perfection of technology for producing electricity, as new, efficient technical resolutions are applied, in order to attain the fullest utilization of low caloric coal, coal with high ash content, and wet lignite coal, in burning these coals directly. Special attention must be paid to perfecting the organization of repair activity, to maintenance, economizing and utilizing the power capacities that have been created and which the Maritsa-Iztok economic mining and power complex has at its disposal.

Delays in Commissioning

Sofia ZEMEDEL'SKO ZNAME in Bulgarian 31 Jan 85 pp 1, 2

[Article by Marin Linkov: "Traditionalism Is Very Expensive!"]

[Text] The need for rapid completion and start-up of the 5th power block in the expansion of the Maritsa-Iztok 2 Thermolectric Power Plant requires no demonstration. Each worker and specialist knows and understands what value this important national site has for the economy of the country, and that each day we have to get a jump on starting the block is important.

And this starting day is quite close: in the last resolution of the governmental commission, it was foreseen that the turbine of the 5th block would be turned on to join the national energy system on 15 February. This resolution was adopted after the first start-up date was missed: 31 December 1984.

Reasons

The expansion of the electric power plant began at the beginning of 1980. From that time to the end of 1983, 51 percent of the planned capital investments were acquired. But in the start-up year of 1984, nearly as much work remained as was carried out in the first 3 years. In order to have the start-up on 31 December, all construction and installation schedules were altered, i.e., they were concentrated with a view toward 100 percent fulfillment of last year's plan, in order to lead to the start-up of the new capacities. But the start-up was not realized, despite the overfulfillment of the annual tasks for construction and installation organizations: about 4 million leva were acquired in addition to what had been planned. In other words, these are funds which made the construction of the site more expensive in the last year alone.

But the work continues even now, and thus the process of making the site more expensive continues, until the 5th block is included in the national power system. Why and for what reason?

The Truth

There are several responses to this question. It is not necessary to repeat those truths which are already well known, which reveal serious gaps in the organization of labor. It is known that the losses of time cannot be recouped, that the losses in this direction are a result of inefficient, traditional thinking on the part of those directly involved. Why did it have to reach a stage of "crisis" intervention on the part of governmental agencies, in order to change the thinking that "things can always go as they have in the past"?

If everyone had been in his place from the very first day of construction and installation work, there would have been no need for 202 unforeseen corrections in the designs which were used for the expansion of the plant. I will add as an aside: even at this moment the installers have no design for the required diagrams of the circulating pump station. And we are speaking about a start-up!

The failures in the designs caused by the specialists at Energoproekt in Sofia are the main reason for the lack of organization (until very recently) of labor among the executors and the lengthy delays in the past (which is lost).

Consequences

This situation has been reached because the designers felt that they had fulfilled their duty on time, after which they were forced to introduce "corrections," which are nothing more than elaborations of earlier incomplete tasks. But since the accounting documents had been calculated according to the representative, "finished" general design, every change from that point on made the construction of the site more expensive.

The reaction of the directors of Investing Control at the Energetika Corporation, however, is inexplicable, since it is the main investor in the expansion. How could its representatives have failed to notice that many sketches were missing from the final documentation, since this had been included as a preparatory task for the design organization?

A Fact for Discussion

There will be a start-up, one way or another. What has not been supplied will be supplied. The 5th block will come on line on 15 February of this year, but it will not be included in the system (according to the words of the leaders of the construction and installation organizations) until about 10 days after that date. Greater alarm is caused by the losses created by delays in construction of the following block, the 6th, whose start-up date is in September of this same year. And they are already speaking about a delay of 6 months!

Is there not a danger, in their aspiration to start up the 5th block, of putting off the electric power obtainable from the 6th turbine? We leave it up to the designers, suppliers, and executors to respond.

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BULGARIA

NEGATIVE ASPECTS OF PRIVATE FARM PLOTS CRITICIZED

Sofia KOOPERATIVNO SELO in Bulgarian 4 Feb 85 p 1

[Editorial: "Private Farming as an Extension of Social Agriculture"]

[Text] The self-sufficiency system has been offering rich fruit for years now. It offers much toward making our foodstuffs market more stable and varied. Private farming's contribution to this is also constantly growing. Its share in satisfying the needs of the populace for basic agricultural produce is getting larger and larger. There are okrugs which buy a quantity of meat and eggs from private farms that is at times equal to the commodity funds for these products. Certain okrugs and village systems grow enough of the basic food products on private plots to reach self-sufficiency. Because of this, they will be strengthened in the future as a significant reserve for increasing production of basic foodstuffs and as a source of increasing the population's income.

But society is no less interested in seeing private farming develop under the strict observation of the principles contained in the Regulations of the Agroindustrial Complexes and Decree No 11 of the Council of Ministers for 1982. Let us not permit unleashing certain harmful tendencies, which could cast a shadow on the successes attained in private farming.

Are there facts which speak about certain unsettling tendencies? There are, primarily in two directions.

One of them is expressed in the cases already encountered of "swelling" a single piece of land for private use above the stated norms. At the agroindustrial complex in Troyan, Balkan quarter, 27 cooperative farmers have illegally increased their plots and each of them is using from 7 to 15 decares of land. And in the village of Pelatikovo, at the agroindustrial complex in Nevestino, Kyustendil Okrug, Sotir Gavrilov is using 22 decares. As we add to this certain agroindustrial complexes giving out neglected land to individual farmers (sometimes up to 5 decares and more), it is not difficult to see that normative acts are being violated in terms of the amount of land available for private use.

But in accordance with Article 69 of the Regulations for Agroindustrial Complexes, this amount has been determined by the General Assembly: up to

5 decares. Please note: up to 5, not 5. According to the rules for private use adopted by the General Assembly of Agroindustrial Complexes, differentiated amounts of land offered are determined by taking into account its category, the nature of the rayon, labor participation in agricultural production, the number of members of the household, etc. It should follow from this that amounts close to the maximum would be obtained primarily in the mountainous and infertile rayons.

No less disturbing is a second harmful tendency. It consists of diverting certain able-bodied people from participation in production at the agroindustrial complex. And what is more, at some agroindustrial complexes they are very generous with land that is suitable for farming with machines, giving it to people in full measure, even though some people are not always busy, such as those members of agroindustrial complexes with minimal participation in the work of the complex. But those who work most regularly there often find various limitations imposed or changes made in their land available for private use, in contradiction to the Regulations for the Agroindustrial Complexes.

There are also certain especially "enterprising" farmers who raise very large numbers of pigs (over 100), sheep (50 to 100), chickens and laying hens (10,000 to 20,000). There are such cases in Burgas, Shumen, Tolbukhin, and other okrugs. They try to use the circumstance that Decree No 11 does not regulate the maximum number of animals that may be possessed. But as we know, this must be precisely directed by the okrug people's councils.

Evidently order must be established here, because recently there have been more frequent cases of qualified workers and specialists ignoring social agriculture and turning to private livestock breeding and agricultural crops. Thus for example, in Yambol Okrug, at the agroindustrial complex in Toplovgrad, Bolyarovo, 5 to 30 people annually are freed from their responsibilities at the complex to tend to their animals as private farmers.

These unhealthy tendencies must no longer be tolerated, because they erode the basic idea that private farming develops as an extension of social agriculture. They must be halted immediately, at the same time that Article 68 of the Regulations for the Agroindustrial Complexes is applied most strictly. This article says: "Households which work the minimum obligatory number of workdays, as determined by the General Assembly of the Agroindustrial Complexes, have the right to land for private use."

According to the same article of the Regulations, agricultural workers on a pension, who live on the territory of an agricultural organization, or those on pension who worked directly for an agroindustrial complex within the last 5 years and who continue to live on the territory of the complex, may use this right.

According to the resolution of the General Assembly of Agroindustrial Complexes, land for private use, in a smaller size, may be provided to other persons who live on the territory of the agroindustrial complex, under

the condition that, in their free time, they participate in agricultural production, or else occupy an elected state or social position.

Only Decree No 11 of the Council of Ministers for 1982 permits, according to the resolution of the communal people's councils and the leaders of the agroindustrial complexes, giving up to 2 decares of neglected land to the families of workers, employees, and pensioners who are not occupied with agricultural production, including those who do not live or work on the territory of the corresponding inhabited place, as well as members of the agroindustrial complex, over the amount of land determined by the Regulations of the corresponding complex. There also remains the possibility of offering farmers additionally up to 1 decare in order to obtain fodder needed for raising livestock.

Apparently, at certain places people have forgotten or are simply ignoring the Regulations for the Agroindustrial Complexes and Decree No 11 of the Council of Ministers. But it must be understood once and for all that the right of keeping up to 5 decares of land is available only to regular workers and machine operators, pensioners who participate with their labor in the production of the agroindustrial complex, and employees who cultivate long-term plantings according to the piece-work system.

Only on this basis can we develop private farming as an extension of social agriculture.

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CZECHOSLOVAKIA

BRIGADE KHOZRASCHET, ECONOMIC INCENTIVES DISCUSSED

Prague PRACE A MZDA in Slovak No 6, 1985 pp 28-35

[Article by Dr Pavel Ferkov, Research Institute for Social Development and Work, Bratislava: "Khozraschet and Economic Incentives in Brigades"]

[Text] While it stands to reason that the positive results achieved through BFOPO [brigade form of labor organization] in the process of experimentation were accompanied by some shortcomings, it was particularly the unresolved series of problems that must be "caught up with and resolved" to orient, improve and increase the effectiveness of this tool in the coming years during which it will be operative. This then involves some proposals and recommendations the objective of which is not to complicate, expand, or otherwise "work out in detail" additional problems in this area. On the contrary, what we have to do is summarize some of the positive findings, generalize them and provide for their application in the continued expansion of BFOPO.

All of the above can be summed up as belonging to three problem areas:

1. Intraplant khozraschet and its linkage to remuneration (hereafter VPCH and brigade khozraschet).
2. Generation of wage resources in brigades.
- 3.. Distribution of wage resources in brigades.

Experimental verification of the brigade form has shown that some brigades are still "living off" better organization of labor, fairer remuneration, initiative, etc. However, these resources will become exhausted and then what? There are three possibilities:

First of all--the economic management in some enterprises provided brigades with a pledge and, thus, assurance that any savings achieved through their own initiative, their own technical and other improvements, the contributions derived from them, will be theirs. This became reflected in some cases in agreements between economic managements and brigades, even increasing their share and giving them a percentage of the planned between-years increases. While

such linkage of results to economic incentives and interest in discovering untapped resources does pose a certain amount of risk for economic management, for the brigade it is unambiguous, reinforcing its confidence in economic management, and therefore bringing results. Examples that can be cited in this respect include, e.g., ZVL [Antifriction Bearings Production Plants] in Povazska Bystrica, Railroad Repair and Machining Shops in Sumperk, and other organizations.

Second of all--some brigades ask economic management for limited investment resources, e.g., improved mechanization (supplementary systems for machinery), whereby they assume the responsibility and obligation to achieve improved results.

Third of all--the most comprehensive experimental verification of the brigade form was achieved through following it from R&D through technical preparation of production up to actual production, specifically by:

--promoting the creative initiative of engineers and technicians toward creating the indispensable conditions (technical-economic production) for introduction of this viable form;

--adopting and carrying out specific tasks oriented toward the resolution of technical, technological, organizational and management problems tied to increasing the productivity of labor, savings of materials, fuels, energy, direct labor input, effectiveness of production, the quality of all labor, discipline, work safety, etc.;

--resolving within the context and intent of economic management's instructions the specific tasks relevant to the incorporation of preproduction stages into khozaschet brigades. Such an approach best reflects the efforts and endeavor toward purposeful attainment of qualitative changes in the organization of labor and economic motivation at the brigade's workplace.

By listing these three approaches--mutually varied though they may be--we wanted to point out how important it is to approach the implementation of the brigade form purposefully and systematically.

Brigade Khozaschet and Its Relevance to Remuneration

In view of the varied nature of enterprises, the orientation of their production, organization, distribution, personnel and other prerequisites, it is impossible to draw up generally valid VPCH principles on the form of general directions for use by all enterprises and even to a lesser extent in the form of a stereotyped pattern for dealing with individual cases in brigades. That is why enterprises are drawing up--and, if they have not done so, will have to draw up--their own models for VPCH application, whereby they can use the general VPCH principles as their starting point.

From studies of these problems in experimental brigades in enterprises we can deduce the general conclusion that besides brigade statutes, agreements between

management and the brigade, rules for remuneration of brigade members, in all instances the basic document--"Principles of Brigade Khozraschet"--is missing. In spite of this, the basic principle of khozraschet, i.e., meeting of all expenditures in the brigade from its own resources, the pressure on and the responsibility of the brigade for the final results, is being successfully implemented in most brigades.

Brigade Khozraschet

The brigade khozraschet is a method for making use of the advantages offered by collective organization and viable forms of economic incentives toward the best and highest-quality meeting of production quotas.

A khozraschet brigade is the lowest element in intraplant management (hereafter VPR) at which production quotas are planned, their meeting controlled, and to which are tied the economic incentives of the given collective. A khozraschet brigade is incorporated into the system of intraplant management (plant-management-operation center-workshop-work station (team)).

The tools of decisive importance to khozraschet brigade management can be combined into three groups, namely:

a) Assignment of Tasks

- the plan specifies the planned quotas in quantitative and qualitative indicators,
- application is made of labor consumption standards and of other technoeconomic standards,
- production calculations and budgets,
- intraplant prices and rates,
- wage resources are determined in linkage to volume, qualitative and/or other khozraschet indicators.

b) Control of Meeting of Quotas

- intraplant accounting,
- operational and technical record keeping and statistics,
- management analyses.

c) Tools Promoting Economic Incentives

- key forms of economic incentives oriented toward meeting and exceeding of planned quotas and attainment of maximum economy,
- penalties and fines for failure to meet planned quotas.

The determined quotas, rules governing economic incentives, factual and organizational back-up of the plan must be discussed with the brigade. The same applies to the results achieved after passage of the planned period.

In the experimenting enterprises various organizational structures are encountered which may be classified, e.g., according to the number of brigade members, complexity of technology, diversity, etc., and for brigade khozraschet purposes also by the extent of VPCH and VPR application, specifically in three stages.

First stage: This involves a brigade at the level of a management center. This group most often includes large brigades in continuous chemical production and in general engineering enterprises. As a rule of thumb, the number of their members ranges between 60 and 250. As a rule, they are divided into smaller groups, determined primarily by use of multiple shifts and the technological cycle. For example: Chemko Strazske, Sumperk Railroad Repair and Machine Shops, Skloplast Trnava, etc.

In these brigades there is a division into workshops or groups, for example, pressing shop, polishing shop, surface finishing, assembly shops, shipping, etc. As a rule, some nonproductive activities tend to be incorporated into these brigades--servicing activities such as, e.g., preparatory shop, tool shop, maintenance, etc. These brigades are characterized by the application of a fuller khozraschet, when they involve a closed production process where the result usually is a finished product; by the application of khozraschet principles also along horizontal lines, particularly through causing idle time, turning out rejects, etc., as well as within the brigade--between workshops--groups, and also externally toward other enterprise collectives. In the area of collective economic incentives there occurs--both in the plan and after its assessment--first of all distribution of the resultant collective premium to groups--workshops or individual shifts, not always a simple affair.

Another characteristic feature of these brigades is, e.g., mutual cooperation and interlinkage of operations, for example, in construction, in installation operations at investment projects, general overhaul, etc. In the interest of attaining the ultimate objective--e.g., meeting the deadline for completion of operations--the groups offer each other mutual assistance--and/or means of economic incentives, i.e., from the fund of one brigade into the fund of another brigade.

Second stage: the brigade is formed by the entire workshop or construction site which can be divided into smaller work groups, teams, or gangs. The number of brigade members usually ranges between 15 and 60 persons. The decisive criterion for this organized structure is the extent of application of the khozraschet principle. This does not involve a fuller khozraschet any more, rather a narrowed down one. These brigades are most numerous.

Third stage: the brigade is usually formed by a detached operating point, a work group, a work team (construction). It involves small collectives up to 15 members, not usually headed by a manager (THP [technoeconomical personnel]) but by a team leader (foreman), and application is made only of selected khozraschet instruments in a greatly reduced extent.

In these thus characterized organizational structures are applied individual VPCH instruments differentiated in width of application and contents, but not in intensity.

Care must be taken in the first stage that quotas, indicators for this stage, be derived from a higher stage, in the given instance from the enterprise. This is one of the basic prerequisites which calls for mutual interlinkage. The instruments and indicators on which depend the instruments of economic incentives are most numerous in this group. They are mostly value-oriented in nature. The following indicators find most frequent application: value added (goods production--variable costs), reduced output, exceptionally also goods production, exports, deliveries for domestic trade (TF), cooperation expressed in intraplant prices, deliveries for investment projects, personnel, or broken down into categories, FPC in standard hours or hours, total wage resources, eventually broken down in more detail, indicators of activities which delineate the cost aspects of an operation--e.g., total costs and per unit of production, profitability, individual cost items, etc.--other technoeconomic indicators of economy and quality, such as, e.g., savings in consumption of materials and energy, reducing the production's demand on materials, time savings, operations, reducing losses from high-quality production (quality grades), improving the productivity of labor, standards for unfinished production inventories, expediting of production; the entire result of the center's--brigade's--management.

In the second stage it also applies that quotas must be linked to those of a higher level, that indicators are selected so as to be in harmony with the operation and allowing the brigade to influence them directly. Quotas are determined and assessed primarily from the viewpoint of the volume of outputs and its quality. Indicators of economy are used herein to a lesser extent. Determination is made primarily of partial cost items, such as, e.g., some raw materials, energy and manpower savings. This involves in most cases well and effectively interlinked economic incentives in the brigade for promotion of meeting of the plan, adoption of implementation counterplans, and also attainment of savings of manpower, materials and energy. The characteristic feature of this group is its most frequent use of natural, technical units from among measurable indicators. Specification of tasks for smaller groups of the work facility, teams and such does not usually take place. This is usually constituted by the technological process. For example, at a construction site teams of concrete layers, reinforcement layers, masons, etc., have their tasks delineated in volume and time in the production calculations.

Care must also be exercised herein to have the tasks of lower groups conform to the spirit and orientation of the higher organizational unit and that they correspond in content, volume and the potential for their influencing by the group charged with their implementation. It is also important to make economic incentives, which at the same time serves to devise the structure of the overall result of management, affecting the method of its control and assessment. From among VPCII instruments, application is found primarily by the plan, economic incentives, reduced accounting (e.g., only selected items are monitored in a secondary account). This involves primarily the volume of products and operations, variable and overhead material, quality of operations, economic use of FPC, potential of performance standards to be met, etc., operational and technical recordkeeping and statistics.

After the completion of construction projects or installations, khozraschet brigades in the construction industry draw up the so-called "brigade summary

sheet," the result of which is comparison of standardized and actual costs. It serves as a basis for final accounting--supplementary wages for the brigade.

A similar method is used in industry for the assessment of production assignments up to the level of variable wages and variable costs (meaning without profit overhead). Some brigades have successfully applied the so-called "shop balance sheet," which is shown as Appendix 1. The second stage of implementation has all the prerequisites for using the brigade khozraschet for monitoring all the results needed for the functioning of the brigade khozraschet. We base this premise on the fact that in the assignment of planned quotas, the effects exerted by wage forms, at the end of each month--in accordance with generally binding instructions--delivered production outputs, implementations and other documentation adequate for making an assessment are drawn up. All this is performed by shop planners and, administrative accountants, and there is no need to put an additional load on the brigade foreman himself.

These principles apply in the third stage of the brigade khozraschet as well. The monitoring and assessment performed most often and at the smallest scale involves volume, quality and economy. As an example can serve a 14-member brigade of miners drilling production headings. Personal incentive for its members is constituted by a piecework wage according to work consumption standards, consumption of materials according to consumption standards, the plan and its meeting is monitored in current months. The collective economic incentive in the absolute amount of Kcs 17,000 per month is tied to 100-percent meeting of performance standards. Supplementary economic incentives are tied to savings of drill bits and extension rods, all of which is very simple, mutually interconnected and controllable.

The basic differentiated approach in individual stages of the brigade khozraschet must respect the principle that as VPCH descends to lower organizational units, its extent will become "narrowed down", the number of indicators for monitored and assessed tasks will keep reducing and will be systematically based on largely specific, mainly natural indicators. In this context it ought to be emphasized that only measurable criteria can be used in the application of brigade khozraschet.

In addition to those already mentioned, brigades make often use of selected indicators which provide more direct motivation for the attainment of better economic results. In many respects they are more accurate--plainly discernible, measurable. These are, e.g., percentages of meeting of the labor consumption standards, meeting the limit of paid unit wages, economy in the consumption of manpower, full utilization of equipment, quality grades of production, reduced share of overtime, etc. This involves effort designed to measure the results as accurately as possible, free them from exposure to undesirable influences, the individual indicators in use are assigned a different weight depending on what is effective and desirable to prefer (e.g., even production of goods in short supply).

Along with the usual penalties in remuneration based on the extent of the failure to meet key or conditional indicators of collective economic incentives

constituted by general penalties, there keep appearing new, quite rarely though it may be, additional penalties. For example, in the case of exceeding the standardized direct labor input in standardized hours and hours a double or triple penalty is applied (MVLH jurisdiction), further fines for poor quality products, 25-percent penalties for repair of rejects, penalties for shortages and/or damage caused by another unit, etc.

To be successful, each new method must meet the following criteria:

- bring for the enterprise a specific result that should be primarily economic,
- bring specific results for the work team and individuals so that they can identify with the method,
- should be clear and intelligible so as to be perceived not only by those who implement it, but also by those whom it will affect,
- must fit into the overall context of intraplant management, or one of the two must be adapted,
- the effort expended on its introduction must be less than its final effect.

Best results in brigade khozraschet can be achieved where at least the following conditions are met:

- satisfactory level of development of work initiative,
- clear rules of intraplant management,
- applied principles of intraplant khozraschet,
- orderly base of standardization,
- well-devised system of implementation counterplanning,
- clear concept of the area of economic incentives,
- predilection for constantly improving the system of intraplant management,
- requisite support from party and trade union organizations.

It will be hard to introduce any new method, including that of brigade khozraschet, in which the following postulates are missing:

- introduction of verified and guaranteed standards and consumption limits together with standardized economic incentives;
- economic incentives must cover a long term and be intensive;
- the determined standards for economic incentives must be clearly intelligible and provide adequate motivation;
- an allocation of Kcs 1,500 to the collective fund of the brigade for each Kcs 10,000 of documented savings during routine meeting of the state plan and Kcs 3,500 under counter plan proposal conditions. These long-term standards are offered to brigade prior to the start of each year;
- for accepting a higher task in improving the productivity of labor through decreasing the number of personnel, the collective retains 100 percent of the implementation counter plan volume of wages payable, provided the proposal is submitted during the stage of counter planning;
- for saving of personnel in excess of the yearly plan's limit the collective retains 60 percent of the saved volume of wages payable;
- 100 percent to those who earned it through piecemeal wages;
- in other cases 30 percent;

- available resources for foremen which are found in most cases outside of brigades;
- the rules must include guarantees by the enterprise and the duration of personal economic incentives;
- collectives that keep up their increased quotas will not be subjected to an automatic increase in quotas the following year, nor for the duration of the 5-year plan;
- for saving of workers in direct piecemeal wages, the entire amount will be paid throughout the 5-year plan, eventually extending to the subsequent 5-year plan;
- preferences can be changed or curbed in time only through the implementation of technical and organizational measures, e.g., the introduction of new machinery, new technologies, drawn in part from retained earnings and from the initiative of enterprise units;
- when measures are implemented on the brigade's initiative, the preferences are retained.

Such a factual and direct approach toward workers is the basic prerequisite for convincing them of the correctness of BFOPO--the brigade khozraschet. The stability of economic instruments in the remuneration of brigades then warrants an orientation toward a long-term stable policy of efficient utilization of work resources which must not be weakened, or even annulled by proliferation of conditions for generation of the brigade's fund;

--an important khozraschet principle says that the collective decides in essence alone how much wage resources it will have available in a given period;

--the premise of Article 10 of the principles regarding participation in and sharing of the results is a very important motivating factor of the brigade khozraschet system;

--an example from the building industry follows:

Khozraschet premiums for savings of variable costs

for savings of	to Kcs 50,000--20 percent, i.e.,	Kcs 10,000
for savings of Kcs 50,000	to Kcs 100,000--15 percent, i.e.,	Kcs 7,500-15,000
for savings of Kcs 100,000	to Kcs 200,000--10 percent, i.e.,	Kcs 10,000-20,000
for savings of	over Kcs 200,000--5 percent, i.e.,	Kcs 10,000 of total saving

The substantive involvement in the results of management of the khozraschet brigades on the three levels mentioned must be seen as two mutually intertwined processes, namely allocation (generation) of wage resources in khozraschet brigades and distribution of wage resources within the brigade, its groups and individuals.

