

The Socialist Countries: Important Changes



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The economic reforms in China, processes of social restructuring in Hungary and Poland, the initial reorganising steps in Vietnam, the new developments in Czechoslovakia's economy, the perfection of self-government in Bulgaria and the operation of integrated plants in the German Democratic Republic are among the topics discussed in this anthology by state figures, leading economists and sociologists.

СОЦИАЛИСТИЧЕСКИЕ СТРАНЫ:
ВАЖНЫЕ ПЕРЕМЕНЫ

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CONTENTS

1. V. Frolov	
Developing Socialism	5
2. L. Abalkin	
Relying on the Lessons of the Past.	
Kommunist, 1987, No. 16	22
3. V. Vichew	
Human Factor: Essence and Ways of	
Activisation. Novo Vreme, 1987, No. 4	45
4. Z. Sadowski	
The Second Stage of the Reforms: More	
Enterprise. Nowe Drogi, 1987, No. 14	70
5. Yan Tao	
Economic Reform in China: Achieve-	
ments and Perspectives. Renmin Ribao,	
June 1987	88
6. Nguyen Van Zinh	
Excerpts from the Speech Delivered at	
the Second Plenary Meeting of the CPV	
Central Committee. Nhan Dan. April	
1987	103
7. R. Andžic	
Intensification of Production: the Key	
Problem of Economic Processes. Socija-	
lizam, 1987, No. 2	120
8. F. Valenta	
Toward a New Quality of Economic	
Development. Politická ekonomie, 1987,	
No. 5	135

9. H. Kaziolek	
How We Manage the Scientific and Technological Revolution in a Socialist Way, <i>Einheit</i> , 1987, No. 10.....	146
10. J. Csehák	
Hungary's Social Policy. <i>Népszabadság</i> , May 1987.....	162
11. K. Janaček	
Social Development and a New Dimension of Economic Growth. <i>Pocitická ekonomie</i> , 1987, No. 5.....	174
12. A. Puiu	
Active Participation in World Economic Exchange, <i>Era Socialista</i> , 1987, No. 7	180

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DEVELOPING SOCIALISM

The world of socialism, comprising some fifteen countries in Europe, Asia and Latin America, is entering its eighth decade, tracing its origin back to the 1917 Revolution in Russia. Seventy two years ago, the world witnessed the birth of a new type of state—a state of workers and peasants. The 1917 October Revolution provided convincing proof that the choice between socialism and capitalism was the chief alternative of this century.

The further development of socialism affirmed the correctness of Lenin's ideas about the diversity of national forms and ways for establishing socialism and the eventual manifestation of its core principles, about the unavoidable imperfection and narrowness of the experience of individual countries and the international cooperation of nations building socialism.

The Great October Revolution marked the beginning of socialist transformations of society which after World War II spread

to other countries as well. Today, after seven decades, socialism is operating already as a world system. The socialist countries today occupy 26.2 per cent of the world's land mass, are inhabited by 31.9 per cent of the world's population and account for more than 40 per cent of the world's industrial output and one-third of its gross national income.

Socialism has been built in agrarian as well as in industrial countries, in former colonial countries and in countries that were among developed capitalist states.

The present socialist world is an advanced system with a large scientific, technological and industrial potential, an intensive agriculture and broad social guarantees. The present socialist world is a dynamic part of the world economy ensuring its overall growth. Between 1971 and 1986, national income in the socialist countries grew at a rate of 5.3 per cent against 3 per cent for the developed capitalist countries and 4.7 per cent for the developing world. During this same period industrial output of the socialist countries grew at a rate of 6.6 per cent, compared to 2.7 per cent among capitalist countries and 3.6 per cent for the developing world.

Achievements in the area of socio-economic development are a result of the purposeful labour of the popular masses guided by communist parties, especially the selfless labour of the working class which, over the course of its existence, has shown

that namely it is the driving force of social progress.

The establishment of socialism as a world system is practical proof of its international essence. The victory of socialism in different countries means not only the expansion of the political and geographical boundaries of the socialist world and its adoption on three continents but also the enrichment of the very essence of the new system, its characteristic features on the basis of wide experience of building socialism.