The following should serve in particular as criteria for the generation of wage resources and their distribution:

--the measure of the contribution made by the brigade and/or its members to the overall and maximum meeting of the enterprise's planned quotas in quantity, quality and economy, meeting of the objectives that are to satisfy the needs of society;

--the measure and level of meeting the needs of the populace and of the entire society in the brigade's field of endeavor;

--active support and influencing of meeting of the plan and meeting of viable tasks holding promise for the future, particularly by implementation counter-planning;

--systematic reinforcement and development of the brigade members' initiative.

This makes indispensable the availability of an integrated system of indicators which within the brigade khozraschet reflects the brigade's management, characterizes the production process and expresses the extent of meeting of the objectives that the brigade set for itself.

The approach in the generation of wage resources in individual brigades should be tailored to the enterprise's specific needs and possibilities but, at the same time, create in brigades the prerequisites for effective and differentiated remuneration of brigades and individuals.

The motivating factor and differentiation of wages must be anchored in the basic components of wages, and particularly in the variable component sufficient leeway must be provided for effective remuneration of merits earned in the attainment of the results, the measure of efforts developed by the brigade and its members. The orientation must be primarily toward economic objectives and social development of brigades, the volume of production, its quality and economy of the process of economic renewal. These viewpoints must be incorporated into the intraplant rules for remuneration to apply also to brigades.

In determining the criteria for economic incentives for members of brigades the enterprise must use as a starting point the indicators and criteria which form the basis of its VPCH.

Table 1. Shop balance sheet

Month: 9 and third quarter of 1983

Value Indicator	Forecast	Actual	Deviations in Kcs	
			+ exceeded	- saved
1. Material input	45,799 kg	45,313 kg		65,621
	115,837 kg	114,896 kg		127,551
2. Penalties	-	-		
3. Basic wage	24,525	27,246	2,721	
	61,668	68,311	6,463	
4. Other wage costs	75,399	89,496	14,097	
	244,075	267,003	22,928	
5. Consumption of selected overhead materials and tools	7,395	4,207		3,128
Intermediate balance	18,711	14,247		4,464
			16,818	68,809
			29,571	132,015
6. Power consumption Kcs 0.50/kWh	48,903 kWh	37,903 kWh		5,324
	122,128 kWh	113,754 kWh		4,217
Total			16,818	74,133
			29,571	136,232
Khozaschet saving (v'15)				Khozaschet premium
Kcs 102,444 x 2.5 percent = 2,561.00				
Khozaschet el. power savings				Remaining khozaschet premium
Kcs 4,217 x 90 percent = 3,795.00				Res. khozaschet premium Kcs 6,356.00

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CZECHOSLOVAKIA

BRIGADE FORM OF WORK DISCUSSED

Experience, Problems With Team Work

Prague PRACE A MZDA in Czech No 8, 1985 pp 31-35

[Article by Sandze Stepanov: "Some Experiences and Problems With the Brigade Form"]

[Text] We visited the Trinec Ironworks, the Ostrava Plant of Metallurgical Assembly, the Technoplast plant in Chropyn, and the Palma and Slovnaft enterprises in Bratislava to find out what their experiences have been with the team form of work organization and compensation. These plants are in different sectors, of different sizes, and have different working conditions. We have divided our findings into several areas, and summarize the experiences of each of the above enterprises in each area under the appropriate heading.

Experiences From the Period of Preparation

Trinec Ironworks

We took the initiative in learning from and combining Soviet experiences which then formed the foundation for the internal enterprise principles for implementing the team form of organization. These consist of guidelines for the conclusion of written agreements between teams and factory management and regulations for compensation within brigades. The managerial and functionary staffs were familiarized with these documents and have chosen appropriate collectives. The selection includes collectives of all sizes: small (a 9-member team in the water treatment division), medium (54 employees from 2 foundaries), and large (170 employees from the overall slag mill operation, who were later joined by maintenance men from the maintenance operation). The selected collectives were then presented with the content of the basic internal enterprise documents. This was followed by extensive political work within collectives, and the training of foremen and divisional stewards. Only when everyone was clear on the fundamental matters were the agreements signed. The team coordination commission is an auxiliary entity of the enterprises director and the enterprise Revolutionary Trade Union Movement [ROH] committee. It deals with all problems which fall under the jurisdiction of the commission. Other problems not concerning the commission are dealt with by the enterprise director on the basis of a letter from the ROH plant commission.

Metallurgical Assembly

We have developed a plan for team khozraschot activities. It is composed of three documents. The first is called Basic Principles of Team Activity (containing an objective--trying out new techniques under assembly conditions; a plan for meeting it--improving work organization within given collectives; and the conditions for increased initiative and labor productivity--the establishment by each team of clear objectives, and making available to each team the best of equipment and sensible economic incentives, making brigade leadership subordinate to the team commission). The second document concerns plan implementation (on the basis of an analysis of conditions within collectives brigade size has been set, a collective agreement signed with every team, the requisite mechanisms and documentation have been provided, the conditions of economic incentives have been established, squad foremen have become members of team management, and 3-level labor safety inspections have been incorporated into brigade activity). The third document establishes the jurisdiction of the team commission and the role of union organizations. Everything related to the team form was the subject of training for team members, managerial and union functionaries. Then semiannual agreements were signed with every squad on each team. This agreement spelled out the relevant khozraschot indicators, established the number of employees, a specific work objective, the deadline for meeting it, the amount of the bonus should the objective be met on time, and the schedule and conditions for paying the bonuses.

Technoplast

Here as well the initiative was taken to obtain available materials. Trips were taken to plants which already had some experiences with collective forms of compensation. Collectives were chosen from throughout the plant, and consisted of four production and four nonproduction collectives (including R&D divisions, the main power generation division, internal enterprise transportation, the recreation center). Preparations took 7 months. Team statutes contain these conditions: an annual agreement is signed with every team that specifies objectives for the team and its management; the team commission will manage team activities; a patron is designated for all teams (a person who goes to bat for this new form). Every month a conference is called by the deputy economist. This conference deals with problems that have arisen and allocates tasks. It is held in the presence of all team leaders and responsible union functionaries. It is interesting that the team form has not been implemented in the best collectives.

Palma

The ROH factory committee was the initiator at this Slovak enterprise from the food sector. A working commission of managerial and union functionaries has developed the principles for the experimental introduction of the team form, the principles of economic incentives, the distribution of collective earnings, and has identified appropriate centers. All conditions have been set up so that teams deal with the reasons for the failure to fulfill technical-economic standards or extraction levels, so that the teams achieve savings, and so that they reduce overtime work, which has been a serious problem for some time now.

Slovnaft

This enterprise is proceeding on the basis of experiences with collective compensation (the awarding of bonuses), which was introduced here in 1978, and on the basis of counterplanning. Both tools have served them well, with performance figures displaying a continually upward trend (production, quality and resources management). Collective compensation has been introduced in all main divisions, and regulations have been developed and introduced governing bonuses for overfulfillment as well as penalties for failure to fulfill daily production targets and material consumption norms (bonuses are reduced in a ratio of 1:2).

Other Experiences

Trinec Ironworks

At first there were a variety of opinions regarding the team form of organization (it was held that metallurgical work already had a collective character and that the existing forms of compensation were working, so why rock the boat?). After intensive discussions and analysis a majority came to feel that the team form of organization in fact did represent a step forward, both in terms of its impact on work organization and worker participation in management, and in terms of the distribution of earnings on the merit principle. In time it was determined that it is necessary to deal not only with the organization of work, but also with issues of the environment in which that work is performed. It also happens that thoroughly researched agreements are sometimes not fulfilled by one or both of the contracting parties. Also of importance is the finding that there is a lot of paperwork involved in the team form of organization. For this reason they are searching for ways to reduce this administrative work load, so that it will not become one of the limiting factors in the spread of the team form.

Metallurgical Assembly

All preparations must be thorough, the written agreements precise and rigorous (neither side can be allowed to make an error). The team form is regarded here as an immediate, clear, and comprehensible motivator which significantly improves worker participation in management and therefore also economic performance. The groups (squads) within the teams compete with each other, and are trying to make the maximum use of their working hours (they are no longer waiting, as they did before, for someone to solve problems for them; instead they immediately begin some other work, set up machinery and tools for the next day's work, etc.). All sorts of topics previously were the subject of production conferences. Today the principal themes are work-related problems, issues of organization or management. The openness of these conferences has increased, as has the level of constructive criticism, and a real exchange of opinions is taking place. Here as well the amount of administrative work is such that the team form cannot be expanded to other work sites.

Technoplast

The basic conditions have been fulfilled here--khozraschot has been implemented at all centers, everything has been measured and calculated. Positive economic

and earnings performance are creating an atmosphere for the further expansion of the team form. It has, nevertheless, become clear that the preparations for its introduction are very complicated in all respects. For this reason the same amount of attention cannot be devoted to newer collectives as was devoted to those during the experimental phase. Without complete technical, political and administrative preparations, only harm can be done to this positive program. Four additional comments: production conferences are becoming more specific and interesting; compensation is gradually becoming a matter of concern to all; differentiation is becoming a natural trend; and the effectiveness of counterplanning is increasing.

Palma

A short time after the introduction of the team form people were still thinking more about money than about solving the problems which were holding up the improvement of economic performance. Now collective interests lead to collective thinking, which has clearly come to dominate over selfish individualism. The things that bind people together (improved collective results) are coming to dominate over those which divide them (individual earnings). Even socialist competition is increasing in quality and efficiency. Here and there the previous attitudes persist: we are fulfilling the plan, putting in our team hours, etc., even though it was precisely this attitude toward commitments that the plant did not need. Now agreements are made based on what a plant most needs: increasing productivity, resource conservation, more responsible control over equipment and all types of management.

Slovnaft

Findings indicate that the current regulations and conditions of the collective form of compensation still require improvement (they must be made more precise and more strict). The practice of publicizing every month the formation and allocation of accrued wages (amount, coefficient, reasons for higher bonuses) is proving to be very useful. Here as well production conferences have changed substantially. Previously only one or two comments had anything to do with production problems. Now these types of discussions predominate. The same is true of the conferences of workshop organizations. Worker participation in management and counterplanning has clearly increased. Collective solidarity has increased, senior managers are being forced to think economically, and operations are becoming integrated to a greater extent with enterprise divisions.

Some Economic Results

Trinec Ironworks

After the inclusion of a maintenance division (from another operation) in the team at the slag mill operation the percentage of downtime decreased significantly while the quality of production and earnings both went up (the latter by an average of Kcs 174). In the rolling-mill labor productivity has increased by 18.4 percent over 2 years, quality has increased, the amount of down time has decreased, as has overtime work, and a shortage of workers is

no longer a top priority problem. The trend toward differentiation in earnings is marked (now up to Kcs 500). One of the reasons is that now the foreman consults with the collective before distributing wages, instead of the previous "me against them" attitude.

Metallurgical Assembly

The collective of assemblers is able today to accomplish more with fewer workers, its commitments are much more concrete and have become part of the monthly operating plan. Differentiation is increasing and one of the criteria for compensation is compliance with work safety and protection rules.

Technoplast

The quality of production in experimental collectives is increasing. In the largest collective earnings actually declined at the beginning, but after the involvement of the workshop committee and the team commission the problems were resolved to the mutual satisfaction of all (it had been a matter of failure to fulfill an agreement). It was learned that the team form is not capable of solving all problems (such as the stabilization of the work force under hazardous working conditions).

Palma

Since the introduction of the team form the trend has been toward increasing productivity and better resource management, increased earnings differentiation, increasing interest in improving collective results, and a decrease in absenteeism as a direct result of improving earnings.

Slovnaft

Daily production is stabilizing, overtime is declining by 25 percent annually, more and more people are learning more than one profession. Despite the positive economic results, differentiation in compensation remains a weak point.

Union Experiences

1. Union agencies and functionaries in many plants were at the forefront of the introduction of the team form, the gathering of information, the drafting of documents, and the resolution of problems. They are present when agreements are being signed between teams and upper management and when earnings are distributed.
2. The importance of the divisional steward is generally increasing, as are the demands on his time. The reasons? He is involved everywhere (when problems are being dealt with as well as when earnings are being distributed). Demands are increasing on the quality of work organization, management, the conduct of production conferences. Under the team form the organization involved in the signing of commitments and counterplanning is also more demanding. These lessons must be taken into consideration during preparations for annual member meetings when elections will be held for new divisional stewards.

3. When collectives get into trouble they invariably turn first to a union agency for assistance. This means that union functionaries must know a lot about the team form of organization, systematically involve themselves in issues related to it, and accumulate experiences from other sources.

4. Precise preparations are critical for the successful introduction of the team form. Union agencies must insist on the accuracy and thoroughness of this preparation and not introduce anything hurriedly, superficially, or without unanimity of opinion.

Several Open Questions

As with every innovation, the team form brings with it new types of problems. The problems that are holding back the broader introduction of this form are as follows:

1. Because shortcomings persist in supplier-customer relations, some managerial employees are reluctant to take on the risk involved in the failure to fulfill an agreement concluded between a team and plant management.

2. Changes in the plan have an impact on the fulfillment of agreements as well as, in some instances, reducing the results of collective efforts.

3. Internal enterprise khozraschot has not yet been fully introduced at the workplace level.

4. The formation of accrued wages is left to the enterprise, which tends to have various objectives for them, meaning that "there do not tend to be accrued wages" for larger numbers of collectives.

5. Certain senior managers are reluctant to undertake the extra work involved in the preparations for and introduction of this form of organization, as well as the more sophisticated management involved, and the commitment to continually improve the organization of work;

6. In the interest of increasing the justice of compensation too many indicators are often considered, thus increasing the work involved and the complexity of compensation administration; this can be handled when the number of teams is small, but when there are large numbers of teams this will mean the need to increase the work force.

7. The view is still widespread that the team form is primarily a concern only of economic divisions.

8. Sometimes agreements are violated by both parties; the resultant conflicts and the fact that even firm agreements "offer no certainty" reduces interest in the expansion of the brigade form.

Collective Profit Distribution

Prague PRACE A MZDA in Slovak No 8, 1985 pp 37-43

[Article by Dr Pavel Ferkov, Research Institute for Social Development and Labor, Bratislava: "Principles of Distribution of Collective Profits Within a Team"]

[Text] The regulations for the distribution of collective profits to individual members of a work collective are contained in the generally applicable principles set forth in article 4, paragraphs 9 and 10; article 5, paragraph 6; and article 7, paragraph 28 of the Guidelines of the Federal Ministry of Labor and Social Affairs [FMPSV], dated 30 January 1982, file number 313-1674/80-7210, concerning wage forms.

Principles of the FMPSV and of the Central Council of Trade Unions [URO] for the Experimental Verification of the Team Form of Work Organization and Compensation, file number 31-5344-3117,1101/82, dated 9 July 1982, further state in article 14 that "in the interest of the more specific expression of the merit-based claims of individual team members on the joint results of a given team, coefficients of work participation may be used during the distribution of collective bonuses with the agreement of the team collective. Further details on the implementation of this have been established in methodological guidelines that conform to the requirements of the FMPSV."

The applicable principles for the distribution of collective profits or bonuses place primary emphasis, as an alternative distribution mechanism, on direct distribution and, if this is not possible, on indirect distribution.

The direct distribution of collective profits must be used in all instances where there exists a precise system of measureable indicators and precise norms for labor consumption and, where possible, with the assistance of those indicators to measure precisely the participation of individual collective members and their claim on the achieved results of the collective. Using this technique it is possible most objectively to evaluate:

--to what extent an individual has contributed to common goals; the merit he has in the overall achieved objectives of the collective; how well he fulfilled what was asked of him during the production process, what the collective required of him, etc.;

--whether a member of a given collective accepts the labor and social norms of the collective along with the rights, obligations and responsibilities for the final results of collective work, and whether that individual recognizes that the collective within which he works with others will evaluate his role in the final results, and therefore his share of accrued wages.

The direct distribution of collective wages must be further implemented through the establishment of a broad base of specific standards for labor consumption, a system of precise indicators, especially physical indicators, and of constant units of work, etc. The need to destandardize wages and to justly compensate the best and above-average members of collectives requires that this be done.

The indirect distribution of collective wages takes affect when there are no specific yardsticks (indicators, standards) for the measurement of the contributions and merit of individuals in achieving the results of a given collective, or when determining this information would be very difficult, time consuming, etc. This form of distribution depends on the amount of time worked, the rate for the classification of work performed, or the personnel classification. Otherwise, a portion of these earnings are distributed by the immediate supervisor after an evaluation of individual merit. This can be effective only in those instances when it is based on the principle of merit and reflects the role of the individual in the results of the work of the entire collective.

Formation and Use of Work Participation Coefficients

One of the basic principles of the team form of work organization and compensation is the right of a team to distribute in a differentiated manner that portion of the wages that a collective receives based on the final results of its work. Once this principle is ignored, the team form loses its attractiveness and effectiveness.

Collective work organization must both incorporate and reflect a collective means of compensation. The precise monitoring of the contributions to and merit of individual brigade members in joint brigade performance is not always possible, and moreover is very difficult and time consuming, etc. Its disadvantages include the difficulty in judging and evaluating the work results of individual brigade members. This can be a source of serious problems which we must attempt to avoid. This is above all a matter of the earliest possible evaluation of the contributions and merit of outstanding members in exceptional, above-quota performances related to specific requirements, but also an evaluation of results which display partial shortcomings, serious problems, low productivity, low-quality work, poor resource management, failure to comply with technical or labor discipline, passivity on the part of this or that individual, etc.

The improvement, development and upgrading of the efficiency of all aspects of the wage system attests to the fact that the use of work participation coefficients has proven itself. They represent a quantification, and therefore a yardstick of the contributions by and merit of individuals in the overall work results of the brigade, as well as a reflection of how the brigade looks upon their work as a member of it. These coefficients must be constructed very carefully if they are to become an effective tool for the distribution of collective profits, and if they are to be a real improvement over the current practice of indirect distribution based on hours worked and work classification, or on senior manager discretion. The current systems represent, in effect, distribution without regard for the principle of merit.

Evaluational Criteria and Indicators

The evaluative criteria and indicators that are used reflect specific conditions and objectives which are to be achieved. Their primary focus must be on economic efficiency. It is recommended that the following four criteria and related indicators be used:

Productivity: measured as the amount of work performed over a specific period of time (either pieces, kilograms, meters, or similar units), or

- in terms of the timeliness of fulfillment of specific objectives, or time lost;
- in terms of the fulfillment of output standards;
- in terms of constant units of work (standard hours, standard hour turnover, nonadjusted standard hours, limits on awarded unitary wages, etc.);
- in terms of fulfillment of a given product mix;
- in terms of the exceeding of planned unitary wages.

Quality of Production and Work, in terms of:

- compliance with quality standards;
- compliance with limits on rejects;
- number of returns or performed repairs;
- evaluation of long-term quality of work performed.

Resource Management, measured in terms of:

- compliance with established technical-economic standards, budgets, calculations;
- achievement of savings in comparison with the standards for materials, standard hours, electric power, gas, fuel, propellants, overhead items;
- compliance with standards for the consumption of tools, semifinished goods and auxiliary equipment, preparations, equipment and forms;
- the achievement of savings in the use of tools, semifinished goods, preparations, machines, forms and work aids;
- compliance with established maintenance practices for capital assets and small and short-term items, preparations, machines, forms and auxiliary equipment;
- compliance with standards of consumption per unit of output;
- reduction in labor consumption.

Initiative and Discipline, measured in terms of:

- utilization and work time during shifts (equipment downtime through fault of employees);
- compliance with work safety regulations;
- compliance with guidelines and orders of supervisors;
- compliance with principles for the productive use of work time, for the correct production of output, and for proper work on labor documents;
- initiative and enthusiasm for fulfillment of work tasks;
- initiative in product innovation, new production techniques, new technologies, etc.;
- workplace order and cleanliness;
- participation in new employee training;
- reliability, conscientiousness, willingness to help weaker team members;
- cooperation with supervisors;
- public involvement.

The evaluative criteria and indicators used to form the work participation coefficient can be divided into the measurable, such as physical indicators (these have priority), value-related indicators, and combined indicators, which can be precisely measured and numbered, and evaluational considerations, which cannot be either measured or numbered in physical or in value-related units. Their evaluation is performed with the assistance of operational-technical documentation by immediate supervisors--usually a team foreman, but sometimes the team commission. In both instances the collective is informed of the results of the evaluation for a given month.

In determining the number of indicators attention must be paid to designating neither too many nor too few. The guiding principle should be that the fewer the indicators the less fragmented will be economic incentives, and therefore the greater the motivation.

In some cases it will be sufficient to designate only one indicator (such as full-capacity utilization of an assembly line), while in other instances more indicators will be necessary. The number of indicators will depend, in the final analysis, on the type of team khozraschot that is being used. In this instance as well it is the case that the farther a team is down the organization chart (and therefore the less sophisticated the team khozraschot), the smaller can be the number and scope of the indicators. Currently most of the indicators being used are physical ones (at the guild, workshop, and group level).

The evaluation of indicators must be focused on the enumeration and the comparison of plan objectives with achieved results. For this reason indicators must be clear, comprehensible both in their physical and their value-related forms. In some instances the evaluation will have to be in terms of the meeting of established deadlines, and on judgments as to whether work was completed or not. This is true of such tasks as construction projects, the transmittal of facilities to users, the completion of repair work, etc. When evaluating indicators we should always keep in mind their efficiency, simplicity, comprehensibility, controllability, measurability, etc. Specific conditions and organizational and personnel situations will determine whether we choose to evaluate one, all, or some combination of indicators. It is recommended that any evaluation be performed of all the indicators, mostly because this is less time consuming. An important part of the evaluation is the gathering of the preliminary initial documentation. Daily team records have proven useful in this regard. These contain primarily notes regarding the fulfillment or nonfulfillment of nonmeasurable objectives, the pluses and minuses of team members, significant activities, instances of rejects, violations of labor and technical discipline, etc. Happenings recorded in this fashion form a good basis for the performance of a comprehensive evaluation of the merit of individual brigade members at the close of an appropriate accounting period for the establishment or the adjusting of work participation coefficients.

Based on the completed evaluation of the merit of individual team members by the foreman or the team commission, points are awarded on a 5-point scale, with each indicator being evaluated separately. There are two possible choices of a scale:

--a linear scale, with each indicator being awarded one number on a scale of 0-5;

--a matrix scale, which is characterized by the awarding of points based on the weight given each indicator. In one instance points may be awarded on a 0-5 scale, in another instance on a 0-6 scale, etc. It is our opinion that a matrix scale is better and we therefore recommend its use.

Following the evaluation of all the indicators, a work participation coefficient is established, which is calculated as the sum of the points awarded for individual indicators, divided by 10:

Example of work participation = $\frac{\text{sum of points}}{10}$ = work participation coefficient [KPU]

The determination of the KPU can be approached in two ways: it may be done afterwards (ex post), or before hand (ex ante). When the objective is to determine the KPU beforehand it is possible to do so for 1) a longer time period, i.e., quarterly or for a 6-month period, with the potential for adjusting figures monthly or for the following quarter or half year; or 2) a month ahead of time, in which case the adjustment is performed on the basis of the achieved results.

When the objective is to determine the KPU after the fact, this is done at the end of a month based on achieved results. This method has proven to be the best and we recommend its use on a broader scale.

Regarding the question of adjusting a calculated KPU, including a basic one, which must always equal one, we recommend the establishment beforehand of when, by how much and for what reasons a KPU will be reduced. The movement of this indicator either up or down from the basic position of one expresses the result of a comprehensive evaluation of the merit of individual team members. In view of differing productivity, work quality, efficiency, initiative, etc., on the part of team members, this figure should fluctuate ± 100 percent from the mean level of the team figure, which corresponds to a coefficient of distribution of 0-2.

The results of the evaluation for the establishment of a KPU for the distribution of collective profits should be in accordance with the evaluation of team members for the awarding of personal evaluations. Moreover, in the interest of simplification and reducing work loads, the former evaluation may be used both as a basis for distributing collective profits and as a basis for the awarding of personal evaluations. The feasibility of this will depend on specific team conditions.

Employee evaluations must be based on the following principles:

--an employee cannot be evaluated immediately in terms of all indicators, nor may all employees be evaluated under separate indicators;

--extreme values should not be avoided; rather employees should always be ranked under specific indicators;

--evaluations must not be made based on direct impressions, but only on verified opinions concerning a given worker.