Internationalisation is a key factor for forming—in the words of Lenin—"complete socialism."¹

Yet, the path traversed by world socialism since 1917 was not easy or direct. There were numerous successes, but there were also difficulties and mistakes. In the postwar years socialist countries strengthened their economic, scientific and technological potentials, carried out major social programmes, and achieved conclusive results in affirming the socialist way of life. But, at the same time, their social development was not free from difficulties and even stagnation phenomena which, in some cases, brought about crisis situation.

Yet, considering the worldwide historical

¹ V. I. Lenin, "'Left-Wing' Childshness and the Petty-Bourgeois Mentality", in *Collected Works* (Moscow: Progress Publishers, 1977), Vol. 27, p. 346.

significance of the socialist countries' experience of building socialism, it can be said with total confidence that they accomplished in a relatively short period of time what it took other countries centuries to achieve.

Today the socialist countries are going through a very important period. This period is marked by an attempt to abandon outdated dogmas and stereotypes and antiquated theoretical and political precepts which for many years retarded the development of the theory and practice of socialism and mass initiative.

In connection with this, the present stage of perfecting socialist society will occupy a special place in the history of the forward march of socialism. The tasks being resolved at this stage have been put on the agenda by the increasingly evident need for a fuller discovery of the fundamental traits of the new social system. The social reforms being conducted by the socialist countries with the aim of accelerating economic, technological and social progress are a concrete expression of this need.

The essence of the socialist community's present strategy is to make significant headway in realising socialism's advantages.

To accomplish this task, the state and party leadership of the socialist countries have devised a joint, long-term strategy for improving socialist society based on

the concepts of acceleration and intensification of social progress.

In many of the countries, the strategy of social improvement has taken on the form of restructuring (with respect to Soviet reforms known as perestroika). The goal of restructuring is to fully restore—theoretically and in practice—Lenin's conception of socialism in which priority is given to the working person, his ideals and interests, to humanistic values in the economy, culture and social and political relations.

Soviet leader Mikhail S. Gorbachev writes in his book, *Perestroika and the New Thinking*, that the essence of perestroika lies in overcoming historically limited and outdated practices of social organisation and work methods, in lending socialism the most advanced forms of social organisation conforming to the conditions and requirements of the scientific and technological revolution, the intellectual progress of society and the fullest revelation of the socialist system's potential.

In the Soviet Union, the perestroika policy has been formulated as a direct continuation of the October Revolution. The Soviet Union has not urged anyone to copy this policy, for each of the socialist countries has its own peculiar socio-economic development. The communist and workers' parties in these countries have devised a distinct policy taking into account local conditions. Yet some of the problems

facing the Soviet Union both in the area of the economy and social life have already been solved or are being solved in other socialist countries in their own way.

Thus, in each country the policy of restructuring pursues distinct priorities and is being conducted in distinct economic and social conditions. The one trait the restructuring policies in each of the socialist countries have in common is that they all reflect the underlying essence of socialism and meet the key requirements of social progress in the course of which socialism is to assume a qualitatively new state.

Today the socialist countries have set out in joint pursuit of a new model of socialist society suitable for the modern era with its revolutionary changes in technology, culture and the level of people's knowledge and the need for a new political thinking, a more democratic society and broader international contacts.

Restructuring actuates a search for the most revolutionary of innovations, for such innovations reinforce socialism and, consequently, result in the improvement of working people's standard of living, ensure the all-round and free development of the individual, and provide greater scope for economic, scientific, technological and cultural advance.

Common tendencies in the various restructuring drives can already be discerned; these tendencies have become the object of debate among the socialist countries' polit-

ical and academic circles and have had an impact on the kind of economic and political reforms being carried out in these countries.

Yet, this is not to say that the concept of restructuring has jelled. After all, it was Lenin himself who said that in creating a new world, "again and again we shall have to improve the work, redo it, start from the beginning."¹

In the economic area, the common traits are a changeover from extensive methods of management to intensive ones and the acceleration of socio-economic progress on the basis of scientific and technological advances.

On the political plane, the socialist countries concentrate on the promotion of broad democracy and self-government and the rooting out of the red tape and abuse of power. Indeed, restructuring is designed to bring about maximum democracy.