The evaluation of merit based on these principles for individual team members on a scale of 5 could be as follows:

I. Productivity

Level

1. Outstanding: exceptional output, substantial merit, error-free fulfillment of tasks while complying with and improving on deadlines, high work intensity;
2. Above average: very good output, makes significant contributions to task fulfillment while meeting deadlines, very good work intensity;
3. Responsible: fulfills tasks in a quality manner and willingly, works without mistakes and independently, average work intensity;
4. Somewhat responsible: some reservations toward work, lower output, sometimes fails to meet deadlines, must be controlled;
5. Not responsible: serious problems, low output, must be systematically supervised, low work intensity.

II. Quality of Production and Work

Level

1. Outstanding: very high and constant quality of work, works without rejects and adjustments;
2. Above average: very good work quality, works without rejects and adjustments.
3. Responsible: good work quality, works without rejects;
4. Somewhat responsible: average work quality, some rejects and repairs necessary;
5. Not responsible: low work quality, high percentage of rejects or repairs.

III. Resource Management

Level

1. Outstanding: generates consistent, substantial savings in comparison with existing standards for labor consumption (lowers labor intensity), limits on materials use, power, fuel, propellants and overhead items;
2. [missing from text]

3. Responsible: complies with established standards for consumption of tools, auxiliary equipment, and rejects;

4. Somewhat responsible: shows fluctuations in compliance with established technical-economic standards and limits on materials, labor content, electricity, fuels, propellants, and overhead items;

5. Not responsible: achieves no savings in comparison with technical-economic standards and established limits; exhibits shortcomings in compliance with established regular maintenance schedules and concern for capital equipment, tools, etc.

IV. Initiative and Discipline

Level

1. Outstanding: exemplary work discipline, makes maximum use of work time, complies with orders of supervisor, takes frequent initiative and is very independent in his work, is willing to work both with superiors and colleagues;

2. Above average: very good work discipline, works standard hours, is involved at the workplace, complies with supervisor's orders, works willingly, is very efficient at work and regularly gets involved in socialist competitions;

3. Responsible: work discipline is all right, no problems in working a full schedule, sometimes is detached from the workplace, obeys orders, must be asked to cooperate;

4. Somewhat responsible: some problems with work discipline, takes longer than allowed breaks, arrives at work late, often seems detached from the workplace, obedience to orders from supervisors must be monitored;

5. Not responsible: poor work discipline, must be monitored constantly, arrives late and leaves work early, does not obey orders from supervisors, must be directed constantly, is neither efficient nor will take any initiative, does not cooperate with superiors, shows no interest in work.

Techniques for Distributing Collective Profits With Help of KPU

Prior to or during the experimental verification of the team form, certain sectors directed or issued their own "models" for the quantification of the merit of individuals with the assistance of the KPU. One of these was the electrotechnical industry. Its principles are in line with the approach outlined in article 2 of our recommended approach. The approach of the electrotechnical industry differs in two basic ways, namely:

- the use of a linear scale for evaluative indicators,
- the established KPU are used to recalculate the wage rates of every individual member.

The disadvantage of this technique is that it uses a linear scale for the evaluation of specific indicators, thereby according each of them equal value. Another disadvantage is the recalculation of wage rates, which is not in line with our wage system, because the institute for calculating wage rates does not use this technique, and it is thought not even to be consistent with wage policy.

Similarly, there are other evaluational techniques in use that involve:

--the use of linear scales for evaluative indicators,
--the use of established coefficients, or in some cases the transfer of points to various zones differing by about 50 points, and which determine the KPU. In one case it was sufficient to have 1 point too many or too few for an employee to have a KPU 10 percent higher or lower. A further disadvantage of this technique is that the KPU is used, and sometimes the counting-adding of points as well, to recalculate hours that have been worked and at times wage rates, thereby leading to skewed data (values), which not only are foreign to our wage system but are not wise from the viewpoint of our wage policy.

The technique for the formation of a KPU and for distribution is based on the matrix evaluation of individual evaluational indicators, thereby allotting differing weights to each of them. A team member can, after all, achieve exceptional productivity, but at the expense of quality or effective resource management, etc., while the organization has an interest in the achievement of better quality, efficiency, etc. Here the interest of the individual must be accommodated with that of the team and of the entire society, and the KPU structures in such a way as to provide incentives in this direction. Our recommendation also differs in that it does not require the recalculation either of hours worked or of wage rates. The distribution of collective profits is governed by an adjusting coefficient that functions by taking the originally planned (calculated) equal collective portion of accrued wages due to each individual team member, then multiplying this by the established KPU, thereby arriving at a recalculated bonus. The adjusting coefficient is calculated as follows:

$$\text{adjusting coefficient} = \frac{\text{sum of originally calculated bonuses}}{\text{sum of actually calculated bonuses}}$$

The adjusting coefficient that has been arrived at in this way is then multiplied by the recalculated bonus to arrive at the final bonus for each team member. Our recommended technique for distributing the collective bonus has one function in addition to that used in the electrotechnical industry, but is also in compliance with the wage system and, moreover, provides an idea of how we actually applied differentiated distribution in comparison with planned objectives, which allocated equal shares to all team members.

Other Distribution Techniques

In addition to the above-described technique for distributing collective profits, distribution according to the following or other techniques cannot be ruled out:

--by a team foreman by some other appropriate technique, provided that it uses criteria that have been agreed upon in advance and which include verifiable documentation concerning the evaluations that were made;

--the equal distribution of collective profits in a team on the basis of an equal percentage share for each member. Such a technique must also be accompanied by previously agreed-upon criteria and the availability of documentation;

--the differentiated distribution of collective earnings by class or activity, based on previously determined criteria, their evaluation and the availability of supporting documentation. It is required that these techniques, if they are to be used, must also be based on the principle of merit. Even if the distribution is conducted in a differentiated manner, if this important principle is absent from the decisionmaking process then the distribution cannot be said to have fulfilled the requirements of socialist principles of compensation.

Determining the Merit of Team Foremen and Technical-Managerial Employees

For team foremen who work along with the other team members we recommend the use, when distributing collective earnings, and dependent on specific conditions, of one of the following alternatives:

- the determination of merit in regard to KPU resources,
- the establishment of a relative share of the total team bonus,
- a combination of these.

If the team foreman does not work with the team directly, then we recommend that a determination be made of his merit in regard to KPU resources based on the indicators and their fulfillment by the entire team, in conjunction with the foreman's individual activity and commitment, or the establishment of a relative share of the total collective bonus of the team.

The evaluation of indicators, the establishment of the KPU and the distribution to individual team members is performed by the team foreman or the team commission in conjunction with the divisional steward. The planned distribution is then approved by the directly supervisory team foreman. The team foreman announces the results of the distribution to the team members.

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CZECHOSLOVAKIA

PRODUCTION LOSSES DUE TO POWER CUTS

AU122115 [Editorial Report] Since the publication on 21 February of a report on the joint session of the CPCZ Central Committee Presidium, the Federal Government, and the Presidium of the Central Trade Union Council on the repercussions of this year's exceptionally cold winter in Czechoslovakia, Prague RUDE PRAVO in Czech and Bratislava PRAVDA in Slovak have both been carrying correspondents' reports (ranging between 400 and 1,500 words) on production shortfalls caused by the "regulation" of electricity and gas supplies during the "cold spell" of January and February in various Czechoslovak industrial enterprises as well as on the current efforts of their staff to overcome these losses.

Prague RUDE PRAVO in Czech on 25 February on pages 1 and 2, for example, reports on "extraordinary night shifts" and "extraordinary Saturday shifts" worked by "thousands of workers" in industrial enterprises in North Moravia on 22 and 23 February, and on second and third shifts introduced by construction workers in Kosice to make up for the 14 percent "lag" in plan fulfillment of the Kosice Metallurgical Construction Projects enterprise. It also reports that more than 1,000 employees of the Bohumin Iron and Wire Plant worked a special Saturday shift on 23 February to eliminate the loss of 6 days' worth of production which they had accrued since the beginning of the year.

Reporting on the situation in East Bohemian enterprises, RUDE PRAVO on 28 February on page 1 notes that the transporta Chrudim enterprise has accumulated a production shortfall of Kcs6 million and that the employees of the Flower Mill Machinery Plant in Pardubice have pledged to work one "extraordinary shift" a month to make up for the loss of production in January and February.

On 1 March, on pages 1 and 2, RUDE PRAVO reports that production losses in the Bechyne Ceramics Plant amount to Kcs1.7 million and that its workers hope to eliminate them by the end of March. More consequential, according to the report, are the production losses in the Association for Chemical and Metallurgical Production in Usti and Labem where the "January and February calamity" resulted in production losses of Kcs40 million. The elimination of this shortfall will be difficult, RUDE PRAVO says, because the frost has also aggravated the wear-and-tear of the production equipment and delayed the delivery of some critical materials.

Reporting on the situation in the Tatramat enterprise in Poprad, a producer of boilers and washing machines, RUDE PRAVO on 2 March, on page 1, notes that the plant has a production shortfall of Kcs7 million and that its employees have already worked 1 Saturday shift and 4 night shifts in February to make up for it.

RUDE PRAVO on 4 March, on page 1, carries correspondents' reports on extraordinary shifts worked the preceding Saturday in a number of industrial enterprises throughout the republic. It notes, for example, that employees of the Roller Bearing Plant in Kysucke Nove Mesto, where the production shortfall amounts to Kcs13 million, on 2 March worked already the fourth "extraordinary Saturday Shift" since the beginning of the year.

According to a report in RUDE PRAVO of 5 March, on page 1, the production loss in the Georgi Dimitrov Chemical Plant in Bratislava was Kcs9.7 million for January and Kcs4.7 million for February and concerned mostly the production of industrial fertilizers.

On 8 March, on page 3, in a report on the Solo wood-working plant in Susice in West Bohemia, RUDE PRAVO mentions that the "limited energy supplies" in January resulted there in a production loss of eight working days. The enterprise management hopes to make up for this loss by reducing the planned overhauls of machinery and cutting the period of the plant's closure during the summer vacation.

In an interview with RUDE PRAVO, published on 11 March on page 3, Frantisek Skornicka, secretary of the North Bohemia CPCZ Regional Committee, reports that because of power cuts in January and February as well as delayed deliveries of raw materials and semifinished products, the North Bohemian industrial enterprises have accrued a production loss of Kcs128 million since the beginning of the year, which they hope to eliminate by the beginning of May "with some exceptions." The region's transport sector is also said to have been affected severely by this year's winter, with "loading arrears" now amounting to 900,000 metric tons of materials, mostly coal.

Since late February, similar reports have also been carried by Bratislava PRAVDA in Slovak.

On 22 February, on page 2, the Slovak party paper reported that in the enterprises administered by the Slovak Ministry of Construction, the shortfall for January alone was Kcs470 million, which is equivalent to more than a 6-day volume of construction work. February is said to have even "complicated" the Slovak construction sector's problems.

According to a report on 25 February, on page 2, the "arrears in plan fulfillment" in the Bratislava Matador enterprise for January amount to Kcs13 million; and, according to a report on 2 March, on pages 1 and 2, the combined shortfall for January and February in the Kosice Metallurgical Construction Projects enterprise totals Kcs21 million and in the Bukoza plant in Vranov and Toplou Kcs25 million. A production "deficit" of Kcs13 million is also reported for the "New Home" furniture factory in Spisska Nova Ves, in a report in Bratislava

PRAVDA of 3 March, on page 2 on an extraordinary shift worked there. According to the report, some 200 workers of the factory had to work this special shift at night as "they had no electricity allotment for Saturday."

The "rigid regulation" of natural gas deliveries during the coldest weeks of this winter, Bratislava PRAVDA reports on 7 March on page 1, resulted in a production shortfall of Kcs25.8 million in the metallurgical plant of the Heavy Engineering Plant in Dubnica. All work collectives have reportedly promised to reduce this loss in "extended shifts."

On 8 March, on page 2, in a report on the impact of this year's cold winter on the performance of the Priemstav construction enterprise in Bratislava, Bratislava PRAVDA notes that the shortfall currently amounts to Kcs59 million, which is almost 1 month's work of output. To liquidate this "deficit," employees of the enterprise management reportedly pledged to work unpaid voluntary shifts on the construction sites.

Finally, on 11 March on page 2, Bratislava PRAVDA reports on extraordinary Saturday shifts worked on 9 March "in most industrial enterprises of our homeland affected by production shortfalls caused by the exceptionally cold weather of this winter and the resulting cuts in power supplies." It notes, for example, that enterprises of the Industrial Construction Projects economic production unit have accumulated a shortfall of Kcs236 million in January and February, which they hope to "liquidate" by the end of September. Bratislava PRAVDA of 11 March also notes that employees of the Iron Ore Mines in Nizna Slana and of the Bratislava Heavy Engineering Plant have a production "deficit" of Kcs10.5 million each. According to the Bratislava PRAVDA report, the participants in the extraordinary Saturday shifts worked on 9 March also included 14,000 employees of the Skoda Plzen enterprise.

In the only synoptical reference to production shortfalls caused by the January and February power cuts monitored thus far, Bratislava PRAVDA in Slovak on 5 March, on page 1, noted in an editorial that "according to preliminary estimates, industrial production is trailing behind the plan by roughly 1 day while the railroads estimate their shortfall to be 6.5 days, and construction workers' to be 6 days' worth of work."

CSO: 2400/306

GERMAN DEMOCRATIC REPUBLIC

ANALYSIS OF FACTORS CONTRIBUTING TO EFFICIENT USE OF MATERIAL

East Berlin PRESSE-INFORMATIONEN in German No 151, 28 Dec 84 pp 2-6

[Text] What Does Materials Management Mean for the Improvement of Efficiency in the National Economy?

It is really quite simple: The more economical our use of materials and energy, the more products can be manufactured with the funds available for the general public, the national economy and exports. In other words, specific materials and energy expenditure (that is consumption relating to a specific volume of commodity production or the manufacture of one product) must drop faster than output rises. This is the only way for the total national account to be in balance, the only way to have the decline in consumption increasingly turn into a source of our economic growth.

We have consistently taken this approach on the basis of party and government resolutions. While the specific consumption of nationally important energy, raw materials and other materials saw a median 3.8 reduction in 1976-1980, we may assume that the annual average decline for 1981-1984 amounted to 6 percent. This corresponds to materials and energy conservation in the amount of M14 billion. These results provided important prerequisites for us to be able to achieve the rates of output growth stipulated in the plan. At the same time they proved the success of our economic strategy designed to prepare the soil for greater output by greater efficiency and the utilization of internal sources of the growth of the reproduction processes.

The following facts and interactions also demonstrate the special importance of the systematic and resolute improvement of materials management for the continued rise in the performance of the national economy: Raw materials, energy and other materials account for more than 90 percent of the national economy's production consumption. Lowering production consumption, therefore, requires primarily the reduction of the expenditure of materials and energy. Production consumption represents the largest material cost heading. When we succeed in lowering it by 1 percent, social labor productivity (national income per gainfully employed person in the producing sectors) rises by 1.8 percent. That corresponds to an almost M4 billion growth in the national income.

In view of the fact that the reduction of production consumption necessarily means a rise in the national income and, consequently, the resources that can be made available for consumption, we have set ourselves the goal of gaining an increasing part of the growth of our national income from the reduction of production consumption. This is also the most economical method for expanding our national income.

The struggle for lower production consumption is paying off more and more perceptibly in the increase in national income. In 1980-1983, the national income rose by 12.3 percent, while production consumption grew by only 3.9 percent. Visible since 1979 has been the tendency for growth rates of output and national income to rise more rapidly than production consumption. In 1982, for the first time ever, the use of energy, raw materials and other materials was lower in absolute terms than the growth of the national income.

The economic experiences of past years confirm that the socialist planned economy has all the necessary prerequisites at its disposal for achieving performance growth with greater efficiency and declining use of materials and energy. Already approximately half the total growth in the national income is generated by the reduction of production consumption, compared with only 6 percent in 1980.

To a large extent, this satisfactory development is due to the results of intensive materials and energy conserving efforts in enterprises, combines and institutions of our republic. At the Ninth SED CC Plenum, Erich Honecker therefore described as a characteristic feature of our economic progress the fact that production growth proceeds in tandem with declining materials and energy consumption. This perception, produced by the wealth of initiatives and the creative cooperation of the working people, sets yardsticks for the development of materials management in the coming years. As Erich Honecker further explained, it is imperative "to take a qualitatively new step toward the greater refinement of production. At the same time our domestic raw materials resources will have to be more emphatically used as the starting point of this process, the latest technologies and most modern processes used to obtain high-quality products. The further growth of the national income depends on that."

How Far Ranges the Influence of Science and Technology on the Improvement of Materials Management?

We may claim that science, technology and materials management represent a whole, because it is necessary with new solutions to develop those materials reserves that will guarantee the future growth of output. At least 80 percent of the materials savings must be secured by scientific-technical results. This requires above all the introduction to production of new products and technologies.

Based on the economic experiences of the past and the needs of intensification, the rise in production and the national income must be achieved in 1985, too, with an absolutely declining energy, raw materials and other materials consumption. It is therefore imperative in all combines,

enterprises, cooperatives and facilities to intensify scientific-technical efforts in the meaning of the decided improvement in the mass/performance ratio, higher product quality and the greater use of materials conserving technologies and processes. Very important in this context is the specific reduction in energy and materials consumption, emphasizing particular products, materials or performances. This also means that new scientific and technological findings must be promptly incorporated in the norms and indices of energy and materials consumption.

To cite an example: The general director of the Textima Combine VEB enforced a practice (mandatory on all combine enterprises), according to which research and development must be closely linked at every stage of the work with the drafting of progressive materials consumption norms, justified in technical-economic terms. The norm effective materials savings as well as the observance of the mass limits set, the improvement of the mass/performance ratio, the reduction in materials costs, and so on, must be defended and reported at each stage of the work. The results represent the basis for the material stimulation of the working people in the production preparatory departments.

The use of new operational principles in machine construction or electrical engineering often results in quite considerable effects on the reduction of construction costs. One example is the development of gas insulated high-tension plant. Compared with conventional indoor switching plants, the product mass drops by 70-80 percent, while the enclosed space shrinks by 70-80 percent, thereby providing for conservation of materials and time.

To lower energy consumption, we need to find new scientific-technical solutions enabling us to better utilize the types of energy available as per plan. Most important in this context is the increased use of domestic raw brown coal and its processed products as well as the better utilization of the resulting secondary energy.

Scientific-technical efforts must also be directed to the guarantee of dynamic economic growth by the far greater utilization of our own raw materials resources. Involved here in particular is a greater contribution to the utilization of secondary raw materials and industrial waste products. Key points are ferrous and nonferrous scrap, electronics scrap containing precious metals, waste paper, waste lumber, waste thermoplastics, recovered glass containers, secondary corundum and grease sludge. Procedures for the recovery of valuable raw materials substances from slag, ash, sludges, waste waters and dumps are gaining importance for the supply of the national economy. Equally in demand are scientific-technical performances for the development of machines and equipment guaranteeing the efficient preparation and utilization of secondary raw materials.

Close links between science, technology and materials management are always involved when the discussion turns on the development and utilization of microelectronics, the further development of coal liquefaction, coal gasification, biochemistry and carbochemistry, the more profound splitting of crude oil or the improvement of basic asset management and standardization.

All eyes are directed to the resolute development of all potentials of the scientific-technical revolution. We are not simply concerned with this or that field. As Erich Honecker emphasized at the Ninth SED CC Plenum, "it is imperative with the aid of scientific-technical solutions to secure the entire raw materials and other materials base of the national economy and organize it in a more economical manner." The extent of the influence of science and technology on the improvement of materials management may be gauged by the fact that each percent less production consumption signifies an almost M4 billion growth in the national income.

How Do Further Processing and Microelectronics Contribute to Better Materials Management?

Further processing means by new technologies and processes to provide materials and products with function values helping to perceptibly improve the cost/profit ratio. This involves an entire complex of scientific-technical measures entirely directed to the production of a maximum of function value with the smallest possible volume of materials and energy. This includes microelectronics just as much as the economical utilization of domestic raw brown coals as an energy source and raw material, new processing stages for plastics and natural and synthetic rubber, synthetic fibers and new metallurgical products.

This is a multiform objective, in particular because--as was emphasized at the Ninth SED CC Plenum--we are concerned with taking a qualitatively new step toward the greater refinement of production. Refinement/further processing has been shown to be the main approach to greater materials conservation, and in this connection it is imperative for our own raw materials to be made the starting points. Further processing is at its most effective when success is achieved in combining refinement, improvement of the mass/performance ratio and economical light construction.

In metallurgy, for example, it will be important to produce harder steels to help the metal processing enterprises to the achievement of a better mass/performance ratio. Almost half the rolled steel produced in our national economy is used to turn out weldable structural steel and products made therefrom. This large percentage exerts a significant effect on materials conservation in all sectors of the user industry. Steels of normal hardness are increasingly replaced by harder steels, because they permit 6-25 percent savings of mass. In the ferrous and nonferrous metallurgical industries as a whole, the share of further processed products is to rise from about 70 percent to 90-93 percent in 1990.

By the end of this year, our metallurgists aim to include almost the entire assortment of parallel flange bearers with 140-144 mm profile heights in the production program. This will enable the construction and machine construction enterprises in particular to save an average of 15 percent rolled steel by comparison with the use of normal profiles.

As for machine construction, further processing means mainly the manufacture of products of excellent performance, longer life and greater reliability

combined with less materials use. The mass/performance ratio is an infallible yardstick.

The most advanced example of an unusually high extent of materials utilization and refinement is offered by microelectronics. Its materials conserving effects are particularly evident when we compare the pocket calculators available now with the old electromechanical desk calculators of similar capacity. In the course of technical development, materials use declined by more than 90 percent due to new operational principles, materials and technologies.

The materials required for large-size computers produced in the GDR also dropped from one generation of machine to the next, finally achieving more than 50 percent. The savings of semifinished products of copper, aluminum, solder, precious metals and rolled steel ranged from 30 percent to more than 90 percent. One example is the new tape printer from the Halberstadt factory of the Soemmerda Robotron Office Machine Works VEB. Compared with its predecessor, microelectronics made it possible to omit many of the mechanical and electromechanical components, so that the product mass dropped to one twentieth.

Studies have shown that the use of microelectronics enables the national economy on the average to achieve about 25 percent materials and energy savings. Materials and raw materials saving controls and regulators for various processes, made possible by microelectronics, reserves of 3-20 percent can be developed in all branches of industry.

In 1985, 67 percent of the output of electrical engineering and electronics will already be affected by microelectronics. Generated by it is a profound structural change in our national economy, reflected in the renewal of products and processes. Microelectronics is thus shown to be a crucial link in the processing chain.

How Do Modern Technologies Promote the Lowering of Materials Consumption?

As noted at the Ninth SED CC Plenum, output growth nowadays is generated more and more by scientific-technical advances, in particular the introduction of new technologies to the factory. This is an exceptionally multifaceted task. If success is achieved in designing a high quality product while sparingly using materials and subsequently manufacturing it with materials conserving equipment, efficiency is perceptibly improved.

The development and use of low waste technologies, for example, is gaining increasing importance, specially in the chemical and metal processing industries. They help to fully utilize the primary raw material and limit the incidence of waste products and secondary raw materials which must be reprocessed before being used again. At the same time there is a positive effect on the environment. The significance of these tasks is evident when we realize that at this time still about 20 percent of the rolled steel used in the metal processing industry fail to be production effective by cutting wastage, chipping, waste or rejection.

It is just as important to develop new equipment and processes for the efficient recovery, processing and utilization of secondary raw materials. In the final analysis it is imperative for not one kilogram of secondary raw materials to be lost in the trash and for all valuable materials to be recovered from wastes.

Among the materials conserving processes to be used more widely are such procedures as powder metallurgy, investment casting, ball graphite iron casting, extrusion molding or jointing processes such as friction welding and electric welding. Powder metallurgy, for example, permits materials savings amounting to 30-85 percent by comparison with cutting. Potential fields of application for components manufactured by the powder metallurgical process are machine and vehicle construction, the production of office, textile and electric machines.

In many branches of industry, friction welding helps conserve high quality materials, in particular steel and rolling mill products as well as nonferrous metals. We have learned from experience that basic materials savings per component may amount to 20-30 percent. It is a special benefit that high-alloyed steels can be welded with mass structural steels. Consequently high quality materials need to be used only to the extent required by the end purpose.

Other modern jointing procedures are increasingly used. Lately, for example, GDR machine tool construction has begun to use highly productive electron beam welding to process metal parts. It is resulting in savings of M300,000 per annum.

How Does Product Quality Affect the Development of Materials Conservation?

Interaction between product quality and materials conservation proceeds in many and varied forms. Actually, a high standard of materials conservation is itself a quality feature of the product--and that in a dual meaning. A product manufactured with less material weighs less, has smaller dimensions, uses less space. Assuming the same or better performance, its function value has therefore risen by comparison with the predecessor product. The function value is even greater if the product manufactured with less material also enables the future user to turn out quality products using fewer materials. Such machines and equipment are in great demand on the world market and yield the corresponding revenues.

In other words: Product quality including profitable materials conservation, arises first of all from the creative work of the researchers, product developers and designers. If they succeed in raising the performance of a product while keeping materials consumption the same or lowering it, the mass/performance ratio and, consequently, materials management is being improved also. Moreover, great reliability, operational efficiency and a long life of the products have the effect of lowering the consumption of materials otherwise needed for replacement parts, repairs and maintenance. Of course greater refinement and the greatest possible materials conservation may never be obtained at the expense of quality.

Upon submission of the law on the 1985 economic plan, Willy Stoph emphasized that "the considerable results recorded in recent years with regard to the lowering of materials expenditure are no reason for complacency. In several fields, materials use, function value and product quality have not yet achieved ratio. International comparison and the accomplishment of top standards in the mass/performance ratio of products must more thoroughly permeate energy and materials management. At the same time we must all be aware that today's top standards are bound to be obsolete tomorrow. That is why just this task represents a special challenge to scientific-technical work in all combines."

More and more collectives are taking heed of these interrelations. In the course of the further development of the W 50 truck, for example, it was possible to steadily improve the capacity and reliability of the vehicle, the life of its subassemblies and components, energy-economic parameters and the conditions for greater operational safety. Scientific-technological advances made it possible to more than double the life of the engine.

Farm machines serve as an example of the far reaching effects of product quality linked with the greatest possible materials conservation. Experience has taught us that light and less metal intensive farm machines put less strain on the soil, help cultivate it more carefully and raise farm yields. Another important interaction: Light implements or tools, made with less materials use, reduce physical hardship for the working people on the job.

Practice has shown that possibilities for the improvement of quality, reliability and materials conservation may offer even with regard to those products which, for a long time, were considered as being turned out by definite manufacturing technologies. One example is represented by drinking glasses. Lately they have been produced in the GDR by a new process of glass hardening. The glasses are now 30 percent lighter and breakage is reduced by 4 or 5 times compared with traditional drinking vessels. That also is beneficial for materials conservation.

Ultimately, product quality and materials conservation are affected to a very large extent by the quality of production, the faultless work of the collectives at all stages of production--from the component manufacturer to the final producer. The correct observance of technological discipline helps reduce rejects and warranty work, thereby avoiding additional materials use.

Some calculations demonstrate the extent to which product quality, including the greatest possible materials conservation, may profit national efficiency. A 10 percent rise in the reliability and life of machines and equipment enables industry to lower the costs of repairs and major overhauls so as to increase the national income by about M1.3 billion.

How Could Materials and Secondary Raw Materials Be Still Better Used in the Interest of Materials Conservation?

To reduce the volume and weight of products, that is manufacture with less materials use, requires the selection of the material most suitable for the

respective purpose. At the same time it is also imperative to exploit every opportunity offered us by further processed materials and semifinished products. It is particularly desirable to reduce the consumption of such materials as plastics, aluminum, ball graphite gray castings, and so on, because the materials saved provide prerequisites for additional output as well as for materials savings in other fields. After all, 1 ton of cast iron with ball graphite replaces up to 2 tons of traditional materials and semifinished products.

The parent factory of the GISAG combine presents an excellent example. The engineers there succeeded in finding the technical solution for the reduction in the volume of wheel hubs for vehicle construction. Subsequently the factory used 120 tons cast iron with ball graphite less. This quantity may now be made available to other users to replace and thereby save traditional materials.

The information center for materials and economical materials use at the Institute for Light Construction and the Economical Use of Materials in Dresden helps the production preparatory departments of combines and enterprises in the choice of the most favorable design materials. Every year it deals with more than 4,000 problems with regard to economical materials use. The efforts of the information center's personnel in 1984 contributed to the enterprises being able by 30 September to earn profits of M15.8 million and save more than 1,300 tons rolled steel and nonferrous metals.

An important long-range key task is the better utilization of secondary raw materials. They must be returned to the national economy to a far greater extent. To do so is of great economic benefit and, at the same time, serves the protection of the environment. Affected among others are recycled plastics materials, because these materials are based on precious oil. The latest result of intensive scientific-technological efforts is the coming into service of a production plant permitting the manufacture of large machine components from recycled thermoplastics. This process was developed jointly by research assistants at the Institute for Light Construction and at the Kemmlitz Silicate Raw Materials Combine VEB. The parts formerly made of cast iron and weighing 80 kg now weigh 16 kg. Used as material are used and crushed plastic parts which formerly represented waste. In addition to the significant materials conserving effect, the jobs of the working people have been made considerably easier.

What Is the Role of Norms in the Lowering of Materials Consumption?

Materials consumption norms concretely tell the factories how much material may be used for the production of a component, a subassembly, a product or a specific performance. It is therefore evident that, the more thoroughly this use is calculated for a specific design and technology, the more carefully actual technical and economic production conditions are taken into consideration, the better the quality of the consumption norms, the more realistic will be the planning of supplies for production. Party and government decisions therefore repeatedly emphasize the need everywhere to

base these norms on the best technical and economic standards so that no more material may be planned and ordered than is in fact needed.

The production collectives are assigned the norms as mandatory and accountable targets. In the socialist competition they try to observe or keep below these norms. In this regard, the record books of workers' performance have proven to be a practical tool for the collectives. They receive clear yardsticks by the setting of 3-5 indices, for example basic materials costs per product unit. This offers them an opportunity to exactly control costs and profits.

Unfortunately, studies have shown that materials consumption norms do not yet in all factories play their due role in the socialist competition for the lowering of materials consumption. Substantial reserves may still be developed by the more extensive norming of auxiliary materials. After all, they account for about 10 percent of the materials costs of factories, so that their technical and economic justification pays off.

In the production preparatory departments also, norms of materials consumption encourage and stimulate great scientific-technical performances by the collectives for lowering materials use in the product. This is demonstrated by the results achieved as a consequence of set targets in the tasking workbooks with regard to product mass, for example, mass/performance ratio, materials costs and the consumption of nationally important materials.

Still, materials consumption norms can only do justice to their role as the most important starting point of materials planning, as stimulant for the reduction of consumption and yardstick for the results achieved, if they are always based on the latest scientific-technical knowledge. This again means that any design, technological or organizational change affecting materials consumption must have its counterpart in the correction of materials consumption norms.

Nor can there be any materials conservation taboos even for products that have been manufactured for a long time. This was well demonstrated by the Ludwigsfelde Automobile Plant VEB. It was considered there, whether the blanks for sheet metal parts could be even better shaped. Ultimately new conceptions were introduced, enabling the plant to save some 350 tons sheet metal.

It is no less important to rationally draft materials consumption norms. The working people of the Zittau Robur Works VEB, for example, part of the IFA Truck Combine VEB, perform some exemplary work in this respect. The norms are ascertained by EDP, stored, checked, brought up to date and reported monthly. The computer center is promptly informed of any materials conserving innovations. Based on the monthly accounting, managers and working people learn about the actual status of consumption. This enables them to estimate whether the set values were observed and to quickly respond to deviations.

Many enterprises run a quarterly check on the observance of the norms and analyze their up-to-dateness at least once a year. This is imperative to make

sure that scientific-technical findings are quickly applied, and that materials are not unnecessarily planned, stored and used.

Where Are the Most Important Reserves for the Continuing Rapid Improvement in Materials Conservation?

On principle we do not leave unconsidered any source of savings when contemplating the intensification of production. However, we have learned in practical life that scientific-technical progress and its steadily growing knowledge now represents the main source of continuing rapid improvements in materials conservation. Speeding it up in fact assumes our encouragement of the productivity of conceptual work in the production preparatory departments as well as improving efficiency and capacity in research, training and education. As Werner Jarowinsky emphasized at the Tenth People's Chamber Meeting, it is vitally necessary "with the help of science and technology and in accordance with new criteria to organize the raw materials and materials base of our national economy as a whole, secure it and thereby use it more efficiently."

The 1985 economic plan provides for a 7.8 percent lower specific consumption of rolled steel in the metal processing industry. Consequently light construction assumes special importance. An analysis of many product developments in our industry reveals that its application to new developments contributes to an average 25 percent (in some cases more than 60 percent) improvement in the mass/performance ratio. This clearly shows that the development of new products coupled with the concentrated use of new scientific, design, materials-technical and technological knowledge is the most important approach to the perceptible and lasting improvement of materials management. Precisely for that reason industry has been set the target in 1985 to achieve an average 22 percent renewal rate. The combines of electrical engineering and electronics are to renew 32.1 percent of their production, machine tool and processing machine construction 25.7 percent and heavy machine and plant construction 22.9 percent.

To cite an example: 43 percent less material, a third less energy--coupled with better performance than the predecessors and a life span raised from 10 years to 15 years--are the quality features of the microelectronically controlled coolant cabinets turned out by the Schkeuditz Machine and Apparatus Construction VEB. On top of this they are manufactured in half the time formerly used for such plant. In the average of the national economy, the use of microelectronics makes it possible to achieve roughly 25 percent materials and energy savings as well as considerable output growth.

Light construction does most good when its various principles are applied as comprehensively and with the greatest coordination possible to the new or further development of products. It is therefore necessary at the time of tasking workbook assignment for the collectives in the enterprises to be set the appropriate targets for product mass, materials use, mass/performance ratio, quality and reliability, enabling them on this basis to determine the most beneficial operational principles and materials as well as calculate and dimension the product.

To assist the enterprises in the concrete use of light construction, special and industry branch specific and central working aids are being provided, which will have to be even more extensively and resolutely used. They include materials data banks, computation procedures, design directives, process directives, EDP program systems and various experimental investigative methods. It is also imperative in the interest of the best possible materials management to also use the increased material-technical prerequisites generated by the build-up of refinement metallurgy and refinement chemistry. At the present time refined products in rolled steel production account for around 70 percent compared with 55 percent in 1980, and this share is to rise to 80 percent by 1985.

The increased recovery and recycling of secondary raw materials and waste products of all kinds on a national scale represent a vast field for the improvement of materials management. Most important in this context is the need to concentrate scientific-technical efforts on those secondary raw materials and waste products, which up to now were either not recycled at all or only in minimal quantities.

Costs tell us most about the effects of materials conservation. They reflect the standard of socialist intensification, the standard of technological work, the expenditure of materials and energy, the status of scientific-technical work. It turns out that those collectives are well advised, which devote much attention to cost analyses, because such analyses enable them constantly to discover new reserves for the improvement of materials conservation.

To What Extent May Electronic Data Processing Contribute to the Improvement of Materials Management?

The increased use of efficient data processing plant and the development of novel computation processes generate new opportunities for materials management, too. In recent years various EDP program systems were drawn up in our republic, which help designers and engineers more concretely to calculate the dimensions and materials expenditure of a product. The Institute for Light Construction and the Economical Use of Materials in Dresden, for example, developed the AUTRA program system in cooperation with the Weimar College for Architecture and Construction, Dresden Technical University and the Hennigsdorf Hans Beimler Locomotive Construction--Electrical Engineering Works [LEW] Combine VEB. Use of this system makes it possible to calculate the dynamic behavior of even complicated structures. Moreover, it includes a program for production preparation.

Using the AUTRA methods of calculation, it is possible on the average to save 5-8 percent materials. This helped the designers of the Hennigsdorf LEW Combine VEB to reduce the weight of the pivot mounting frames of electric locomotives by 35 percent, accompanied by an increase in the capacity of the locomotive.

The STRATRA EDP program, developed by Dresden Technical University for the computation of the statics and dynamics of bar holder mechanisms and the COSAR program drafted by Magdeburg Technical Collge for the calculation of massive

complex bodies such as motors or pistons are also conducive to results profitable in terms of materials conservation.

The ERFURT CAD/CAM system produced by the cooperation of the Herbert Warnke Conversion Engineering Combine VEB (Erfurt), the Karl-Marx-Stadt Research Center for Machine Tool Construction, the Halle Central Institute for Welding Equipment and the Institute for Computer Technology at the GDR Academy of Sciences guarantees the best possible design solutions for performance determining subassemblies and, consequently, high product quality and reliability.

The new calculation instruction for steel girders, introduced in 1983 in steel construction, make it possible more accurately to predict the stress on, the life and dimensions of products. In addition to increased product reliability, a specific rolled steel use lower by 1-2 percent can be achieved.

The development and use of modern stability instructions exerts a crucial effect on the improvement of materials conservation and product reliability. The Institute for Light Construction and the Economical Use of Materials, for example, drew up a new standard for the calculation of steel screw joints made of superstrong structural steels. Compared with the use of normally strong structural steels, this allows for substantial quantities of steel to be saved, because so-called superstrong screws require lesser thicknesses. The standard helps the designers to calculate the respective thickness necessary for the particular screw.

The drafting of calculation, design and planning instructions is one of the essential duties of standardization. This always implies the necessity of safeguarding the complete utilization of the qualities of more highly processed substances and materials, and reserves for materials conservation still remain to be traced in this context. In view of the fact that the numbers of computer assisted jobs for designers and engineers in the national economy will grow to 1,500 by end 1985, new opportunities may also be expected to arise in the field of materials management.

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HUNGARY

BOGNAR COMMENTS ON REFORM PROSPECTS FOR POLISH WEEKLY

Warsaw PRZEGLAD TYGODNIOWY in Polish No 7, 17 Feb 85 p 11

[Interview with Prof Jozsef Bognar, chairman of the Hungarian Scientific Council on the World Economy, by Mariusz Dastych: "Reform and Crisis"]

[Text] [Inset] Prof Jozsef Bognar (born in 1917) is one of the Hungarian economists who are the most prominent and most widely known in the world. He is one of the joint creators of the idea of the economic reform which has been continued in Hungary for 20 years. Since 1946 he has served in government posts, including minister of foreign trade. Presently he is holding scientific and social posts, including chairman of the Hungarian Scientific Council on the World Economy. He participates in the work of many international scientific associations, among other things as a UN expert and a member of the Club of Rome. His scientific works deal basically with two subjects: the Hungarian economy and the international economic system in the world.

[Question] Professor, I think that after the 20 years that have passed since the first discussions of the form of the Hungarian economic reform, there are still many doubts about how to implement this reform and apprehensions about its consequences. Recently the weekly ELET ES IRODALOM stated that the side effects of the reform were felt by everyone, while on the other hand its goals had not yet been reached. What is your opinion?

[Answer] ELET ES IRODALOM is a literary journal, and discussions of the reform among writers and among economists are conducted at two different levels. In 1966, before the first stage of the reform was worked out, one of our prominent intellectuals expressed the view that the economic reform should take into account the moral aspect, since people's economic interests do not always determine their actions. For an economist, however, economic interest is always the most important factor, since people behave as their own interest guides them. If the incentives are insufficient, and if the methods by which we want to stimulate activity are inappropriate, then social behavior may conflict with the intentions of the authors of economic plans.

It is thus necessary to find ways, to utilize methods, that can really effect the behavior of the actors in economic life: individuals, enterprises, and the entire national economy. In order for this to be the case, however, the game has to take place in actual surroundings, not invented ones--where true incentives and realistic prices exist. It is only then that economic subjects can act in accordance with their own interests, and also with the intentions of the planners and the rules of the planned economic process. The opinion of the writers thus differs from our own. That is probably the case everywhere, not just in Hungary.

[Question] But the opinions expressed by intellectuals may at least partially reflect the views of society. After all, the fact is that everyone suffers from the troubles resulting from the reform, such as the considerable increase in prices, the differentiation of incomes--and actually few people know what the reform is aiming at. Thus there is talk of a crisis.

[Answer] Yes, but these are two completely different matters: the reform and the economic crisis, or a situation close to a crisis. Let us take Poland as an example. The fact that you have a difficult economic situation does not result from the reform conducted in your country. The reason for the crisis lies in the economic policy of the Gierek regime, which loved to talk about reform, but in actuality used the old methods of central economic management.

The Polish crisis is thus the result of excessive importation of foreign capital, which was put into service in unproductive industries. And thus the credits were not properly utilized, they did not bring income, and they have to be repaid. Let us now take Hungary for a change. We have a major problem with maintaining economic equilibrium. We are not the only country that is faced with such a necessity.

Professor Bergstein, who is probably the person most familiar with U.S. foreign trade problems, recently calculated that if the dollar were to remain as strong a currency as it is now, in 5 years the United States would have a \$200 billion deficit in its foreign trade balance, and if one adds to this the internal debt (presently about \$200 billion), it becomes in debt to other countries and its own society. Obviously, Professor Bergstein's calculation, which is based on the method of extrapolation, does not have to materialize if the U.S. Government changes the principles of economic policy...

[Question] Let us go back to the example of Hungary, however...

[Answer] It is known that in the years 1972-1978 we had a difficult period in the implementation of the economic reform. At that time, political trends opposed to the reform were very strong for internal and external reasons--after the events in Czechoslovakia in 1968 reformist ideas were on the defensive in all of the socialist countries. For some people, the internal difficulties that our economy has experienced have become a stimulus for a return to command methods. Furthermore, we have accumulated a large deficit in foreign trade.

It was thus necessary to remodel the economy in such a way that it would tend toward equilibrium. But this occurred independently of the reform being implemented, and it was not the cause of the difficulties. In foreign trade, Hungary had to shift from a deficit to a permanent surplus of \$500-600 million in exports to countries in the hard currency area over imports from these countries.

[Question] In recent years, a similar economic policy has been implemented in Poland, and we have achieved a positive foreign exchange balance, at the cost of imports.

[Answer] The reduction of imports in Hungary was more difficult, however, in view of our country's greater dependence upon deliveries from abroad. At the same time, there were considerable difficulties in marketing Hungarian goods in the West European markets, in view of the decrease in the rate of economic growth in those countries. We were also forced to change the structure of our exports, because we began to suffer losses as a result of unfavorable terms of trade.

[Question] About 20 percent of the value of Hungarian exports...

[Answer] Yes, but that is not all. Because we were not capable of increasing exports and changing their structure, we had to cut imports and investments, and curb the growth in the standard of living in Hungary. All of this also had an impact on the implementation of the reform. Here, however, we only had two solutions: postponing the implementation of the reform until a time when the economy had regained its equilibrium, or continuing it in spite of the difficulties. I generally say that if it were possible to cure the economy by other methods, then what would the reform be for? I therefore think that we should implement the reform under the present difficult conditions, and take the risk.

[Question] What is presently most important for the continuation of the reform?

[Answer] Overcoming the habits of the past, I think. Some young economists advised waiting about 5 years and not exposing the reform to risk. I am opposed to such thinking, for the reasons that I have explained. I think that so far we have not been consistent with respect to the assumptions of the reform. Let us take the productivity of labor as an example. In the past, and even now, we have taken part of the income from the most productive enterprises, functioning well, and transferred these funds to keep unprofitable enterprises alive. If we do not give up this practice, it will be very difficult to construct sound economic mechanisms. It is necessary to help the best enterprises (or at least not hinder them!) and to liquidate the worst ones.

[Question] Are you thinking of bankruptcies? Can one become bankrupt in Hungary? In Poland we have instituted regulations on the insolvency of enterprises, but in practice they are not yet functioning.

[Answer] We are developing regulations on the bankruptcy of enterprises, but practice requires time, patience, and consistency.

[Question] You mentioned that before the Central Committee of the Hungarian Socialist Workers' Party decided to continue the reform, there were lengthy discussions on this subject. In your opinion, was the question of the reform finally predetermined?

[Answer] In 1978 the authorities reached the conclusion that the past policy had to be changed in order to obtain economic equilibrium. Decisions were made, and since 1979 the "anticrisis" policy has been consistently carried out. At the same time, we asked ourselves the question, "What next with the reform?" And just as in 1966 or 1968, we gathered economists and party and state activists to examine this matter thoroughly, discuss it, and prepare decisions. There were fierce discussions in several of the task forces. The conclusions and proposals were forwarded to the highest party authorities. This procedure has its advantages, since every change is a process.

If only the scientists themselves were to prepare decisions, it would last too long. Thus it usually happens that some bold ideas or concepts of the scholars are not always accepted easily by the political decisionmakers. With our method--the joint preparation of decisions by scientists and politicians--if there is no agreement, we ask the politicians to present an alternative solution, since it is always easier to criticize than to think of something. Then either the politicians change their opinion, or a compromise that can be accepted by the majority is created. It appears from our practice, however, that the scientific concepts clear the way for themselves.

[Question] Who opposes the reform in Hungary? In Poland we have had not only politicians but also heads of enterprises prefer other solutions. It has also happened that at the beginning directors supported the reform, but then they changed their opinion when they were not able to cope.

[Answer] Many people misinterpret the freedoms provided by the reform. We told the enterprises that their decisions would be free of administrative interference, i.e., that no one would give them guidelines, determine in advance what and how much they were to produce, who they were to sell it to, and so forth. All of these indices were part of the command-distribution mechanism. Other pressures also appeared, however--economic ones. Economic pressure or constraint is much more threatening than administrative methods. It is easier to get around the latter, since they are based on certain assumptions. Economic pressures are based on economic facts, objective conditions and circumstances. When an administrative pressure appears, the director can always find someone in the ministry or bank and possibly get the matter "unraveled." When it is necessary to break through real objective conditions, there are no subterfuges. Under the conditions of the form, the final measure is the price that the plant receives for its product, and what comes after that--the profit. When the product goes for exportation, the market determines the conditions and there is no appeal.

[Question] And thus the freedom to make decisions can also be the freedom to overcome difficulties?

[Answer] When we speak of independence from administrative commands, that is independently real. But in an economic system oriented toward profitability,

toward profit, it can also be the freedom for actions that are aimed at obtaining the best result under objective economic conditions, and the plant has to abide by its domestic and export obligations.

In bilateral trade with the socialist countries, it sometimes happens that the partner sells us goods of low quality, and we sell him our goods, also second-rate, and thus the balance is equalized. When we go into the world market, that is not possible.

[Question] Under the conditions of the reform in Poland, we are observing a certain antiexport trend, in spite of the priorities and material incentives for the exporting enterprises. In connection with the withdrawal from exports, there are certain difficulties in adapting to the world market, to its requirements. What is it like in Hungary?

[Answer] It still happens in some branches, but one cannot say that this has been the dominant trend. Some of our enterprises have already managed to adjust themselves to the requirements of the world market, and even like to boast of their results in exports, the price obtained, etc. Some branches of the Hungarian economy presently have to search for new hard-currency markets, in order to sell their surpluses there. This particularly applies to Hungarian agriculture and the manufacturing industry.

At the same time, it is true that enterprises functioning poorly, and also incapable of competitive exports, take the conditions under which the reform tells them to operate as a kind of injustice. They want postponements, subsidies, etc. We usually tell them that if the entire state can become unprofitable, why should we protect enterprises from this? In order to achieve success, we have to learn to operate under real economic conditions. That is why we are conducting the reform.

[Interviewer] Thank you for the interview.

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HUNGARY

NEW SYSTEM OF INCOME REGULATION DISCUSSED

Budapest PENZUGYI SZEMLE in Hungarian No 1, 1985 pp 10-18

[Article by Lajos Konya, deputy chairman of the State Office of Wages and Labor Affairs]

[Excerpt] IV. Main Characteristics, Inherencies of the Models of Enterprise Pay Regulation to Be Introduced in 1985

The long-range model's theoretical principles will be realized already in 1985. Some of the structural elements, however, will still differ in 1985 from their final form, because also the management system's other elements will attain their long-range construction only after several years. The 1985 system realizes the long-range principles as follows:

1. The proportional, 10-percent payroll tax that is payable from profit after taxes greatly increases the costs of labor and temporarily serves as a substitute for a sharp increase in wage costs. Within the enterprises' costs, it partially advances, so to speak, the impact that the price and tax measures, to be introduced later, will have on the rise in nominal wages.
2. The progressive tax on earned income that is payable from the incentive fund is levied on the entire level of earnings under pay level regulation, but only on the increase in earnings under pay increase regulation. Together with the proportional payroll tax, the progressive tax on earned income reduces to a large extent the undervaluation up to now of the economic units' wage costs. An increase of the tax burden on the pay level already attained, and at the same time a significant reduction of the tax burden on the pay increase, basically lessens the anomaly of an "inexpensive base level of pay" and "expensive pay increase."
3. The parallel application of several forms of pay regulation will be typical in 1985, and in the subsequent years as well. The main forms of regulation are as follows:
 - a. Pay level regulation;
 - b. Pay increase regulation; and
 - c. Central pay regulation, including strict central regulation.

The parallel application of several forms of regulation is an economic necessity, because the specific conditions of the over 2,600 economic units are very diverse. So far as the feasibility of the forms' application is concerned, pay level regulation will become the dominant form of regulation already in 1985. This form's supplementary element will compensate for the partially still lacking conditions for the form's operation.