Ideologically and spiritually, the socialist countries aim at the creative development of Marxist-Leninist theory, the affirmation of a high level of morality and socialist values, and the further development of the socialist way of life.

The restructuring drives launched in the socialist countries will get nowhere without

¹ V. I. Lenin, "The Importance of Gold Now and After the Complete Victory of Socialism", in *Collected Works* (Moscow: Progress Publishers, 1973), Vol. 33, p. 112.

adopting a new way of thinking about economic, political and social problems and without shaping of new views and approaches toward the tasks facing them.

This book attempts to show, using specific examples, the importance of the social reforms being conducted in the socialist countries at the present stage of development and how they relate to the need for restructuring and improving social and economic policies.

The reader is offered an anthology of articles by various authorities from socialist countries in Europe and Asia on such topics as economic and social development, foreign policy and trade. The contributors to the present book are high-ranking party and state figures, leading scholars and young sociologists and researchers.

Before we continue, it should be noted that the socialist countries are located at different stages of the development of socialist society. Because the problems they face are more acute in some countries and less acute in others, approaches and solutions to them differ from country to country. To show these peculiarities is another of the aims of this book.

The reader is offered the viewpoints of economists from the Soviet Union, the German Democratic Republic and Czechoslovakia on theoretical conceptions of economic restructuring and improving the economic mechanism and the opinions of political figures from Poland, Hungary and

Vietnam on the subject of implementing the recent decisions made in these countries to invigorate socio-economic life and derive greater benefit from the economic laws of socialism. He will also find an analysis of previous stages of restructuring by sociologists from China and Yugoslavia, who examine the further steps likely to be taken by their countries to improve their economic systems. A contributor from Romania shares his thoughts on his country's new approach to foreign economic relations, while a Bulgarian writer reflects on how to activate what he calls the "human factor."

The articles in this anthology dealing with economic problems are evidence that in the sphere of economics one can see fairly distinct lines of reforms. The most clear picture of them is provided by Academician Leonid Abalkin in "Relying on the Lessons of the Past", which also examines the technical aspects of developing property relations.

The new model of socialist economy is designed to reduce production and distribution costs, dismantle the "waste mechanism" and raise labour productivity. Or, in short, provide a new quality of economic growth. In this lies the main reason for abandoning the extensive type of economic development in favour of the intensive one, argues Czechoslovak economist František Valenta in his article, "Toward a New Quality of Economic Development".

One of the features of the new economic mechanism is its reliance on economic incentives for stimulating enterprises, work collectives and individual workers rather than on administrative and command methods. Such an approach frees society's creative potential and helps to make individual and collective interests the driving force of economic progress. This feature is common to the restructuring strategies of both small and large countries alike. How this strategy is being carried out in China is told by Yan Tao, who is the author of "The Reform of China's Economic Life".

The emerging new economic mechanism is also expected to broadly encourage initiative and entrepreneurship at the workplace. The key here is handing enterprises broad authority and genuine economic independence on the basis of full profit and loss accounting, the widespread application of technological innovations and the advantages of the socialist division of labour. In short, correctly determining the main sphere of the country's economic life. How the German Democratic Republic has approached this problem and the rights possessed by industrial enterprises are described by prominent GDR economist Helmut Kaziolek in the article, "How We Manage the Scientific and Technological Revolution in a Socialist Way".

The new mechanism of the socialist economy is rooted in the wide development

of commodity and market relations and profit and loss accounting, enabling enterprises to operate on a self-financing and self-supporting basis.

The economic independence and self-management of enterprises give wide scope to initiative and socialist entrepreneurship, which help to make every worker feel that he has a stake in the enterprise's success. These principles are most evident in Poland. The government reform programme put to a vote in the November 1987 nationwide referendum is designed to bring about quick and radical changes in the economy and society. Twelve million Poles, or two-thirds of all participants in the referendum, cast ballots in favour of the government reform package. They voted for the full implementation of the reforms, designed to radically alter the working conditions and standard of living of every Polish citizen.

Zdzislaw Sadowski, a prominent Polish scholar and vice-president of the Polish State Council, gives details of the government reform package voted on in the nationwide referendum in the article, "The Second Stage of Reforms: More Enterprise".

Based on the practice of many socialist countries, it has been found advisable to combine various forms of public property in the means of production with individual, families and small group properties. It is also suggested that, while maintaining the preeminence of public property, encou-

agement should be given to such forms of mixed property as state-cooperative, state-private, state-capitalist and so on.

The restructuring of property relations is expected to eliminate the producer's alienation from the means of production. Under the new arrangement, state property will be, as it were, leased out to work collectives who will be materially responsible for its efficient use and in return will be able to keep a part of the profits. This arrangement has caught on not only in industry but also in agriculture and the sphere of services.

The theoretical aspects of property relations' development are discussed in the above-mentioned article by Leonid Abalkin.

In some countries the restructuring drive has revived long-neglected concepts of commodity-money relations and the law of value. The experience of these countries shows that the law of value should be invoked to regulate the exchange of commodities and prices in practice and not just in theory. There is mounting evidence that the use of commodity-money instruments and standards set by the state enhances the effectiveness of planning and contributes to a higher quality of economic indices.

To be sure, the law of value and commodity-money relations are applicable mostly to countries with a developed economy. The general difficulties and problems that

may be encountered if these economic concepts are ignored are the subject of an article by the General Secretary of the Communist Party of Viet-Nam Nguyen Van Zinh which appeared in the newspaper *Nhan Dan* and is reprinted here.

The restructuring drives in the socialist countries are aimed at ensuring balanced and proportionate economic growth, optimising the sectoral structure of the economy, and eliminating spurious shortages or surpluses of labour resources, energy, raw materials and funds. Of course, a deficit economy cannot be effective and meet the tasks of socialism.

This point is mentioned by Leonid Abalkin, with whom virtually all socialist bloc economists would agree. Yugoslavian economist Rosa Andžic voices an opinion on this subject in the article, "Intensification of Production: The Key Problem of Economic Processes".

While pushing through economic reforms many socialist countries have felt a need for restructuring their country's political apparatus and social relations as well, without which the economic reforms would remain on paper only.

According to the 19th CPSU Conference, the political system reform is necessary here. The reform means broader participation of the public at large in decision-making processes, more self-regulation and self-governing, the more efficient mechanism of forming and revealing the interests

and will of all the classes and social groups, better conditions for the free development of each nation and nationality, clear differentiation between the functions of party and state bodies and the creation of an efficient mechanism of the timely self-updating of the political system.

The political reforms planned in the socialist countries stem from new social realities including greater public awareness and the increased interplay of other social factors.

Under these reforms, the pre-eminent role is increasingly being given not only to collectives but also to individuals and their self-realisation, to individual rights and freedoms and the consistent development of the socialist way of life. It is worth noting here, that the ultimate goal of the political reform is the all-round development of human rights, rise in social awareness and creative potential of the masses. Sociologist Kamil Janaček relates how Czechoslovakia has approached this issue in "Social Development and a new Dimension of Economic Growth".

The political restructuring emphasises the principles of self-government, public consensus and conscientious discipline. Many countries have also attached priority to carrying out an adequate social policy and the widespread activation of the human factor.

These theories are dealt with by Bulgarian scholar V. Vichew in the article,

"The Human Factor: Essence and Ways of Activisation". In the article "Social Policy" that appeared in the newspaper *Népzabadság*, Judit Csehák, a Deputy Prime Minister of Hungary, suggests specific ways to improve the state's social policy and offers his opinion on how to reduce social tensions. His article is reprinted herein.

A main feature of the drive to renew socialist society is growing openness to international contacts. This will allow the socialist countries to be able to compete on world markets and take full advantage of the international division of labour in order to increase the dynamism of the socialist world. The signing of Joint Declaration on establishing official relations between CMEA and EEC in June 1988 has become the first major result of the new international policy. This is an evidence of the new way of thinking, growing weight of socialist countries and better political climate in Europe and in the world.

Especially favourable conditions for all-round interaction have emerged between the countries of the socialist community. In the postwar years socialism has grown into a powerful international system. A ramified network of party, government and public ties has taken shape within this system. The cooperation between the socialist countries has been especially furthered recently.