Central pay regulation will be employed where profitability gives a very incomplete picture of the economic units' performance. It will be employed temporarily also in the so-called "ailing sectors" that otherwise belong in the competitive sphere. By this we are not making allowances for the inefficient operation of individual economic units, but are recognizing the uniformly unfavorable objective conditions of the sectors in question.

Pay level regulation is the "most progressive" form of regulation, and therefore it should in principle be employed in the entire competitive sphere. But where the prerequisites for its application (mainly the price constraints) are lacking, there pay increase regulation is to be employed for the time being, to reduce the risk of an outflow of wages not backed by performance.

Some of the more important areas assigned to the individual forms of pay regulation are as follows:

<u>Pay level regulation</u>	<u>Pay increase regulation</u>	<u>Central regulation</u>
Petroleum, natural gas production;	A few specialized "repair" subsectors of the machine industry;	Large part of mining, and metallurgy;
Large part of machine, chemical industries and light industry;	Other industries;	A few specialized subsectors of building materials, textile, food industries and domestic trade;
Several specialized subsectors of building materials and food industries;	Motor transport with passenger & freight service;	Large part of transport and communications;
Contracting construction industry;	Foreign trade;	Management of water resources;
Large part of domestic trade;	Planning, design and investment project management enterprises;	Housing, municipal and community services.

4. An integral part of the system is the enterprises' option to choose among the different forms of regulation. In 1983 and 1984, they were able to opt for only strict central regulation. This option will be retained from 1985 on as well; but the enterprises, as of 1985, will be able to choose also between pay level regulation, and pay increase regulation. The enterprises may choose pay level regulation or pay increase regulation for a period of 3 years; or strict central regulation, for a period of 1 year. Approval of this option compels the economic units to plan for several years in advance the alternatives of their economic development, and of their administration of wages and salaries. They have to assess what will be the more favorable from their point of view:

--To pay tax on the entire level of earnings, so that pay increases will result in only little additional tax liability; or

--To pay wages and salaries without the progressive tax, up to the level of earnings already achieved, and accept the relatively heavy tax burden on the increase.

Strict central regulation is chosen for a period of 1 year by enterprises whose ability to pay tax is low, and which would therefore be unable to meet their tax liability under either pay level regulation or pay increase regulation.

The choice requires serious computations, careful deliberation and preparations, because the decision is for several years. Although pay level regulation involves greater risk (there is no guaranteed pay level, and the tax burden is heavy), it offers the most opportunity for a sharp rise. It is advisable to prepare an assessment of the situation for the next 2 or 3 years, in several alternatives. Static computations based on the reported data for 1983 are unsuitable for this purpose.

If we compare the distribution of the economic units according to their centrally assigned forms of regulation and on the basis of their probable opted forms, the following pattern emerges:

Percent Breakdown of Economic Units	By centrally <u>assigned forms</u>	By opted forms <u>of regulation</u>
Pay level regulation	60	40
Pay increase regulation	15	20
Central pay regulation	25	25
Strict central pay regulation	<u>-</u>	<u>15</u>
	100	100

Naturally, the breakdown by opted forms is based on estimates. The economic units have until 31 January 1985 to decide which form to choose. The objective is to have practically the entire competitive sphere employ pay level regulation within a few years, after a period of preparation (or grace).

5. In contrast with the general models up to now, the two models for the competitive sphere--pay level regulation, and pay increase regulation-- are based on ability to pay tax: the amounts paid as wages and salaries, and the feasibility of raising them depend on how much progressive tax on earned income the enterprise can afford to pay from its incentive fund. Tax exemptions will be granted only exceptionally: in the case of wage-policy measures approved by the government, for example.

Ability to pay tax combines in a novel way the feasibility of paying wages and salaries, and the enterprises' performance. It abandons the indicator of wage and salary increase, which has always been controversial. Its logic is as follows: more efficient operation = more profit = more tax on earned income = a higher pay level (or a faster rate of its increase).

Regulation based on ability to pay tax is more flexible, and also more comprehensive (especially with an integrated incentive fund). The enterprises must examine and carefully weigh the following: how much total resources will they

be able to generate; for what objectives will the available resources be sufficient; and what "sacrifices" will the realization of one objective require of the other objectives (for example, how much will the personnel have to forgo in raises in case of additional investment, and what investment will the enterprise have to abandon in case of bigger raises). In any event, the situation must be assessed for several years in advance, and suitable reserves must be set aside.

6. The new forms regulate total pay rather than basic wages and salaries, and the progressive tax on earned income does not differentiate between [fixed and variable] wage components.

7. The system for the reconciliation of interests will develop further and gradually unfold in 1985: for example, in differentiating the tax-free limits under central regulation, in using the allotment for wage-policy measures, etc.

Inherencies of Individual Models

In the competitive sphere, new forms of pay regulation are being introduced that will permit performance-commensurate pay increases:

1. Pay Level Regulation

Pay level regulation (which we developed from experimental model A) is the most progressive form within the system, for the following reasons:

--It abandons increase-linked incentives in terms of both performance and pay (separate taxation of the pay increase will cease, and total pay will be liable to the progressive tax on earned income); as a result, this is the freest form of regulation from the viewpoint of conversion between performance incentives and resources.

--It ends control of enterprise average pay, and the consequences attached to it. The progressive tax on earned income is computed separately for each employee (in a "structured" manner). Therefore it is no longer in the enterprises' interest to "dilute" their personnel, and all administrative obstacles to the enterprises' efficient operation are removed.

The tax is paid on the current-year pay of all (full-time, part-time, on the regular payroll, and other) workers. For each worker, everything he received during the year as pay must be added. His total annual pay is taxed according to a progressive tax schedule that is subdivided into brackets. In case of workers who left or were hired during the year, the progressive tax must be computed on a monthly basis.

Supplementary Element

Temporarily--as a necessary evil, you might say--we have built a supplementary element into the system. The reason we have done so is that the shock of sudden changes in pay ratios, as a result of the changover to the new form of pay regulation, would be intolerable even if these changes were geared to real performances. The point is that a significant number of enterprises would have

been able to give pay increases of as much as 20 to 30 percent, without any further improvement in their already attained level of performance. At the same time, many other enterprises would have had to significantly reduce their wage costs (likewise by 20 to 30 percent), especially their personnel, and perhaps also lower their pay level. We can achieve a rearrangement of income positions only gradually, without the danger of reversion. Therefore the latter enterprises have been given a brief period of grace to prepare for more efficient operation: they may choose strict central regulation for a period of 1 year. And the former enterprises may increase their workers' pay only commensurately with their performance. This is what the so-called supplementary element is helping to achieve. It enhances the performance-commensurate outflow of earnings, without hampering the rise of performance.

The very favorable experience with the experimental systems as a whole likewise confirms the need for such a supplementary element. For there were many enterprises where the dynamic growth of earnings was not supported by commensurate improvements in performance. As a temporary but necessary measure, therefore, the requirement that performances must increase commensurately with pay had to be built into the basic model.

The question of what specific form the supplementary element should assume long remained controversial. A wage ceiling, and the reconciliation of interests were proposed as alternatives. The first solution is not a good one because it divorces the curbing of the outflow of earnings from the development of performances, and also because it exerts a "tractive force" up to the level of the ceiling. And the mechanism of reconciling interests is unsuitable at present for "self-restraint" by other enterprises.

According to the supplementary element's operating mechanism, a surtax must be paid by the enterprise where the indicator of value added per forint of pay declines in comparison with the preceding year, and average pay is over 3 percent higher than the year before. The function of the 3-percent rule is to exempt from the payment of surtax the organizations where the growth rate of pay is slow.

The indicator of value added per forint of pay does not lessen the incentive to export, and its computation is simple. The surtax rates are 150 percent in 1985 and 75 percent in 1986. In 1987, the surtax will cease.

Thus the supplementary element enables the rearrangement of pay ratios to take place gradually, over a period of 2 or 3 years, which is tolerable in practice. Thereby the feasibility of pay increases is linked more closely to pressure to improve performance, which likewise is not negligible. The supplementary element is increase-oriented. It does not curb a pay increase that is commensurate with an increase in performance!

A few years from now, the changeover problem will have been resolved sufficiently to enable us to drop the supplementary element: after a "running-in time" of 2 or 3 years, the basic systems themselves should be able to compel better performance. Furthermore, it may be assumed that fewer economic units will be forced to employ strict central regulation than in the first year of changeover.

2. Pay Increase Regulation

Pay increase regulation, which we developed from experimental model C, likewise represents a significant improvement in the conditions of stimulation:

--In the same way as pay level regulation, this model likewise does not link pay increases to some indicator of performance; rather it relies on the enterprise's ability to pay tax. Thus it, too, abandons increase-linked incentives on the side of performance.

--In regulating pay, however, it retains the category of enterprise average pay and the separate taxation of its increase, i.e., it retains the base-period approach. But this progressive tax is only between a third and a fourth (!) of the tax that was in force in 1983 and 1984. This system, therefore, provides more incentive and is more flexible than its predecessors. With the simultaneous introduction of the proportional payroll tax, the tax burden has shifted to a considerable extent from the increase in average pay to the total volume of pay. In the new model, then, the "material bases" of the increase-linked incentive's earlier negative effects have been reduced significantly. Here I wish to note that the superficial observer sees these changes merely as quantitative ones and does not even notice that they are vehicles of important qualitative changes as well.

The enterprise pays tax on the increase in the annual average pay of its full-time workers, in comparison with the preceding year.

The supplementary element functions in the same way as described under pay level regulation.

3. Central Pay Regulation

Central pay regulation is essentially the same as under the earlier models of central wage regulation. The rates up to which pay increases are tax-free may be differentiated by branches and sectors. In 1985, for example, different tax-free rates will apply foreseeably in coal and uranium mining, in the electric power industry, at the MAV [Hungarian State Railways], in municipal mass transport, and in the postal service.

By definition, the supplementary element is not applicable under central pay regulation.

4. 'Strict' Central Pay Regulation

Under strict central regulation, the centrally ensured tax-free rate of pay increase is only 2 percent, and the enterprise may give a 1-percentage-point additional increase that is subject to tax on earned income. If the additional increase exceeds 1 percentage point, the enterprise "loses" its 2-percent tax-free rate.

If the enterprise opts for strict central regulation after (and instead of) pay level regulation, the pay achieved under pay level regulation may serve as

the base only if it is less than what the enterprise would have attained under normal central pay regulation. If the pay that the enterprise achieved under pay level regulation is more than what it would have attained under normal central pay regulation, the latter pay must be taken as the base.

V. Foreseeable Effects of New System of Pay Regulation

In assessing the new system's foreseeable effects we may rely to a considerable extent also on the experience gained with the experimental models' operation, in addition to the computations, analyses and logical checks.

1. Incentives and Economic Pressure

We can expect the system of pay regulation to ensure on its part the prerequisites for intensive stimulation and efficient operation. Besides the already mentioned incentive effects of pay level regulation and pay increase regulation, we must emphasize central regulation's substantially more favorable conditions than at present, as well as strict central regulation whose purpose is to aid preparation and a breakthrough. Experience indicates that in "difficult situations" the enterprise collectives are capable of greater performance than under "orderly" conditions, provided they have a clear program for consolidation.

The requirements set for the enterprises will be more consistent in the future, and thus the economic units will be under stronger pressure than at present to improve the quality of their operations. In combination with strong incentives, this economic pressure will presumably uncover the existing reserves. The expected intensive processes of rearrangement will help to switch the economy to the path of more intensive development.

However, the regulators alone are not enough for a strong incentive effect to unfold. They only make stronger incentives possible, but do not guarantee them. The development of incentive wage systems and internal incentive systems within the enterprises is a condition just as essential as the performance-orientation, development and mobilization of the sociopolitical factors, based on the reconciliation of interests.

Development of internal incentives as the basis for better performance was the first thing to be done by the economic units that fared well in the experiments conducted over a 2-year period, and only then was pay raised commensurately with the actual performance. But the economic units that did not fare well in the experiments began immediately with increasing pay, and many of them completely forgot to develop their internal incentives.

The experiments, which have been very favorable overall, are of considerable help in assessing the new system's probable effects. The results of the economic units participating in the experiments have substantially exceeded the average and also their own earlier results. The growth of their production and productivity has been dynamic, improving trends are evident in their cost management, profit per 100 forints of wages has risen significantly, and the rise of their price level has not exceeded the average. Pay, too, has risen

rapidly, but the overwhelming majority of the economic units participating in the experiments have matched the increases in pay with suitable additional performance. Wages are better differentiated. The method of paying workers in one sum, to be divided among the collective, has been employed frequently. Work is better organized and prepared. The independence and accountability of the individual subdivisions have increased meaningfully. The enterprise collectives have been given more authority, and the role and prestige of plant democracy have increased, not only in the allocation of social benefits but, increasingly, in producing the resources for pay increases as well.

The unfavorable experience gained in the experiments also has been very useful and has helped to develop the system of pay regulation in its final form. Many of the enterprises and cooperatives participating in the experiment rapidly raised their pay level, but did not see to it that this increase was matched by additional performance. The supplementary element has been built into the new system specifically to forestall a wide-scale repetition of this disproportion. Of course, general application of the new models can be expected to yield also experience other than what the 126 enterprises and cooperatives have gained by volunteering to participate in the experiments. Nevertheless their experience is more valuable to us than logical checks alone would have been.

2. Convertibility of Direct and Embodied Labor

The convertibility of direct and embodied labor has changed radically. Out of 100 forints saved by cutting the cost of materials, for example, it is now possible to use 40 to 50 forints (!) for wage increases (as opposed to between 5 and 8 forints in the past) or 50 forints for investment. Under pay increase regulation, 15 to 25 forints may be used for wage increases.

These ratios already provide a very strong incentive, and for the economic units they ensure freedom to make sensible business decisions, not only in theory but in practice as well.

The source of much waste, the distinction between "hard forint and soft forint" is being narrowed to a large extent. Wages in hard forints are becoming more attainable. With the expected hardening of the market conditions and budgetary provisions, cost management will gain in importance, and the cost-sensitivity of the economic units will increase. But the latter still requires time, and we can expect only a gradual improvement. For this very reason, the lifting of the price mechanism's administrative barriers will be warranted only where, and to the extent that, the market's natural barriers are able to replace them.

Direct and embodied labor's convertibility that may be termed sensible at the macroeconomic level as well will be enhanced to a large extent in the future also by the fact that the undervaluation of direct labor among the resources in the enterprises' cost structure and economic incentive will cease gradually. The pay-commensurate taxes (the proportional payroll tax and progressive tax on earned income), the plan to levy the contribution to the municipal or village council's development fund and budget from 1986 on as a percentage of total pay, the reduction of consumer price subsidies, the higher turnover tax rates, etc. serve this purpose. And this is an important condition also for

introducing forms of pay regulation that ensure freer wage and salary administration, without (or with fewer) administrative restrictions. For these models are unable to function if direct labor is undervalued considerably.

3. More Efficient Manpower Management

Practical acceptance has been slow up to now of the principle that it is the state's task to ensure full employment, but basically the enterprises' task to solve efficient employment. A change of attitudes is proceeding slowly, and even today economic managers frequently claim that they are retaining for social considerations a proportion of their work force. At the same time, however, the surplus personnel leads to a low level of performance and lax labor discipline, and limits the feasibility of providing incentives for good workers.

Modernization of the system of economic management creates interest relations that not only provide incentives, but also exert economic pressure for the rational use of resources, including the improvement of the efficiency of labor.

It is a worldwide phenomenon that accelerating technological development and economic growth, and intensifying competition are necessarily accompanied by the disappearance of old places of employment and the appearance of new ones. We, too, cannot exclude ourselves from this process, otherwise our very survival would be in jeopardy. Under these conditions, we cannot guarantee any worker that he will spend his entire working life at the same workplace. In the future, therefore, it will become necessary more and more frequently for some of the workers not only to change their places of employment, but also to retrain for new jobs. Manpower mobility is being enhanced also by state measures (gradual modernization of assistance for retraining, development of a network of employment service offices, the feasibility of lending manpower between employers, etc.).

An important task is to strengthen labor discipline and to use the available working time efficiently. There will be also central measures to aid a reduction of the losses from the total working time available to society. Among other things, opportunities for workers to administer their affairs, visit public offices or use services after work will become the general rule.

It will be in the interest of the economic units to treat labor as a scarce resource in their investment and development objectives, and to strive to replace labor with mechanization, particularly in jobs involving heavy physical labor, in work under adverse conditions, in materials handling, etc., for which it is becoming increasingly difficult to find workers.

A change is warranted in the practice that enterprises maintain a work force geared to their peak periods. Instead, other solutions must be sought to adjust the manpower demand to the fluctuations in production. It will be expedient to increase the ratio of workers working under the new, flexible forms of employment (home workers, part-time workers) to the workers working regular hours.

The formation of enterprise work associations will be warranted in the future only where they can help to attain additional performance. It will not be worth the effort to form enterprise work associations merely to escape from the "stockade" of wage regulation, because also the reason to do so (the stockade) will cease. It will be expedient to make participation in an enterprise work association possible only for those workers who fulfill their duties faultlessly and whose performance during regular working hours is satisfactory. The enterprise work associations should pay a suitable use charge for equipment placed at their disposal. Their contract fees should be commensurate with their performance, producing a profit rather than a loss for the collective.

Under the influence of the incentives and economic pressure, and to no less extent with the help of manpower management's expanding system of institutions the imbalance of manpower supply and demand can thus be expected to be resolved gradually, without the prospects of unemployment in the foreseeable future. The real personnel requirements of the physical and nonphysical branches can be supplied even approximately only if the manpower that cannot be employed efficiently at the workplaces is redeployed, in which we will assist the workers concerned, through enterprise measures and, if necessary, state measures as well.

The enterprises' economic self-interest in "diluting their personnel" is ruled out completely under pay level regulation, and for the most part under pay increase regulation, without any separate incentives to save manpower. Usually also partial objectives can be solved more effectively under a strong profit-incentive system than with separate incentives for each partial objective. But the realistic valuation of direct labor is a prerequisite for such a profit-incentive system as well.

The efficiently operating enterprises capable of dynamic growth can be expected to increase their personnel and carry out the necessary structural changes in their work force, while the less dynamic enterprises will wish to operate with a diminishing work force, but one whose composition is better suited to their needs. But the enterprises of low efficiency will be forced to sharply cut back their personnel, and occasionally even to reduce their variable wage components.

4. Stimulation of Technological Development

Perfection of the system of economic regulation can be expected to favor technological development as well: additional performances can be rewarded with pay increases more readily than before; the higher costs of direct labor and the relaxation of the regulators' rigid limits improve the convertibility of resources; the stronger profit incentive encourages development of a production structure that technologically is more modern and at the same time more profitable; our modernized system of wage rates and the principles of our wage policy are urging the financial appreciation of skilled and innovative work; the very flexible regulation of pay for activities closely related to innovation and its exclusion from the category of regulated pay; the institutionalized credits against profit tax on research and development activity, etc.--all these are provisions and a system of institutions that are intended to accelerate technological development.

Thus there are numerous indications that technological development, under the influence of the regulators' incentives and increasing competition-compelling effect, will accelerate in comparison with its present rate.

5. Greater Risk at Every Level

With the introduction of the new, freer systems of pay regulation and with wider independence, there will be more risk at both the microeconomic and macroeconomic levels. In the interest of the anticipated results, however, this greater risk has to be assumed.

Why do we expect more risk?

--To a large extent, the actual outflow of earnings will be a function of how strict are the constraints (the market, prices, the state budget, cost-sensitivity, etc.). Where the constraints are not hard enough, wage-fueled inflationary pressure could increase. The national economy's risk in conjunction with the outflow of earnings will be greater during the years of changeover.

--More flexible pay regulation will be able to function only if the work of the enterprises' senior and middle managers improves and they assume more responsibility. This is confirmed by the results of the experiments as well. At the same time, the development of capable management at all the economic units will be a parallel process that will take several years.

--The intensive short-term effect of wage incentives will foreseeably increase the pressure on enterprise management (especially on chief executives) to raise wages and salaries, especially when uncommitted financial resources also are available. There is danger that some enterprises may neglect even the necessary R&D and investments in the interest of pay raises, thereby undermining also the feasibility of raising wages in the future. When concluding or amending the collective contracts and on other occasions, ways must be found to reasonably reconcile the collectives' short-term and long-term interests. The trade union will play an outstanding role in the reconciliation of interests within the enterprise.

--For decades, the resources available for pay increases could be spent each year, and there was less need to spread them over several years. But now we are facing an entirely different situation. The position of the enterprise must be assessed for several years in advance, and the enterprise can operate only with suitable reserves. Without reserves, an enterprise could soon go bankrupt. But both the management and the collective have yet to learn how to operate prudently.

--Prudent operation means that the enterprises, for example, should commit themselves to raising basic wages only when their position is secure, because it is very difficult to claw back the raises. Variable wages will have to play a greater role. When it becomes evident during the year that the foreseeable profit will fall short of the level of expenditure, the measures necessary for a retreat must be adopted immediately: variable wages must be reduced, and perhaps even the work force if necessary.

The risk and the expected conflicts can be reduced to a large extent by improving the conditions for forecasting, becoming thoroughly familiar with the system of regulation, carefully assessing the enterprise's position, and suitably involving the collective. Managerial skills and accountability gain special emphasis in the new situation. This has been meaningfully demonstrated already in the experiments.

It is essential that the entire enterprise's managing collective and its social organs become acquainted as soon as possible with the gist of the new type of regulation and with the enterprise's options. For only then will they be able to mobilize, and to develop suitable internal incentives and a system of performance requirements.

The enterprise's workers, too, must be prepared for the new situation. When the collective contracts are being concluded or amended, the workers should widely discuss the performance, remuneration and employment possibilities in the given year. Only in this way is it possible to avoid sudden and violent conflict situations.

We will be encountering significant changes in pay ratios stemming from the essence of regulation, because we want the enterprise's bottom line to influence earnings. But all this is not feasible without conflicts. We must prepare for these significant changes in pay ratios and foreseeable conflicts, within the enterprises as well as in the individual trades and regions. The significant changes in pay ratios are most likely to increase also manpower mobility. This will permit the special financial appreciation of good skilled workers, etc.

I will not deny that the increased risk stemming--for the already mentioned reasons--from the changeover to the new system of regulation is causing central economic management some concern from the viewpoint of balancing purchasing power and market allocations. But we must assume reasonable risks also at the macroeconomic level. The risks that the individual economic units are assuming are no smaller. Therefore it is exceptionally important to allow only pay increases that are commensurate with the performances, because failure to do so could jeopardize the "equilibrium" of the national economy and of the enterprise as well. In the new situation, prudent moderation cannot be dispensed with even in the area of wages. And we expect such moderation of every economic manager and every official of the party or mass organization. It is primarily their responsibility to shape the collective's views in the right direction, and to ensure that the creation of resources shares the focus of attention with the distribution of resources.

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POLAND

NEW MINISTER COMMENTS ON SCI-TECH POLICY

Warsaw ZYCIE WARSZAWY in Polish 15 Feb 85 pp 1, 2

/Article by (b.k.): "Minister Konrad Tott Meets With Representatives of Technical Sciences"/

/Text/ Minister Konrad Tott, head of the Office of Scientific and Technological Progress and Implementation, met on 14 February with representatives of scientific institutions which make up the Department of Technical Sciences of the Polish Academy of Sciences.

The head of the new office presented his opinions on the policy of technological progress in Poland. He expressed his conviction that the lack of technological development was due not so much to mistakes in strategic decisions concerning these problems; instead, the shortcomings are caused largely by insufficient coordination of research and development, ineffective forms of managing research, research preparations, and of the way the implementation is initiated.

The programs were formulated in overly general terms, obstacles in their implementation were emerging only a few years after the beginning of the work, and the results turned out to be inadequate to the industry's capabilities. The latter of the listed difficulties could be eliminated by initiating as early as in the research stage cooperation with those who will use that research later on.

It was pointed out during the discussion that to concentrate only on the improvement of the coordination of R&D works will not bring about by itself the modernization of our technological designs. There will be no technological progress until there are no appropriate funds for the implementation /of projects/ and investments needed to this end. The costs of prototypes of new equipment alone are at least two times higher than the money needed for the research preceding the construction of such prototypes. And their use in the production requires yet greater outlays.

In the opinion of Prof Mieczyslaw Lublinski, what we need are not exhortations to progress but a different mechanism of getting industry interested in new technologies, products, etc. What kind of mechanism? Prof Tadeusz Rut, inventor of the method of forging crankshafts, one of the five most valuable technological inventions in postwar Poland, observed that the arbitrariness

of price manipulations replaces now within enterprises profits they would otherwise see thanks to technological progress. Even the cost of the advertised junk is being included in the production costs, and these in turn in the profit, because the profit goes up along with the costs. The higher the costs, the greater the profit. This is a peculiar merry-go-round of the absurd. The reform did not get enterprises interested in cutting production costs. I dare say, said Prof Rut, that it will be possible to improve anything without making changes in this mechanism.