A solid foundation has been formed for

an international division of labour within the socialist community countries operating on the basis of large-scale integration, close political and military cooperation under the Warsaw Treaty and bilateral and multilateral relations are still developing even further.

In the article, "Romania's Active Participation in World Economic Exchange", Alexandru Puiu recommends ways to increase Romania's participation in the international division of labour and describes the country's new approach to this issue.

A key element of socialist economic cooperation is the working out and approval by the 44th meeting of the CMEA session of July 1988 of a collective conception of an international socialist division of labour for the period 1991-2005 intended to further the international specialisation of production, improve the existing pattern of the division of labour and economic structures, ensure that the countries' needs for energy, raw materials, food, industrial equipment and consumer goods are met, and encourage the effective use of the industrial and technological potentials of each country and the community at large.

A major feature of the present stage of cooperation between the socialist countries is the growing importance of studying the overall experience of socialist construction and making generalisations from this experience. No fraternal state has the right

to claim for itself a special position in the socialist world. The socialist community cannot prosper unless each state treats the other states with respect, unless the interests of each member are taken into account.

Lenin's idea that the socialist social system would become mature as a result of international cooperation and the synthesis of the national approaches and trends is clearly demonstrating its relevance today.

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**RELYING ON THE LESSONS
OF THE PAST**

As a result of the October Revolution and the subsequent building of socialism, the Soviet Union has become a major industrial power with a highly developed economy and a vast scientific and technological potential. In these revolutionary transformations lie the foundation and the inexhaustible source of the advantages of the socialist system. These achievements are a source of legitimate pride and demonstrate convincingly the vitality of socialism and the principles of organising social production inherent in it. Yet a leap from age-old backwardness to the forefront of science, technology and culture is unable to push into the background serious problems left over from the remote as well as recent past. In analysing them, we must proceed from the lessons of truth offered at the 27th CPSU Congress.

Unless we study the experience accumulated during the 70 plus years of socialist economic development and assimilate its

lessons, we will find it impossible today to devise and implement a strategy for dismantling the braking mechanism and clear the way for a radical restructuring of economic management while preserving everything valuable in our heritage.

To be sure, direct analogies are impermissible here. In solving present-day tasks, account should be taken of cardinal changes in the conditions of the country's development. Just as wrong are nostalgia, calls for restoring previous administrative methods, and the depiction of certain periods of history as a "golden age" when gains were allegedly made almost effortlessly. Of course, Soviet economic development has never known such periods.

I

Many difficulties in the theory and practice of restructuring the economy and the system of management arise because of a lack of well-grounded estimates of many stages of the country's economic development. Available studies of the New Economic Policy and the reasons for correcting it and for eventual abandoning its many methods and precepts clearly lack theoretical depth and historical scope.

The early five-year plan periods have yet to be adequately studied as far as their scopes and contradictions are concerned. The overrated efficiency evaluations of previous economic management methods

rooted in hasty conclusions made immediately after specific events rather than in modern scientific knowledge, are still in use. This, in turn, has prevented the full realisation that, among other things, administrative-command methods of management are unacceptable in the new conditions.

Also, the activities of the *sovnarkhozes* (councils of national economy) of the late 1950s and early 1960s have basically not been studied, nor have the factors responsible for their creation and subsequent abolishment and the results of economic activity in the absence of sectoral ministries. The formation of *sovnarkhozes* did not bring about radical change in the economy. Yet it would be impossible to conclude without first conducting a profound analysis whether the system failed because of the territorial devolution of authority or for other more deep-rooted reasons, particularly the preservation of outdated methods of management.

Assessments of the economic reform of the 1960s and the lessons and conclusions drawn from it are also mainly contradictory. Stradling diametrically opposed views of the reform attempt (from outright enthusiasm to total disavowal of everything positive accomplished in those years) is an entire array of theoretical positions. This broad spectrum of views illustrated vividly the lack of serious analyses and generalisations.