The lack of competition is another reason for the inertia of enterprises. Incidentally, this also holds true of scientific teams. Two to three teams should be working on solving problems of great importance. Otherwise, we cannot count on obtaining the best possible result.

It was also pointed out that in the strategy of technological progress the difficulty is not to provide everybody with enough means but to select competently the fields and groups of people who promise the most, the most valuable results. If you do not want to offend anybody, said Prof Leon Lukaszewicz to Minister Tott, you will cast in your lot with your predecessors because everybody will lobby for himself and this will not make up a reasonable choice strategy at all.

The introduction of modern technology also requires a greater organizational order and production discipline. Many of these actions must be carried out simultaneously if we want to break the deadlock in the matters of technological progress.

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POLAND

COMMISSION HOLDS PLENARY MEETING ON NEXT REFORM REPORT

Warsaw RZECZPOSPOLITA in Polish 14 Feb 85 pp 1, 5

/Article by Bozena Papiernik: "Supporting Reform With Social Energy"/

/Text/ The intention of the KRG is to submit as early as during the first half of this year, i.e., well ahead of schedule, reform guidelines for the next 5 years, and a final report on its implementation to date. It will differ from the previous annual report of the commission in that it will contain the evaluation not only of the 1984 performance but also of the implementation of the 3-year plan against the background of the process of economic reforms. The introductory part of the report concerning the development of the reform till now, presented by the Office of the Plenipotentiary, was the point of reference for the hour-long discussion during the plenary session of the KRG held on 13 February.

The session was presided by Deputy Prime Minister Zbigniew Messner. Politburo member and First Secretary of the /PZPR/ Warsaw Committee Marian Wozniak and Deputy Prime Minister Zbigniew Szalajda participated in the session. Also, representatives of self-management, employee councils, and some socioprofessional organizations took part in the commission's session for the first time.

If one evaluates the reform by the economic performance, its direction has to be judged as correct, says the draft report. Last year, tendencies of national product and production growth consolidated, reaching the 105-percent rate, which was even higher than the one called for in the plan. In most industries, the growth of production is due exclusively to higher labor productivity. Its level, for the first time in several years, exceeded the 1979 level, i.e., was higher than before the crisis collapse. It is worthwhile emphasizing that 50 percent of the production results of the last 2 years have been obtained thanks to savings, i.e., better efficiency. The growth of national product was two times higher than that of basic raw materials and energy sources. Growth of workplace wage systems, which exist already in over 1,300 enterprises, higher number and activity of employee self-management structures, progress in fighting inflation, coming closer and closer to a balanced market, a step forward in self-financing: these are, roughly speaking, the achievements of the reform and processes strictly related to it which were experienced by our economy last year.

The preliminary report did not leave out dilemmas, questions, and dangers which are currently emerging during this last year of the 3-year plan, which is a very important year from the point of view of the implementation of the reform, and during which we will have to set forth guidelines for the next 5-year plan. The weak points of the reform must not be minimized in this situation, as was said both in the preliminary report and during the discussion at the session. There are branches of the economy where the results are hardly perceptible or insufficient, and where the mechanisms of the reform appear very weak. So, for example, they failed last year to discipline the investment process, whose efficiency is low. Despite the general improvement on the market, both at the retail and factory level, there are still gaps in the flow of consumer goods to the marketplace (in terms of supplying both population and industry). The volume of exports to the second payments area is insufficient, especially in the electrical machinery industry, and the level of its profitability is unsatisfactory. The level of production quality leaves very much to be desired, sometimes it is just alarming. The price, investment, and export activities are fields where either the reform solutions differ considerably from ultimate solutions out of necessity or the praxis is insufficiently linked to economic and market mechanisms.

Main assumptions of the preliminary report on the implementation of the reform were approved by members of the commission, who emphasized in their speeches, however, that it is most important today to obtain reliable answers to the questions of why the progress in the economic efficiency is unsatisfactory and what causes its setbacks. Therefore, the participants in the discussion prepared themselves for more critical "notes and tunes," as someone said, assuming that the final report should concentrate on the sectors of the economy and the mechanisms of the reform where the principles of the latter are threatened by erosion or consolidation of temporary solutions, inconsistent with the final version.

It is from this point of view that especially the following underwent criticism during the discussion: weak points of the price system, overly extensive conservation of the centralized distribution of materials, and the functioning of the central economic offices. As Professor Czeslaw Bobrowski said in his speech, the failure to achieve until now a gradual, so-called peristaltic movement of prices is extremely unfavorable, hence the necessity to carry out price operations. It was also brought up that the prices are not being established on the basis of parameters, i.e. principles independent of the enterprise. Paradoxically, said Professor Czeslaw Skowronek and other speakers, as the stabilization of the economy grows, the mandatory dependence on the state for materials expands, in which sector and branch ministries play an active role. A more thorough analysis of government orders in the context of the reform was demanded. It is also necessary to watch carefully workplace wage systems, especially in terms of stimulating efficiency. The extent of reduced requirements and arbitrariness were criticized unanimously, which is also emphasized in the guidelines of the preliminary report.

The area of social issues was an important theme of the session, as reflected particularly in such questions: To what extent does the reform enjoy social endorsement? To what extent is it approved by society and does it stimulate

active, creative behavior, without which its development will be unsatisfactory? Prof Kazimierz Doktor said that the support of the reform varies from one social group to another, which is a result of both the difficult economic situation and, in his opinion, not enough consistent implementation of the reform. Prof Jozef Pajestka demanded that the final report on the implementation of the reform and its further perspectives take into account problems of its social context, and said that the reform has not yet awakened "the spirit of social entrepreneurship."

Members of the commission made many amendments to and comments on the preliminary guidelines for changing the structure of the economy, presented by the Office of the Plenipotentiary, and on the guidelines for systems of enterprise evaluation.

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POLAND

BOBROWSKI WEIGHS IN ON PRICE HIKE DEBATE

Warsaw ZYCIE WARSZAWY in Polish 11 Feb 85 pp 1, 2

/Interview with Professor Czeslaw Bobrowski by Henryk Chadzynski/

/Text/ /Question/ During the previous price consultation, Professor, you presented in our newspaper a standpoint which covered the problem of prices much more extensively against the background of the market balance, and, above all, that of the structure of consumption and the impact of changes on each group of population. Because the Economic Advisory Council /KRG/ recently submitted its opinion on the draft of the Office of Prices, I would like to ask you to present it. Is it a continuation of previous opinions on this subject?

/Answer/ The opinion of the KRG Presidium, submitted to the government, includes, like our previous suggestions, the problem of the increase of industrial prices, which are not included in the draft of the Office Prices. Things have to be analyzed together in order for all price operations in 1985 to stay within the nine percent called for by the Central Annual Plan. Besides, many times in the past, the KRG called for gradual price hikes, instead of concentrating them at the beginning of the year. I know that such a course of action was advocated lately by trade unions and the Consumer Federation.

/Question/ Previous KRG studies contained, however, other elements as well.

/Answer/ We suggested a greater flexibility of conventional prices, use of commercial prices, and a bolder use of turnover tax rates.

/Question/ What was the purpose?

/Answer/ This was supposed to reduce the share of food in all price hikes. The point was to protect poorer consumers for whom food is an item of much greater importance. Secondly, with food price increases, there is a need for cash compensations which weaken the anti-inflationary effect. Besides, I have a generally negative attitude toward compensations because there is no method of calculating them which would not be controversial.

/Question/ From the point of view of the balance, however, it will not be easy, in the present situation, to replace the limitation of food price hikes by additional increases of industrial goods prices, which is what you have been suggesting. Do you still maintain this claim?

/Answer/ The room to maneuver is very restricted but I believe that this would be very desirable. One has to realize that price increases for industrial goods are already decided by the decisions which were made to decrease, for example, subsidies and to boost foreign exchange rates. This will cause retail prices to rise by over 70 billion zlotys. There is at the same time a restriction not to allow prices to increase by over 10 percent without special permission from the Office of Prices. I think, however, that there should be more flexibility here, more maneuvering room.

/Question/ Why would this be desirable?

/Answer/ Because of /all/ possible goals of price hikes such an important goal as shaping the demand appears in this whole operation to be extremely weak. It is outweighed by fiscal considerations. Taking into consideration the purpose I am talking about would increase the possibility of curtailing the rationing system.

/Question/ How are, from this point of view, the /price increase/ options submitted for consultation evaluated?

/Answer/ Frankly, none of these options is perfect. In other words, a fourth option would not be a bad thing. We spoke, with relatively greater approval, for option II but what this means is, first of all, our objection to options I and III. Without going too much into details, one can say that option II, with a certain modification, comes the closest to our demand. In this option, the increases affecting the structure of the demand constitute over 50 percent, while option I emphasizes mainly the problem of meat and /meat/ products. This item would yield 70 percent of the whole food price increase. It is obvious, then, that this would have only a fiscal effect, as one can envisage a balanced meat market only in the near or distant future. The option III is a misunderstanding.

/Question/ Why such a sharp opinion?

/Answer/ I think it started with the fiscal assumption to raise the price of sugar by approximately 80 percent. Such a price would be a barrier for poorer consumers but not for moonshiners who buy sugar on the black market at almost 120 zlotys /a kilogram/. It is incomprehensible why the price of sugar should be raised to the so-called profitable level. I am saying "so-called" because the prime cost can be lowered by curtailing transport and the duration of the campaign. All the more so as we have no reason to force sugar production to a maximum for export reasons, since this means exporting particularly unprofitable merchandise. Besides, sugar is particularly suitable for the adoption of a system of commercial prices, close to those on the black market, with ration cards preserved and a slight increase of the price of rationed sugar. Financial and anti-inflationary effect would be achieved this way not at the cost of all households but at the cost moonshiners and the wealthiest families. The cost of increases could be reduced in option II by at least 10 zlotys per person. In the long run, on the other hand, one should aim at reducing or even eliminating sugar subsidies. But there is no reason to hurry. On the contrary, it is necessary to keep in mind that this is a very peculiar good. No matter

how large the family or income, the consumption of sugar per person varies very little. In other words, subsidies are distributed correctly from the social standpoint.

/Question/ What are the KRG proposals in other matters?

/Answer/ It was not our goal to put forward proposals of cosmetic changes in a larger number of items. We suggested, however, to examine some of them when, for instance, we opted for different levels of meat price hikes /or/ for the use of two rates for electricity and gas bills. We consider the problem of sugar as the most important one because of the weight of this item in family budgets and the possibility, we believe, for this correction to be taken into consideration in the decisions which are being made. While analyzing /the problem/, we kept in mind that option II accounts for several long-term problems, and in particular for the procurement of animal proteins and fats, not through meat but through milk and its products. This proposal comes very close to a balance, with small imports, of fats mainly. Obviously, this year is just a stage but it is important that in view of the future the decisions which are being made contribute better and better to the creation of conditions for a partial balance. This is all the more important as we have no capabilities of increasing production quickly. Fragmentary actions, then, have to be undertaken while thinking of the whole, so that looking at trees we do not lose sight of the forest.

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POLAND

NO HOPE SEEN FOR MIXING COMMAND, MARKET ECONOMIC SYSTEMS

Warsaw POLITYKA in Polish No 6, 9 Feb 85 p 4

[Article by Pawel Bozyk, director, Institute of Intntl Economic Relations, Main School of Planning and Statistics: "A Dangerous Subject"]

[Text] If we are to discuss the reform seriously, we must return to basic questions concerning its ultimate form. Being absorbed with the current problems of its implementation, we lose sight of the fact that it is going to the basics that may, in large measure, explain the causes of these problems.

Let us look at the beginning of arguments formulated from various positions by critics of the reform. One faction, calling itself the leftist, looks to the fundamental principles of socialist economy.

To Equalize or Differentiate

The leading argument here is indication of the contradiction between the principle of equality basic to socialist economy and the essence of the market. From the start, the market is differentiated by the society: to some, the more shrewd but not necessarily the more industrious or able, it gives more, to others less. The state, in this case, has limited possibilities for counteracting the inequalities. Differentiation in income, especially wages, is treated in the market economy as a basic factor that increases productivity, and the state is not in a position to eliminate growing inequalities in income since it would have to extend to unheard of limits the apparatus of inspection and prosecution.

Another argument of the "leftists" is the assertion of a contradiction between the market and full employment. The market from its beginnings creates the unemployed. Unemployment is not only a disease of a market economy, but also a factor that accompanies increase in productivity of those employed, therefore, it is impossible to eliminate this mechanism.

Still another argument: the market mechanism is contradictory to the principle of planned development of the socialist economy. The result of cyclic development of a market economy is to repeat crises. And nothing will come of saying that crises also happen in socialism. Here, as critics of the market aver, crises arise as a result of departure from the basic principles of a planned economy caused by the incompetence of those directing the

economy. They are not a manifestation arising from the basic principles of the system.

When Income Increases

Partisans of another extreme view use opposite arguments. The market economy, they aver, does have its requirements. There is no well-functioning market without differentials in wages and income; this is a condition of increase in productivity and improvement in widely applied efficiency of management. The market rewards those who work better and have higher qualifications, and everyone benefits from this since increase in efficiency of management promotes an increase in national income. Nor is it true that the process of differentiating income cannot be mastered. In Sweden, the market partisans say, this differentiation is less than in some socialist countries.

The market creates unemployment, but frequently it is less than the increases in employment under conditions of a centralized system of managing the economy. Is it not better, then, to be reconciled to a certain number of unemployed (who receive subsidies) as a price of increasing the number of effectively employed?

A condition of proper functioning of the market is not only differentiating income and creating work force reserves, but also many other factors. Partisans of a market economy include among these specifically the flow of work force and capital on an international scale, currency exchange, substituting indicative planning for command planning, full independence of enterprises and increase in the share of private property. Without a free flow of work force and capital on an international scale, it will not be possible, they say, to create conditions for competition and in this way to decrease the degree of monopolization of the economy. Without introducing convertible currency and letting it take its natural course, it will not be possible to have true economic accounting.

In keeping with this approach, the state can and should influence the direction of development of the country, division of national income and cooperation with the rest of the world, but it cannot do this by commands but only indirectly, using the market tools (linked with parameters) such as: indicative planning, the finance policy, tax policy, subsidies, etc.

An Attempt at Compromise

Pragmatists present a distinctly separate position, making their system of functioning dependent on concrete conditions of the prevailing socioeconomic situation.

The system of functioning of a socialist economy, they say, depends primarily on the form of property. The greater the share of state property, the greater the possibility of using the form of direct influence on socioeconomic development. Under conditions where state property dominates, it is possible to apply the command management of the economy successfully.

The systemic solution selected depends on the level of socioeconomic development. The higher this level is, the less need is there for centralization since there is no need then for radical changes in the socioeconomic structure and implementation by command methods is easier.

Another factor that determines the selection of a systemic solution is the concept of the socioeconomic policy, including its basic goals. When one of these goals is egalitarianism because the majority of the people want this solution, a more effective solution is a centralized system of economic functioning. If, on the other hand, growth of management efficiency is primary, a market economy will be the more effective solution.

We must also take into account the production factor resources (the work force, capital, raw materials). When a country is richly endowed in these and can develop its economy extensively, a centralized system is a convenient solution. But if there are resource deficits, a centralized system leads to increasing the difficulty and must be replaced by a solution that does more to promote more efficient management.

Finally, selection of a solution depends on the state of socioeconomic balance. The more equalized an economy is, the more favorable are the conditions for introducing a market solution. Conversely, when there is a lack of balance, government intervention is indispensable, and this is more effective if the economy is managed by command.

The solution adopted in Poland is an attempt to compromise with respect to the partisans of the various views. They were all invited by the Reform Commission to discuss the matter, and as a government plenipotentiary indicated in an interview, they agreed on a conception.

The basic question that is raised here concerns the essence of the reform, its character, particularly establishing whether it is a derivative of a market solution or a centralized solution. Authors of the reform stressed many times that the concern here is for a first solution whose expression specifically limits, and in many cases eliminates, command planning and makes the enterprises independent.

Partisans of a "pure" market solution continue to be dissatisfied, however. What kind of a market is it, they ask, if its basic demands are not met, if because of this, it has no competition because the monopolistic position of the predominant number of producers is not eliminated, if private capital (on a significant scale), local and from abroad, is not allowed, if the system of control, including control in the consumer and production area, is not eliminated, if no steps are taken to introduce convertible currency, if overemployment is not eliminated and the approved ideology of egalitarianism remains in clear contradiction to the demands of improvement in management efficiency.

The authors of the reform respond to this curtly: conditions do not permit carrying out these demands. Society prefers egalitarianism, we must conform to that; it is an especially important goal for us. Control is the outgrowth of imbalance in the area of production and consumption. We decreased it by increasing prices. At present we are increasing production in order to attain balance, and then we will remove controls. We must attain this goal gradually because this what the social situation demands. From social considerations, we must also ensure full employment since public opinion considers this principle to be most important. Under existing political conditions it is difficult also to count on a greater influx of capital and goods from the West; boycott on the part of capitalist countries does not depend on us. Because of this, we are "opening up" more to the CEMA countries. Without resolving these problems, it is difficult also to count on a rapid introduction of convertible currency because at present that would only increase the difficulties.

The crowning argument: we introduced the reform under very unfavorable circumstances, therefore we need a transitional period for these circumstances to become favorable.

An Anarchized Economy

Partisans of traditional methods of directing a socialist economy are also dissatisfied. In their opinion, the present solution is anarchizing the economy. This pertains mainly to the price policy. Giving enterprises authority in this area calls their attention to continuously increasing prices instead of stabilizing or even decreasing prices as a result of increases in efficiency and production.

An anarchization of cooperative connections also follows. Enterprises in pursuit of profit frequently do not undertake production of subassemblies needed by others because this does not pay in the accounting. In turn, this decreases the possibility of production of other manufactured goods and leads to actual losses. This can be corrected only and exclusively by effective state control.

Anarchization, according to partisans of this view, also pertains to exports. Exports are not profitable because everything can be sold on the local market and for significantly higher prices. No one sulks about the quality, the packing, etc. Regulating this matter by currency flow has, thus far, not found acceptance because an increase in flow makes import more expensive and makes production unprofitable. Exporters, therefore, would like the greatest flow possible, and importers, the smallest. We lack only those willing to cover the differences between them.

Also, in the area of investment, excessive independence causes disorder. Under conditions of production monopoly, everyone invests in what he finds suitable without excessive concern about the fate of the whole. In a socialist economy, say the partisans of these views, the state must be responsible for the development of the economy as a whole, and therefore, also of the investment policy. No one can relieve the Planning Commission of responsibility for this policy.

Finally, the matter of egalitarianism. Market solutions cause a departure from this idea in spite of the fact that officially it is always promulgated. The number of rich people is increasing at the expense of the greater mass of those getting poorer. What is worse, this does not lead to an increase in efficiency of management. Getting rich is the result of speculation, unjustified increase in prices (unbalanced market) etc. The people who maintain themselves from rent, pensions or stipends, and government workers and families with many children, etc., where the increase in wages and other income does not even partially beat inflation, are paying for this.

The Hand and the Ear

In my opinion, the present phase of the work on economic reform not only is not decreasing, but is increasing the need to continue discussion of its ultimate theoretical form. The size of the write-off for the Vocational Activation Fund is less important than other technical solutions. It would be good to return to the discussion of the mid-1950's and to take advantage of the contributions of science in recent years in order to answer the many questions that are troubling almost all of society now.

In my opinion, attempts to sidestep the disagreements between principles of socialist economy and the market by piecemeal introduction of certain market laws lead to neither activation of production nor to guaranteeing the "purity" of systemic institutions. Actually, in many cases they cause anarchization of the economy. As a result, their character is one of pious wishes rather than of practical, functional solutions.

Avoiding discussion does not move the matter forward, creating as it does an unlimited field of action for voluntarists for whom every solution is good to the extent that it is different from solutions tried before.

This is obviously a dangerous subject. Every attempt to verify the principles recognized as basic (or their correction) has already been recognized many times as revisionism. In turn, every attempt to counteract introduction of market principles into the socialist economy has been christened conservatism and dogmatism many times. It is not strange, then, that there is a broad need of the "golden mean" and for the criterion of the "golden mean" to determine the actions of government politicians. Unfortunately, this seems to be an attempt to scratch the right ear with the left hand at the expense of both the hand and the ear.

Mixed solutions cannot be based on the positive traits and rejection of the negative traits of both "pure" solutions. It would be well if from the market solution we could accept only the mechanism that favors increased efficiency of management, scientific-technical progress, increase in quality and modernity of production, and from the command solution, egalitarianism, full employment, planned economic development, etc. But we cannot do this.

Such a statement of the problem does not at all mean that there are no possibilities for uniting the plan and the market. In each case, however, the logic of the dominant solution must be preserved. If, therefore, elements of a planned economy are introduced into a market economy, they must not "break" the logic of the latter.

In the whole discussion of reform the question of "to support" or "to replace" has not been finally answered. In my opinion, the concept of reform that is implemented will succeed in uniting both of these practices. To the extent, however, that in "supporting" the planned economy with market mechanisms (for example, granting some enterprises the right to make current decisions), we may be confident about the logic of such management, to the same extent we must be consistent in replacing mechanisms of planned economy by market mechanisms. If, therefore, we replace command planning with indicative, and rebuild the Planning Commission into an analytical-forecasting center, we will have to decide on accepting the logic of the market mechanism with all of the consequences of this. Giving up command planning means disturbing the logic of centrally planned economic functioning.

I am for the so-called "purity" of the system of functioning, or simply for consistency in reforming the economy.

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ROMANIA

ROLE OF SELF-FINANCING IN IMPROVING EFFICIENCY OF ENTERPRISES

Bucharest REVISTA ECONOMICA in Romanian No 4, 25 Jan 85 pp 21-22

[Article by Nicolae Drijman, director at the Central Union of Artisans Cooperatives: "Self-Financing as a Condition and Incentive for Efficiency"]

[Text] Strengthening self-financing in each economic unit is one of the essential conditions and a powerful incentive for enhancing the efficiency of economic-financial self-administration. Increasing utilization of a unit's own resources for financing general activities creates conditions for reducing production and turnover costs by cutting back interest on bank credits required to finance production; at the same time, as self-financing increases, larger credits become available for other urgent needs in the economy. Reduced costs and, implicitly, the larger profits obtained through self-financing enhance the economic strength of the units by consolidating their own resources, and permit the enterprises to increase their contribution to the state centralized funds, which are used for the general development of the society.

In keeping with the efforts made along this line throughout the economy, all the units of the artisans cooperative have been consistently working to continuously strengthen the process of self-financing, based, in accordance with the new economic-financial mechanism, on achieving the profits index envisaged in the plan. In 1984, over 80 percent of the economic units that run their own balance sheet exceeded that plan index; thus, the overall achievements of the artisans cooperative units exceeded the profits envisaged in income and expenditure budgets by about 4 percent.

In order to develop its activities and to diversify its production, the artisans cooperative mobilized important financial resources and thus covered all the necessary investments out of its own funds. During the 1980-84 period, the funds earmarked for construction-assembly and equipment purchases exceeded 4 billion lei, and were used to build new consumer service outlets, production workshops, self-service facilities, laundry and chemical cleaning shops, and other facilities in most urban centers. These new units increased the technical-material basis of the cooperatives and created better conditions for organizing small-scale industry and consumer services. Currently, close to 75 percent of the activities of production and service units is taking place in newly built facilities.

In order to finance production investments, all artisans cooperatives made consistent efforts to accumulate funds for economic development; the resources tapped for this purpose were quotas from the earnings secured, enrollment taxes, amortization of production fixed assets, social shares deposited by the cooperative members and by personnel employed under contract, and earnings from the paid transfer of fixed assets.

In cases in which the economic development funds of a unit were not sufficient to fulfill the investment plan, the artisans cooperatives applied to the Central Union of Artisans Cooperatives for loans. While loans from the Central Union of Artisans Cooperatives were used to finance about 50 percent of investment funds, we would like to note that many units did not apply for loans and covered all investments out of their own funds. Among the latter were the cooperatives of the Bucharest metal, chemical, wood, and construction union, and of the Giurgiu and Gorj county unions.

In connection with investment self-financing concerns we would like to mention the efforts made to accumulate the planned funds for housing and other social investments, which in the course of the present 5-year plan accounted for the construction of many apartment buildings, workers hostels, etc.

Implementing the principles of the new economic-financial mechanism, the units of the artisans cooperative at the same time used a greater volume of their own resources to finance production activities. Thus, the local funds used for circulating capital in 1984 were higher than in 1980 by 4.2 billion lei. Owing to increases in profit accumulations, social shares deposited into development funds, supplementation of the social funds contributed by cooperative members, and in the financial aid granted by the Central Union of Artisans Cooperatives to supplement local funds, currently 22 percent of the artisans cooperative units can fully finance their activities from the circulating capital provided by their own resources. Most of the completely self-financing cooperatives (from the viewpoint of both investment and production) belong to the following unions: garments, footwear, and non-industrial services (11 cooperatives), metal, chemical, wood, and construction union of Bucharest (10) and of the Bihor (8), Prahova (8), Brasov (6), and Galati (6) county unions.

From their earnings, the artisans cooperative units also set aside funds serving as an incentive for the working people, and funds for social, cultural, and sports activities.

On this basis and due to the consolidation of the self-financing process, greater material incentives could be offered the cooperative members in the current 5-year plan for better managing their units and enhancing economic efficiency, and for developing export activities. That was made possible by the fact that, due to the yearly exceeding of planned earnings, the volume of the fund of working people's participation in the production, profits, and profit sharing was--in accordance with statute provisions--higher than envisaged under financial plans.

According to the statute, one of the obligations of the artisans cooperatives is to organize productive activities for invalids and for the blind in keeping with their abilities. In organizing work suitable for these categories of working people, the cooperatives of invalids or those employing invalids have set up funds--out of their own earnings and from a quota of tax reductions and exemptions--for financing activities suitable for the disabled. More specifically, these funds were used to adapt equipment, to acquire special apparatus and devices in keeping with the various degrees of disability and their nature; for procuring furniture and installations to help the disabled in their work (adjustable chairs for various disabilities, adjustable or turning tables, etc.); for medical care and rehabilitation, and for paid studies and

research within the cooperative designed to help the disabled adjust or regain their working capacity.

As we stressed, strengthening self-financing in regard to the funds of the artisans cooperatives was made possible by the concentrated efforts of the cooperative units to increase earnings, primarily by markedly reducing production costs; that was the major factor that permitted the exceeding of planned profits. Thus, in 1984, the overall level of expenses per 1,000 production-goods was lower than the plan expenses by 11 lei. The following unions obtained even greater reductions in production costs: Prahova, Vilcea, Teleorman, Gorj, and Mehedinti. The respective cutbacks were due to the efforts made by the working people in those sectors to reduce consumptions of materials, fuel, and energy, to better utilize materials, and to take advantage of local resources and of reusable and recoverable materials to a greater extent.

However, along with these achievements, we must add that, despite all the efforts of our units, total production costs were in the past year higher than optimal because of the fact that some artisan cooperatives exceeded the planned levels of administrative-managerial expenses. Similarly, we must note that, although over 99.5 percent of our service outlets are profitable, there are still some that worked at a loss in 1984.

The degree of self-financing could have been higher in our sector if all the cooperatives had fully achieved or exceeded the planned index of earnings from the sale of products and from services. Although the great majority of units did exceed this index, some cooperatives, belonging to the county unions Covasna, Gorj, and Harghita, are lagging behind. The factors that caused this situation are both objective (deliveries that were not assumed on schedule by the customers, failure by domestic and foreign customers to make payments for deliveries on schedule, lack of means of transportation, delays in rail transports, delayed supplies of raw materials and spare parts, etc.) and due to deficiencies in the activities of the units of the order of failure to observe technological production discipline and service technologies.

At the same time, self-financing would have become even more extensive if all the units had observed the planned volume of circulating capital, thus eliminating the difficulties created by frozen funds and by penalties incurred for failure to repay loans on schedule (as was the case with cooperatives affiliated to the county unions of Calarasi, Maramures, Alba, Vrancea, Vaslui, et.)

The units of the artisans cooperative were greatly helped in their self-financing endeavors by the payment of social shares into development funds; the amounts deposited in the 1980-84 period totaled over 700 million lei and constituted an important source of investment funds and circulating capital.

In 1985 the units of the artisans cooperative have great and mobilizing tasks concerning the better utilization of their own self-financing resources and a higher general efficiency. Thus, as compared to 1984, in 1985 productions will have to be larger and earnings will have to increase by 7.4 percent, with a view to increasing the own funds of the cooperatives and accordingly reducing the need for bank credits. In order to fulfill these tasks and to further strengthen the self-financing process, our units will primarily channel their efforts toward:

--markedly cutting down production costs, primarily by continuously reducing the consumption of raw and other materials, fuel, and electricity. For this purpose, each year the units will reexamine consumption norms to try to reduce them without affecting the quality of products or services;

--strictly observing plan tasks concerning the earnings of each unit. Measures have been taken to ensure that income provisions are viewed as minimal, while expenditure provisions are viewed as maximal and are not exceeded under any circumstance;

--increasing profitability at all service centers, especially those which showed poor results in previous years, by further diversifying and expanding the range of services offered, merging closely located similar units, completely utilizing production capacities, implementing a strict system of savings, and strengthening working discipline;

--avoiding excessive material stockpiling that causes frozen assets and barring the accumulation of additional stockpiles, on the basis of a critical analysis of the situation concerning stocks and circulating capital in keeping with the balance sheet of each cooperative and union, and efficiently redistributing materials and wares;

--strengthening preventive financial control and current hierarchical supervision, and strengthening order and discipline in record keeping and circulation, bookkeeping, and technical-operational documentation, so that the real resources of the units can be followed on a daily basis and can be more efficiently utilized.

By consistently increasing their funds, the units of the artisans cooperative can accumulate the means necessary to finance their own investments, production, and social, cultural-educational, and sports activities; provide material incentives for the cooperative members and the other working people employed in this sector; and ensure conditions for more extensively financing all their activities from their own resources.

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ROMANIA

PLANS FOR INCREASING MINERAL RESERVES OUTLINED

Bucharest REVISTA ECONOMICA in Romanian No 48, 30 Nov 84 p 5

[Article by Victoria Raducanu, Rodica Miroiu and Angeli Filip: "Diversity, Quality, Efficiency--Development Priorities in the Upcoming 5-Year Plan"]

[Text] A primary concern for implementing our country's socio-economic development programs is the quantitative and qualitative supply of raw materials, materials, fuel and combustibles. The actions already taken in this regard have allowed us--particularly in the current 5-year plan--to identify and exploit certain important mineral deposits. This has had a favorable impact on the better provisioning of our economy with our own resources.

The program documents of the RCP 13th Congress underscore the need to continue the development of the energy and raw material base. As Nicolae Ceausescu, the party secretary general, pointed out, "In the eighth 5-year plan, we will continue to place primary emphasis on developing the energy base and raw materials--decisive factors for the progress of the national economy."

In this context, accentuated expansion of the metal and nonmetal bearing mineral resources necessary for the various branches and sectors of the economy has particular importance. This requires activity in a number of areas. First of all, geologic research is involved in this process. Using modern techniques, it is tasked to identify and quantify to the maximum extent possible, the new deposits across the breadth of our land. This way, newly-discovered mineral resources can at least meet the planned level of extraction. Geologic research will also point out economic solutions for the efficient use of these resources. Moreover, long-range guidelines for the socio-economic development of Romania for the years 1990 to 2000 call for the completion of a multi-faceted investigation of the national potential in mineral resources and in geologic structures--including those at great depths--and for the complex exploitation of the useful substances in the deposits discovered.

In the area of ferrous minerals, a growth in the volume of useful resources amounting to 11 percent above current totals will lead to an increase in the percentage of production from our own resources. The development of iron ore and manganese mining, supported by significant investigative efforts for geologic research and for opening up new mining operations as well as for modernizing machines and equipment will allow us to largely meet the needs of our economy for these resources.

For the years 1986 through 1990, efforts to maintain and develop existing production capacities will be joined with those to bring new deposits into the economy's mainstream and to put new mining operations into production in the Dobrudja, Suceava and Cimpulung Moldovenesc. Together, these will bring about an increase in the percentage of iron ore and manganese requirements met through domestic production. By combining the efforts of scientific research with those of developing mining activity and those required for producing the specialized equipment demanded by the technological processes of extraction and preparation, we will achieve a more or less constant level of iron ore production which is in line with the requirements levied on this branch of the extractive industry.

Regarding nonferrous minerals, geologic research brought about important increases of reserves by discovering new deposits and bringing them into production. Consequently over 93 percent of our requirements for lead concentrate, 95 percent for zinc concentrate and over 90 percent for copper concentrate were met through domestic production. In the next 5-year plan, in line with the national economy's requirements, geologic research will have to ensure that new reserves are added to our national patrimony and that new nonferrous mineral deposits are brought on line and worked under efficient technical and economic conditions.

The growth in mineral production in the upcoming years will be influenced by a series of factors, both quantitative (the volume of geologic reserves put into production will be the primary factor) and qualitative (the content of nonferrous minerals in the raw ore and the technological potential to extract them through current processing procedures). Significant investments combined with sustained geologic and technological research will produce a rise in the production of nonferrous, especially cupriferous, minerals. Thus by bringing the exploitation of low copper content cupriferous minerals up to full capacity at Moldova Noua and Rosia Poeni, we will achieve both increased mineral production and, especially, a much more efficient use of the economic resources of our country.

In the nonferrous mineral sector, growth in production will be achieved primarily through the accentuated development of cupriferous mineral production. At the same time, to meet the growing needs of our national economy for copper, zinc, lead and aluminum, there will also be emphasis placed on the best possible use of all indigenous raw materials including recycling nonferrous metals obtained from our people's productive consumption. To this end, increased attention will be paid to developing and broadening recycling technology for nonferrous metals, both from extracted ore as well as from old mine dumps, settling ponds and metallurgical slag. Through these measures, we will create the necessary material base to use domestic production to meet all of our lead and aluminum needs, over 84 percent of our electrolytic copper requirements and more than 93 percent of those for purified zinc through domestic production.

Sustained efforts will be made for recovery of rare and dispersed elements as well as of useful rocks. This has been the policy in the past and it will continue in the upcoming 5-year plan. Particular emphasis will be placed on

identifying and developing molybdenum, bismuth, mickel, lithium, tantalum and niobium deposits and titanium-zirconium alluvial deposits and bringing some of these into production. Currently the molybdenum deposits are exploited efficiently from an economic standpoint. The directives for the upcoming 5-year plan indicate that through sustained geologic research and by bringing new deposits on line, the production of these metals will increase as well as that of infusible metals and alloys of titanium and zirconium.

Carrying out this important objective requires the greatest possible mobilization of geologic research and of the mineral processing organizations to increase the rate at which new metallic and nonmetallic resources are introduced into the economy. In this way, our national economy's demands will be met to the fullest extent possible and the plan provisions regarding socio-economic development can be filled at the prescribed levels.

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ROMANIA

ROLE OF BANK IN APPLICATION OF NEW ECONOMIC-FINANCIAL MECHANISM

Bucharest ERA SOCIALISTA in Romanian No 24, 25 Dec 84, pp 9-12

[Article by Dr Florea Dumitrescu, administrator of the National Bank of the Socialist Republic of Romania]

[Text] The Directives of the 13th party congress worked out with the direct and decisive contribution of Comrade Nicolae Ceausescu, our party's secretary general, substantiate with clearheadedness the deep qualitative changes which are to take place in the next five-year plan and look toward the year 2000; they are based on steady growth of the production forces, on development of energy and raw material resources, on superior utilization of all material resources and social labor, on providing an appropriate balance between the various sectors of activity, on the more and more active participation of Romania in world economic circulation, on the rise in the technical and quality level of products and the general efficiency throughout the economy, seeking that on this base the rise in the people's standard of living and rise in the quality of life are achieved.

Priority attention is being given in the congress documents to improving the new economic-financial mechanism and having it operate under the best conditions which, as we know, represents a complex process of the most efficient possible use of material, labor and monetary resources, based on the overall principles of self-leadership and self-management and the forms and methods of organization and planned leadership of the national economy as well as economic-financial levers. The experience gained until now shows that generalization of the new economic-financial mechanism at the level of all "links" and structures of the national economy has brought emphasis on the action of the intensive factors in Romania's social-economic development, strengthening of self-management and placement of the enterprises' activity on economic principles. At the same time, worker self-leadership has created a broad field for the workers' initiative, their active participation in making decisions and democratization of all economic and social life.

In our party's concept the economic-financial mechanism is of a dynamic nature, with its being necessary to continually improve it in accordance with the objective requirements of each stage of creating the multilaterally developed socialist society. As a result, the documents approved by the party congress require that self-leadership and self-management be raised to new qualitative levels with a view to increasing economic efficiency.

The concept worked out by Comrade Nicolae Ceausescu on the new economic-financial mechanism as the means for stimulating the intensive factors of development and for the growth in efficiency and profitability is organically combined with the original, deeply scientific analysis by the party's secretary general of the system of objective laws of social development. Of particular importance is the thesis on the need for understanding the means of action and of demonstrating economic laws with a view to their conscious use in the practical activity of planning and leadership of the economy. Only in this way can both spontaneous, anarchic manifestation of objective laws be prevented as well as voluntarism in planning and in making decisions.

Leadership of the economy on the basis of a plan offers the best means for conscious utilization of economic laws with a view to concentrating material, human and monetary resources toward priority goals. In this way, harmonization of present interests with those future ones of the entire nation takes place. The party requires that the plan comprise all areas of economic and social life in order to have the ability to make specific the goals of Romania's multilateral progress and to strictly establish responsibilities in the harmonious and proportioned development of all sectors of activity. Including in the plan the area of material production, the area of social-cultural activities and the area of finances is an objective necessity resulting from the unity and dialectical interaction existing between multiple aspects of the overall process of capital replacement. For these reasons the party requires that action be taken to continue raising the role of the single national plan, which must be well substantiated--both overall as well as in its component parts--a condition for achieving the appropriate correlation between its indicators and the absolutely necessary condition of providing the rising and proportioned evolution of the economy.

Solid knowledge of the facts and of the available resources and requirements of the market, both domestically as well as abroad, is the lasting means for improving on working out the plan. Directly drawing the industrial centrals into the process of working out the plan, as indicated by the party's secretary general, is to be reflected positively both in better substantiating it as well as in the process of seeking to fulfill it.

The leadership and planning of economic activity for many years have had a new content characterized by the direct participation of all workers in working out and implementing the plan. Combining worker democracy with plan discipline on the basis of the principle of democratic centralism is part of the concept of the party's secretary general Comrade Nicolae Ceausescu of the state's role in building socialism. A dynamic economy, as our economy is, needs the good operation of the state and its organs and of continual improvement in its mechanisms.

But better and better operation of the economic-financial mechanism means full utilization of the intensive factors of development, an indispensable condition for increasing efficiency and profitability. This requires greater responsibilities for the collective leadership organs--from the enterprises up to the ministries--so that all workers are mobilized and permanently concerned with producing more, better, cheaper, at the highest possible level of quality and to obtain the maximum efficiency of production.

In the process of working out the plans, the collective leadership organs in the economic units are being called on to ensure that all physical production is contracted on time, that products are produced for export and for the domestic market in accordance with the contractual clauses, that there is optimum utilization of production capabilities, good supply with raw materials, materials, fuels and energy, growth in labor productivity, improvement in product quality, reduction in production costs, particularly material costs, creation of the resources needed to cover production and circulating expenses, establishment of their own capital, that deposits are made into the budget and that credits are repaid, providing the balance between the enterprise's incomes and expenses.

Firm application of the principle of working out the plans by proceeding from the base units, of course, means developing initiative and strengthening the enterprises' responsibility in utilizing all material and labor resources with maximum exactingness. At the same time, as plan holder the industrial centrals are required to participate effectively, in accordance with the laws in effect, in substantiating the plans in the subordinate units, in helping them so that the proposals they make ensure that the entire production potential is utilized and that the value indicators are correlated with the physical indicators, taking action to integrate the manufacturing processes, to develop specialization and cooperation in production, to promote and extend technical progress and contract for the supply and sale of the products.

In the masterful report presented by Comrade Secretary General Nicolae Ceausescu at the 13th party congress, we are shown the important successes obtained in all sectors of the working class' economic and social life and those of our people in fulfilling the tasks forecast for the 1981-1985 period, at the same time mentioning that if they had worked with greater responsibility much more important achievements could have been obtained. Truly, lags were demonstrated in some units in fulfilling the plan indicators, particularly for physical production, and in reducing costs, raising labor productivity, which were reflected in obtaining financial results below the possibilities and reduced economic efficiency, a situation explained to a large extent in the lack of understanding of the nature of the new economic-financial mechanism and the requirements of self-management. Real application of the economic-financial mechanism means that each collective should be permanently concerned with complete fulfillment of the plan tasks under the best conditions, with not only exemplary development of work being necessary but also a demonstration of initiative, spirit of creativity and responsibility for the good flow of the enterprise's activity. The party requires that action be taken with all firmness and exactingness so that economic-financial self-management is changed into a vital reality in each economic unit and so that the spirit of deliberateness and responsibility in using material, human and monetary resources, discipline in fulfilling plan tasks become definitive characteristics in the activity of all labor collectives.

The basic feature of economic-financial self-management is self-financing, which in our party's view has become the main path for development of the economic units. The practical achievement of self-financing involves the growth in responsibility of the economic units in increasing their own capital and in substantiating the need and timeliness for utilizing it and in their commitment under conditions of high economic efficiency.

We understand that since profit is the main source for forming one's own capital, the economic units are under the obligation to take all necessary measures to fulfill the plan tasks under the best possible conditions and to continually reduce production costs so that by obtaining higher profits they ensure an increase in their own capital and they appeal less and less to bank credits, a fact which results in the payment of lower interest, reduced costs and, implicitly, an additional profit. Institutionalization of the system of having the workers participate in carrying out production, in obtaining profits and in splitting the profit in this regard is a powerful incentive for raising efficiency and improving the economic-financial results.

Fulfillment of the grand goals established by the 13th party congress, along with increasing the national income steadily, will ensure strengthening of financial balance and our national currency and will continue to preserve a healthy monetary circulation. Very responsible tasks in this regard belong to the banking apparatus being called on to make a greater contribution to aiding the economic units to fulfill the plan tasks and at the same time to provide checks on the way in which the material and monetary resources supplied are managed. The banks, through the levers they have available--credit, discounts, issuing of cash, checks on the salary fund, following up on obtaining of state incomes and executing the state budget--have the legal duty of checking on the way the monetary capital is established in the economy, in the name of the state and for defending its interest, and it keeps records of how the socialist units use material and monetary resources and of taking measures to identify new opportunities for increasing incomes, for complete and on-schedule receipt of the rights in lei and currency of the state, to make expenses in a strict savings program and in accordance with the purpose established by the plan and to ensure that the credits given are repaid on schedule.

It is absolutely necessary and possible that in fulfilling their duties the organs of the National Bank help and follow up more energetically on substantiation and correlation of the indicators of the economic and financial plans in the economic units, even from the planning phase in order to eliminate situations encountered in some enterprises, particularly in the machine building and light industries, when the value of the production-good planned differs from the physical production expressed as value, with negative consequences for the indicators for supply, the need for circulating resources, the volume of credits planned and others. More steady action must be taken in the enterprises in which the physical production plan is not being covered with firm contracts for delivery for export and on the domestic market, for which reason large quantities of raw materials, materials and fuel remain in stock, tied up, for longer or shorter periods.

Application of the economic-financial mechanism under the best possible conditions requires strict respect for the contract duties, in other words, delivery on schedule and under conditions of quality as established with the foreign and domestic clients. Refusals received by some enterprises for delays in deliveries or for defects in quality make them lose credit with the clients, without mentioning the failure to receive the equivalent value of the products and supporting of additional expenses for remedies, penalties and interests paid for credits, which they cannot repay the banks due to the failure to receive the equivalent value of the products. The inappropriate financial situation of some of the economic units also is due to the fact that the leadership

collectives in the enterprises do not continually check up on the way the provisions of the budgets of incomes and expenses are carried out in order to take efficient action with a view to eliminating the shortcomings. What is more, analyses made by the organs of the National Bank have shown that sometimes changes in the economic and financial indicators are operating without their also being reflected appropriately in the budgets of incomes and expenses, also.

As Comrade Nicolae Ceausescu pointed out in the report presented to the congress, achievement of economic-financial self-management requires measures to improve the system of having the economic units give credits, depending on the specific type of production, object of the credit, length of time and guarantee for returning it. Taking into account this task and the shortcomings still existing in the activity of some economic units, the central goal of bank checking is to be based more constantly on making the enterprises to manage the material and monetary resources as sensibly as possible and prevent tie-ups of capital so that a speed-up of rotating speed of circulating resources is achieved, one of the basic requirements in increasing efficiency and profitability.

Greater exactingness is required in giving credits and checking on their use. Each request for credit must be analyzed with regard to the need and timeliness of it, if the principle of guarantee and ability to repay are being respected, depending on the planned flow of production and utilization of the products obtained. More firmness should be needed in establishing the causes and, in particular, the measures to eliminate and prevent the formation of new tie-ups of capital and resources so that the necessary conditions are ensured for repaying credits on the due dates set.

Continual strengthening of money circulation and stability of the national currency are ensured by sensibly giving credits, by providing good guarantees for them and by repaying them on schedule.

As we know, with a view to aiding the economic units in fulfilling the plan tasks under the best possible conditions, rational utilization of material and monetary resources and in reducing costs and increasing profits, the RCP CC Political Executive Committee at its October 1984 meeting decided to reduce the interest received by banks for the credits given, a measure made law by Council of State Decree 381/1984. At the same time, it was decided to establish maximum limits of profitability for a number of products, to provide incentives for the workers and enterprises to increase labor productivity, to promote technical progress, to raise product quality, to reduce costs and have a more emphatic growth in economic efficiency.

Also, taking into account the measures provided by the programs for more emphatic growth of labor productivity, reduction in production costs and rise in the technical and quality level of production, it was found to be necessary to reflect these processes in the level of the commercial exchange rate of the leu with the US dollar. Taking into account the stability of retail prices and taxes for services in Romania as well as continuation of the inflationary processes in the western countries, it has proven necessary to review the non-commercial exchange rate. As a result, improvement of the single commercial exchange rate, the same for import and export, was approved as well as the non-commercial rate of the leu with the US dollar. Use of the single commercial

exchange rate for determining foreign prices in lei and for discounting the currency for all export and import operations will permit a direct determination of the efficiency of the activity of the units with foreign trade tasks under better conditions.

The series of measures approved by the Political Executive Committee directly is derived from the guidelines given by Comrade Nicolae Ceausescu, party secretary general, to improve the operation of the economic-financial mechanism.

Application and operation of the economic-financial mechanism under good conditions requires, among other things, appropriate development of payments from the economy so that the transition of goods from one "link" to another in the process of capital replacement should be made without disturbances, while the suppliers should receive the equivalent value of products delivered as fast as possible in order to be able to begin a new production cycle. In accordance with the law, the payments between the socialist units generally are made through discounts without cash, through the National Bank. As a result, making discounts represents an important aspect of banking activity, with the bank organs carrying out a complex, permanent and regular check through them on the legality of the operations and prices, respect for plan, contract and financial discipline.

Although in accordance with the law the enterprises are required to permanently provide the balance between receipts and payments, still, as a result of failure to fulfill the plan, exceeding the planned production costs or recording tie-ups, some of the enterprises are not achieving the incomes forecast in the budgets of incomes and expenses and they are not providing for the ability to pay in all cases, with chain reactions in the process of discounts between the socialist units.

Some of the purchasing enterprises, by not paying off their obligations for the good received, make the supplier enterprises which are working well and efficiently, by not receiving the proper rights, not be able to restore the floating resources incorporated into the products delivered, for which reason in turn they reach the point of not being able to pay. At the same time, by not receiving the goods delivered on schedule, the suppliers are not fulfilling the indicators for production-good sold and received under good conditions--which, as we know, is a condition for paying for work--or the planned accumulations. The fact that some purchasing enterprises recorded an increase in payments due suppliers during 1984 proves the need for the particular economic units, with the aid of the banking organs, to intensify efforts to eliminate the causes of the appearance of the back payments and to more actively use the credits provided by law to pay the suppliers on time.

Bank checking has also brought out the fact that paradoxically some supplier enterprises are producing financial difficulties themselves by drawing up discount documents and remitting them with delay with whose aid they are to receive the equivalent value of good delivered. This situation is caused by the inappropriate circulation of documents within the enterprise between the sales and financial services and by losing documents and "forgetting" them, with payment being requested in some cases many weeks after the date that the goods were sent. This proves poor concern of the particular enterprises' leaders

with analyzing and eliminating the causes leading to the failure to achieve the incomes and to the inability to pay. One reason is also some unjustified delays in the transport of goods. Since, in accordance with the law, the payment for goods is made by the purchaser only after receipt and taking delivery, the result is that delays in transport and in taking delivery prolong the circulation of payments substantially, with negative effects both on receipts at the suppliers as well as the volume of credits they have received for the goods being received which cannot be repaid within the normal timetable.

As we know, in the area of cash operations, the National Bank provides payments and receipts operations--continually growing under conditions of the dynamic development of Romania's national economy--with payment resources in the form of bank tickets, metal currency and dividing into the quantities needed for circulation. The bank organs seek to prevent uneconomical expenses, for which purpose they give appropriate attention to issuing cash and strengthening checking on all categories of payments and to having all the socialist units respect cash discipline.

The measures taken in recent years by the National Bank and by the central economic planning organs and financial organs to improve planning and organize money circulation and to strengthen bank control over issuing cash depending on fulfillment of plan indicators by each economic unit and by increasing the concern and responsibility of the ministries, centrals and economic units with finding new opportunities to absorb the cash in circulation under conditions of better satisfying the population's requests for goods, services and housing have led to an evolution of cash in circulation within the limits planned, achieving a health money circulation. In the center of concerns of the central organs are continuing improvement in the methods and criteria for determining the quantity of cash needed by the economy on the basis of thorough analysis and study of the factors which are conditions for the level and growth rates of the cash in circulation: money incomes, changes in their structure, the supply of goods, services and housing as well as the population's behavior in forming money reserves and the way they are kept in cash or in the savings and loan banks.

Firm and efficient application of the new economic-financial mechanism means taking the necessary measures to apply and generalize the principles of the new system of payment by the job to link each person's incomes as closely as possible with the specific results obtained in production. Strict fulfillment of all plan tasks, management of material resources with maximum efficiency and achieving savings, obtaining physical production in the quantities and varieties planned, which are appropriate in quality, are basic conditions for issuing payments for payment in the system of payment by the job.

The experience gained until now in applying pay by the job, a component part of the new economic-financial mechanism, proves its ability to mobilize workers to obtain the biggest possible production with the smallest material consumption which are appropriate in quality. From the analyses made by the National Bank organs on the way in which the enterprise's salary fund is substantiated as well as the way in which the operating bank units have proceeded to issue it we see several findings of broad interest; they refer mainly to the existence

of lacks of correlation between the plan indicators at some enterprises, particularly between the physical production through the plan and the production-good. These situations have been found in particular in the machine building and light industry units. Cases also have been found of lack of improvement in the contracts for payment by the job or by not having them include all the elements required by law--physical production to be achieved, consumption, quality conditions and so forth--as well as cases in which physical production was not listed in its entirety.

Currently the organs concerned are working to continue improving the salary system, seeking better utilization of the labor force and rise in the share of direct production personnel, contracting for certain projects or finished products by the job, growth in the role of the base organizational unit--in which the physical production is carried out--with which the contract for payment by the job is concluded. For this purpose specific criteria are being worked out for the organization and payment for work by the job for each branch and sector of activity in accordance with the principles approved for construction-assembly activity. Action also is being taken to achieve correlations through the plan at all organizational levels between the salary fund and the tasks for physical production, labor productivity and level of average salaries, substantiated by standards of consumption of work and taxes per product.

The grand goals drawn by the 13th party congress have been received with special warmth and faith by the banking apparatuses as well as by all our people. Workers in the banking apparatus will take action to improve the working style and methods, giving proof of more firmness in exercising control, of greater initiative and efficiency in fulfilling tasks and more a sense of responsibility so that it brings an improvement in activity in all areas and strengthening of plan and financial discipline.

The National Bank apparatus, mobilized by the party organs and organizations, will not spare any effort in order to resolve their duties under the best possible conditions in the spirit of the guidelines and tasks given personally by Nicolae Ceausescu, party secretary general.

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YUGOSLAVIA

SCIENTIFIC STUDY ON IMPEDIMENTS TO UNIFIED MARKET

Belgrade INTERVJU in Serbo-Croatian 1 Feb 85 pp 36-38

[Article by Predrag Tasic]

[Text] A group of 19 authors (17 of them PhD's) have written the "Study on the Key Issues in the Functioning of the Undivided Yugoslav Market," which was organized through the Scientific Research Center of the School of Economics at Belgrade University and was commissioned by the Federal Secretariat for the Market and General Economic Affairs. Even though it commissioned the study on that topic, the federal secretariat is hesitating to adopt the project of the top-flight economists because the painstaking analysis of the specialists led them to the improbable conclusion that the breakdown of the undivided Yugoslav market is built into the system itself, so that they even propose amendments of certain articles in the SFRY Constitution and the Law on Associated Labor.

The Yugoslav market is the backbone of the uniform economic, but also political, development of all economic entities and sociopolitical communities. Article 252 of the SFRY Constitution states what is meant by the undivided market: unhindered conduct of business by OOUR s [basic organization of associated labor] over the entire territory of the country, unity of financial flows and systems, unity of the economic system and of foreign policy, as well as self-management planning. Dragutin Marsenic says that this has not covered all the issues relevant to the undivided market, that is, that it cannot be reduced merely to the commodity and market aspects of economic activity.

Dilution That Results From Consensus

Marsenic feels that there are certain other domains of the economic system that should also be uniformly regulated for the entire country. For example, capital is not formed uniformly (every OOUR is virtually left to decide itself how much it will commit to expenditure and how much to saving), and that means that the economic system is not uniform either (he advocates establishing a minimum accumulation). As for the lack of unity in the economic system, Marsenic says that it is imposed as an initial real feature of our system, "so long as its unity figures as a possibility which can be confirmed (but also denied) within the framework of overall Yugoslav community." To back up this observation he says that under the constitution the working people, nationalities and ethnic minorities exercise their sovereign rights in republics and

provinces, and in the Federation only when this is in the common interest. "In this way uniform features of the economic system are not given in advance, but they are the point of departure in collaboration of the republics and provinces when they realize that in the tax system, for example, or in the treatment of the distribution of income, the protection of social property or other matters they must or should apply similar, approximately the same or identical solutions." And without unity of the economic system, there cannot be a unified market either.

The system of distribution among purposes must also be uniformly regulated. The constitutional obligations of the republics and provinces in this domain come down to the option of concluding agreements, so that the position of members of the employed labor force may vary both from the standpoint of valuation of their work and also from the standpoint of appropriations to social services! That is why the Federation uses administrative measures to bring relationships between nonproductive expenditure and production into line. Marsenic feels that this is another area in which the constitution must be amended so as to make it mandatory for the republics and provinces to reach agreement on the key issues concerning distribution. Such an agreement would fix the ratio between expenditure and accumulation in the distribution of the national income and also the relationship among the various forms of nonproductive expenditure.

Even consensus, as a form of democratic decisionmaking at the level of the Federation, is more and more being turned into its opposite, since it hinders the timely taking of decisions, or the decisions become a product of compromise, which does not contribute to the country's development. That is why this form of decisionmaking needs to be changed. Marsenic refers to the priorities in Yugoslav development as an example. During the lengthy negotiations every republic tries to impose those sectors which are dominant in its own pattern of production as developmental priorities of general Yugoslav importance! Thus it is the situation today that more than half of the economy has acquired the status of developmental priorities and on that basis has received the support of economic policy at the "federal level"! That is why there is not enough money for the sectors which truly need to develop more rapidly!

The Tutelage of Politics Over the Economy

It is not only the economic system that is not contributing to the proclaimed unity of the Yugoslav market, but the political system as well! Dr Radivoje Marinkovic feels that a fear of the operation of market laws has been retained in the political system, and a habit has therefore developed in it of ensuring unity by measures implemented by the government administration rather than through the operation of economic criteria! "In short, even by its very nature and initial orientation our political system looks to interventions whereby the operation of the market and so also the functioning of the undivided Yugoslav market is restricted."

The transformation of economic entities to implement the concept of the OOUR also represents a different realization of the interests of the enterprise

than that which applies to the market. That is, the concept of the OOUR is based on the "premise that these entities realize their interests through a pooling of labor on the basis of self-management and through linkage based on income sharing, and they regulate their relations in compacts and accords." In this way many interests have been reproduced which could not be realized on the undivided market, but became tied to the political sphere and to the protection that comes from there. "Thus associated labor, instead of emancipating itself from politics, has continued to be dependent upon it because of the excessive organizational and interest-oriented segmentation. This probably would not have happened if the organization in the sphere of labor had been based on economic logic."

Decentralization of political power transformed centralized statism into polycentrized statism of sociopolitical communities. Under the constitution (Article 251) "sociopolitical communities are responsible for guaranteeing the unity of the Yugoslav market." However, polycentrized statism has managed, Marinkovic says, to establish itself as a sovereign arbiter for all processes and relations on "its own" territory! This has restricted the operation of market laws and broadened the tutelage of politics over the economy.

The republics and provinces have shown the strongest tendency toward encapsulation, which has been referred to as establishing "national economies," whereby the unified market has for all practical purposes been suspended! The reason for this behavior does not lie in the economy, but in the political system. "The proof of this lies in the very course of events, which indicates that first the republics and provinces were instituted with a number of attributes of sovereign states, and then that polycentrized statism began to work toward creating the 'national' economies. There is a working according to the same logic toward creation of 'national' legal systems, systems of education, science, information, and the like."

The heart of the problem lies in the state and in government power, which strives to establish itself within its own jurisdiction as unlimited and inalienable. Accordingly, the existence and functioning of the unified Yugoslav market is more a matter of a meeting of the minds of those eight republic-provincial systems of government than a matter of economic processes. The unified market has become a product of compromise. Marinkovic feels that it is indispensable "to alter the powers of the republics and provinces vis-a-vis associated labor" so as to "open up channels for free integration through self-management." In addition, he suggests that some kind of chamber of associated labor be formed within the SFRY Assembly that would directly express the interests of OOUR's outside the republic or province.

The SFRY Constitution (Article 273) provides that the agencies of the republics and provinces shall enforce federal laws, which are the ones that regulate the unified market. "The situation is paradoxical," Marinkovic says, "because by their constitutional authority the agencies of sociopolitical communities have the procedure and power to compel all other entities aside from themselves to respect the standards whereby the unity of the Yugoslav market is protected, while no one has either the capability or the right to protect the unified market from them, and that is the protection it needs most." He

therefore proposes that federal authorities take over enforcement of federal laws of this kind.

Failure To Honor Agreements

"The sociopolitical communities cannot stand as a power over associated labor; associated labor should rather be the purpose of their activity. Put simply, there is an indisputable need for critical reassessment of the economic functions of all sociopolitical communities (especially the opstinas, regions, provinces and republics), in which the solution should not be sought in any sort of statism, but in the creation of conditions for integration of associated labor through self-management on the basis of freer operation of economic laws," says Dr Dragoljub Dragisic.

Lucija Spirovic-Jovanovic proposes reassessment of certain articles in the Law on Associated Labor [ZUR], especially those pertaining to the conditions for formation of OOUR s. "What is it," she asks, that is preventing the formation of associations and linkages of OOUR s [organization of associated labor] throughout our country at large, when this is demanded by the logic of a market economy?" One of the reasons is that often OOUR s are not created by the determination of the workers, but "with the help of other factors." That is why the basic organization behaves like "a creation of someone" on whose aid it is vitally dependent, "instead of linking up with other entities and winning its place as a legal and economic entity on the undivided Yugoslav market through association, joint business operation and loyal competition."

Even if we set to one side the role of "polycentralized statisms," organizations of associated labor are motivated by the arrangements contained in the system for valuation of labor and its results to shut off markets, to behave like monopolies, to engage in blackmail, to raise prices excessively.... "If earned income is taken as the sole criterion for evaluating the economic performance of the OOUR," says Dr Nikola Melenovic, "then that kind of behavior on their part is logical and economically rational." The sole criterion of economic performance is now earned income regardless of the manner in which it is realized! The system does not guarantee adequate unity between the interests of the OOUR and the interests of society! Melenovic proposes that more complex criteria be established for monitoring the overall economic efficiency of the OOUR, criteria that would contain the level of productivity, economic efficiency and the profitability of business operation.

The Foreign Exchange Law Against the Constitution

Ten years of experience since enactment of the constitution shows that there have been many disruptions of the unified Yugoslav market, and few people have been made accountable. In the view of Dr Ivan Stojanovic this is in part a consequence of the constitutional postulate that all "sociopolitical communities are responsible" for its preservation. He feels that neither the opstinas nor the OOUR s can figure as bearers of responsibility for disruption of the unified market. "When responsibility is spread so thin, the result is irresponsibility." Stojanovic therefore proposes amendment of Article 251 of the constitution to the effect that "the agencies of the Federation, of the

socialist republics and socialist autonomous provinces shall be responsible for guaranteeing the unity of the Yugoslav market."

Decisions on all economic matters of great importance are made on the basis of consensus of the assemblies of the republics and provinces (Article 286 of the constitution), which means, Predrag Jovanovic-Gavrilovic concludes, that not a single law or measure can be adopted in the Chamber of Republics and Provinces of the SFRY Assembly through the ordinary procedure if only one of the eight delegations is voting against! This method of decisionmaking has had baneful consequences, especially in the sector of foreign economic relations. "Many solutions that would be optimal and good from the standpoint of the interests of the Yugoslav economy as a whole could not be adopted because only one federal unit was opposed. The republics and provinces have been defending their own narrow interests ... which has been standing in the way of building the kind of system of foreign economic relations that would contribute effectively to achieving common goals and interests"!

The most serious charges were leveled at the Law on Foreign Exchange Transactions and Credit Relations With Foreign Countries, which was adopted in 1977. The arrangements contained in that law, asserts Dr Oskar Kovac, are contrary to the constitutional principles and provisions concerning the unified Yugoslav market! He cites as examples the inappropriate treatment of foreign exchange in the formation of gross income and income, the parallel circulation of dinars and foreign currencies, and the fact that the rate of exchange is neither uniform nor realistic.

Within Firm Limits

Certain arrangements in the foreign exchange system have become a cause of numerous disruptions of the unified Yugoslav market, of the unity of the national currency and of the monetary system. Kovac especially emphasizes the payments-balance positions, which have become the basis for geographic linkage of imports to exports, the confinement of flows of foreign exchange to regions, disruption of the principle of a single rate of exchange and prevention of the operation of the single foreign exchange market! The payments-balance positions have objectively pushed the federal units to shut themselves off within their own boundaries.

"There has even been a kind of regionalization of the foreign trade network; in 1982 the share of imports for 'their own' republic and province represented about 88 percent of the total imports of foreign trade organizations, and on the export side that share was about 80 percent"!

Aside from the payments-balance positions of the republics and provinces, certain other arrangements in the system of foreign economic relations have also brought about confinement of flows of foreign exchange and other economic flows within regions. Kovac refers to the system of republic export incentives and the principle of linkage of imports to exports on an individual basis.

"Although the payments-balance positions of the republics and provinces cease to be an instrument for the distributing of foreign exchange and for territorial linkage of imports to exports back when the amendments and supplements to the Law on Foreign Exchange Transactions were adopted at the end of 1982 (they were turned into merely 'planning instruments'), they still exist in practice, since they are applied by the SIZ's [self-managing community of interest] for foreign economic relations and by the administrative agencies of the republics and provinces. Today confinement of flows of foreign exchange to the republics results from the regionalization of the commercial banks. The provisions of the Law on Payments in the Convertible Currencies operates in the same direction; it confines the 'circular loops' responsible for settlement of payments come due primarily to the limits of the republics and provinces," Oskar Kovac says.

Will the Federal Executive Council and the SFRY Assembly make use of what these economists have learned and undertake to amend the economic system and political system so as to preserve the unified Yugoslav market, or will the entire study go unnoted (so far only some 30 copies have been distributed), remains to be seen. And, of course, to be felt in coming years.

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YUGOSLAVIA

TRADE SECTOR NOTES INEFFECTIVE SYSTEM, RUINOUS IMPACT OF REGULATION

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 5 Mar 85 p 4

[Excerpts] At the [21-22 February 1985] conference of communists engaged in trade and commerce attended by more than 200 delegates basic questions were discussed in regard to bringing trade into closer accord with the Long-Term Program of Economic Stabilization, including the problems on implementing the Law on the System of Social Price Control [i.e., restrictions on enterprises to freely form prices].

Emin Dobardzic, president of the PKJ (Yugoslav Economic Chamber) Presidency, said: "We must free the market from the numerous administrative restrictions and regulations which have existed for a long time and are now present in many instruments of the economic system and in measures of economic policy. We must give back to the market its constitutional position based on the Law on Associated Labor and other documents of our socioeconomic development.... This is a precondition for overcoming the stagnation in market development which has been apparent recently especially in the lag in building and modernizing sales outlets..."

It has also been impossible to implement the Law on the Obligatory Pooling of Labor and Resources between commerce and production organizations. At the end of last year by which time some concrete tasks from this law should have been implemented, it turned out that not one wholesale or foreign trade organization had done so. Implementing of the law was then postponed for another year. Merchants believe that there are no conditions for applying the law. No answer to this question posed by those in commerce was given by members of the Federal Secretary for the Market and General Economic Affairs.

At the same time a number of unresolved problems remained, especially the question of efficient organization. Namely, it is really senseless to have 2,270 OOURS (basic organizations of associated labor) in retail trade, 1,748 OOURS in wholesale trade, and 1,300 OOURS in foreign trade. Most of these organizations have [existed] by freezing their profit margin and by enjoying the blessing of opstina authorities. So merchants sell goods only in their own territory and afterwards divide the profits with merchants in their own territory; they buy goods from their own territory and thus close off the possibility of a unified Yugoslav market. Through competition forced on them, they have succeeded in providing minimal profitability for themselves and shoddy goods for consumers.

The senselessness of such organization which is the result of nonmarket criteria and behavior is clear to commercial organizations, especially to those which have been operating for a long time and have modernized with great effort and crossed republic or provincial borders (only one-fifth of goods on the Yugoslav market cross republic or provincial borders). Stipe Lovreta, professor of the Belgrade Economic Faculty, noted that this is less than is the case in the EEC (European Economic Community).

Sociopolitical communities which are most often the patrons of such illogical factors on the market will not easily give up their role, so it is important that merchants themselves, and not the bureaucratic-administrative elements on the market, undertake the fight for self-management.

[Editor's Note: An article in the Belgrade weekly EKONOMSKA POLITIKA (4 Mar 85 pp 17-19) notes more critically that conference participants "unanimously condemned administrative regulation of commerce, especially the unnecessary [methods of] relating the market to producers which has led to a 'ruinous situation' in the economy." It said that before 1971 the market was developing strongly and was successfully carrying out its role; but since then "various measures of economic policy and administrative measures based on conditions for earning income in the commercial sector have taken away from the trade sector's organizations their active function vis-a-vis production, their role on the market, and function in reproduction in general."

It said that conference participants considered that the Law on the Obligatory Pooling of Labor and Resources between the trade sector and production organizations was "the biggest failure in the history of Yugoslav regulations": in 4 years not one of the 2,200 trade organizations, despite all administrative-political pressures, implemented the prescribed goals. The basic problem for the present and the immediate future, according to the business people in attendance, is not only "the dominance of politics over economics, but also the result of a relationship in which administration dominates economic logic."

The article reported that only 50 percent of market commodities cross opstina borders and only 20 percent cross republic borders.]

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YUGOSLAVIA

BRIEFS

PROBLEMS AT TREPCHA--At a meeting on 19 February of the presidium of the Economic Chamber of Kosovo at which the problems of the Trepca mining, metallurgical, and chemical enterprise were discussed, Petar Srdanovic said that problems have been accumulating especially in the last 10 years. Because of outdated technology and inadequate use of existing capacities, [losses are equivalent to] losing an entire annual production every 5 years. In the mines 80-90 percent of the capacities are on the margin of profitability and most have low capital accumulation. On the basis of technological losses in lead, zinc, and silver alone 15 billion dinars of income have been lost; because, in the 1981-84 period production of lead and zinc concentrate, refining of lead and fine silver, as well as production of electrolytic zinc, have fallen far below the plans. Also, 21 percent less ore per workers is being mined than 15 years ago, while the amount of metal in ore has fallen by one-half. It was stressed that the mines have been neglected for years. The fact is that the mines are impoverished and they cannot with their own money solve the problems of maintenance and development of production, especially geological exploration. The problems are numerous and have been felt for a long time. Help is needed from the entire social community. Development first requires completion of two metallurgical plants and mastery of the planned technology, as well as increased mining production. [Excerpts] [Pristina JEDINSTVO in Serbo-Croatian 20 Feb 85 p 1]

FIRE IN UROSEVAC COMBINE--The opstina public prosecutor has initiated criminal action against Faik Redza and Hilmi Sulja and Hamit Osmani in connection with the fire [on 20 February] at the "Tefik Canga" wood combine in Urosevac. The secretary of the basic LC organization at the furniture factory and supervisor of the machine section, Remzi Tasoli and Bajram Silova, have been suspended until the level of responsibility has been established. It was brought out in the combine that these workers are not the only ones responsible for the fire [which destroyed two-thirds of the factory, according to BORBA (Belgrade 22 Feb 85 p 12)]. Help has been forthcoming from other enterprises in the province.... [Excerpts] [Belgrade BORBA in Serbo-Croatian 2-3 Mar 85 p 8]

FIRE IN PRIZREN TEXTILE PLANT--On 13 February a fire broke out at the Printeks textile industry in Prizren; the cause is unknown. It engulfed part of the knitting plant and finished products warehouse, but was localized, thanks to prompt intervention from firefighting units. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 15 Feb 85 p 9]

POSSIBLE BANKRUPTCIES IN KOSOVO--After a discussion by the Pristina opstina LC and the trade union council of Pristina it was suggested that temporary measures [receivership] be introduced at Kosovo's most modern hotel, the "Grand" in Pristina, because of negligence, abuse, and private cadre policy; such measures were also suggested for the "Bosko Cakic" auto service enterprise. An unhealthy situation exists also in four other enterprises in the opstina. In regard to the hotel, it was said that 60 rooms cannot be used, many areas are usurped for private use, guests are cheated, billed twice, and public excesses have often taken place at the hotel. [Excerpts] [Belgrade BORBA in Serbo-Croatian 26 Feb 85 p 3]

PRIVATE FARM PLANTING--As in previous years, the private sector shows the most interest in planting corn, tobacco, and rice. Thus, of the 2,371,400 hectares to be planted in corn this spring, the private sector will plant 87 percent, or 2,071,400 hectares. It will also plant 92 percent of the total area planned for tobacco, or 68,300 hectares, while the private sector's share in rice planting will increase to 99 percent (8,895 hectares). The private sector shows considerably less interest in planting sunflowers (47,416 hectares or 33 percent of the total area) and soybeans (37,371 hectares or 27 percent of the total area). In addition, the private sector plans to plant spring barley on 144,800 hectares, vegetables on 594,135 hectares, and fodder crops on 587,831 hectares. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 28 Feb 85 p 1]

TRADE WITH IRAQ--In 1984 the value of total trade between our country and Iraq amounted to \$683.4 million, or 15 percent less than in 1983. The decrease in our exports was even more radical; namely, we exported \$306.5 million, or 30 percent less than in 1983. Imports from Iraq increased 4 percent and amounted to \$386.9 million. Iraq, nevertheless, continues to occupy a leading place in our trade with the developing countries. This year Yugoslav exports to Iraq are planned at \$350 million, while imports based on an already concluded contract amount to 1 million tons of oil. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 12 Mar 85 p 12]

RAIL AGREEMENT WITH HUNGARY, USSR--A protocol on cooperation between the Yugoslav railroads and those of the USSR and Hungary in 1985 was signed recently in Subotica. The signers of the protocol, which provides for an increase in the volume of goods transport, noted at a press conference a large number of unresolved questions which must now be settled jointly. In this regard a proposal by Andras Mesaros, deputy director general of the Hungarian railroads, was accepted which concerns the faster transport of goods between the USSR and Yugoslavia; namely, organizing the capability of Soviet freight and refrigerator cars in Hungary to operate on Yugoslav rail lines which has not been the case up to now, requiring goods to be re-loaded. This should be of benefit both for Soviet partners and for Yugoslav exporters of food to the USSR. The proposal provides for equipping Hungarian railroad terminals for the re-loading of containers to operate on the Yugoslav-USSR route. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Mar 85 p 12]

KOSOVO WATER SYSTEM DELAY--With spring planting imminent, it is still uncertain how large an area can be irrigated in Kosovo from the new Ibar and Radonjic water systems. Because of the delayed activation of these facilities and slowness in opstinas especially Pristina, Titova Mitrovica, and Vucitrn opstinas, to organize contiguous farm areas, Kosovo agriculture is being greatly damaged. A large part of the blame for the unjustified delay is borne by OURs in the agro-complex, as well as opstina and provincial organs. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9-11 Mar 85 p 12]

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