According to key socio-economic indices—the growth of national income, labour productivity and per capita real income—the five years between 1966 and 1970 were the best in thirty years. Why was such powerful momentum lost, and the reform itself scrapped? Who and what stifled the reform efforts? The lack of necessary clarity on this point concealed in shameful silence prompts another, perhaps the most important, question: Will this not be repeated and the process that is under way of radically restructuring the economic management system be halted?

Without a well-reasoned analysis of these and other historical events it would be difficult to give a convincing answer to the questions raised. There is a need for a clear and exhaustive realisation as to why the Soviet Union with its enormous production capacity, is constantly faced with shortages, why, given the indisputable advantages of a planned economy, we have not been able for years on end to cope with the problem of a dissipation of capital investments and accelerate rates of scientific and technological progress, and why, in a socialist society with its humanistic principles, such things as the low priority development of the social sphere and the diktat of the producer have become possible.

An exhaustive study of past experience and a balanced appraisal of this experience are necessary conditions for scientific and political foresight and for making sure that

previous mistakes are not repeated. Assimilating the lessons of socialist management is of extraordinary importance for economic science. Only such an approach will allow us to examine economic processes and relations of production in their social reality.

In embarking on special studies on the history of the national economy and economic thought, it is necessary to organically include historical experience in the domain of theoretical research as a basis for understanding the fundamental laws of economic and social development. The current state of research does not yet meet these demands. As a result, unprofessional views of past stages of the country's economic development are widespread. To be sure, everyone is free to express his opinion on this or that issue. This is only natural in conditions of the democratisation of social life. Yet, the drive for more openness assumes a more profound understanding of the questions at issue. This concerns primarily the field of research, whose responsibility for shaping public opinion has grown significantly.

II

The creation of the necessary conditions for guaranteeing that the party's drive to restructure the management of the economy is implemented fully, consistently and

effectively is a key task of the present stage of the country's development. In order to solve this task, we must have a clear notion of the kind of dangers (based on previous experience) that await us on the road to revolutionary transformations, when and under what circumstances we will see the expected results and whether these results differ significantly from those that were expected.

One of the most evident lessons of past experience is that economic reforms, particularly those designed to bring about a radical improvement in the economy, are ineffective without simultaneous and corresponding changes in the political system and in the social and spiritual spheres. The radical renewal of the economy during the early years of the New Economic Policy and the major successes achieved in the mid-1950s, as well as other major achievements of the Soviet economy, were made possible only by a revamping of the political structure, the broader application of democratic principles to the organisation of social life, and an improvement of the ideological atmosphere.

However, upsetting the synchrony of the reforms could reduce to naught even the most well-conceived economic reforms. Such was the case with the bold and rather ambitious reform that we attempted to implement in the mid-1960s. It provided considerable momentum to the country's economic development but soon died out

because of the absence of political and spiritual changes.

The current drive to restructure the way the economy is managed is without doubt the most revolutionary attempt since the birth of socialist society. It demands a major overhaul of political institutions and the dismantling of the bureaucratic stratification in the activities of the state and economic apparatus. It assumes that the policies of democratisation, openness and radical transformations in social relations will be carried out consistently, including fastidious compliance with the principle of distribution according to one's labour input and the heightened authority of honest, highly-productive labour.

Historical experience bears witness that the very system of public property and state guidance of the economy harbours the risk of overcentralisation which may become a reality in the absence of appropriate counterweights. Such centralisation is necessary in extreme situations and only then may provide quick and tangible results. But over the long haul, it inevitably leads to a serious deformation of socialist principles based on the alienation of the masses from property and decision-making. It manifests itself in the spread of bureaucracy on the one hand and the growth of social apathy on the other. The negative consequences of this contradiction amass quickly and make the demand for resolving it ever more urgent.

To overcome these problems economic measures must be supplemented by political measures and vice versa. We will note but one of the key problems of the current conception of restructuring—the link between the democratisation of social life, self-management, and the switchover to full profit and loss accounting. Real democracy and self-management are impossible without the work collective and the worker being protected from arbitrary decisions and administrative orders. Without this it will prove impossible to foster full profit and loss accounting under which income will be based solely on the quality and end results of one's work.

Yet democracy and self-management are not just accessories to full profit and loss accounting. They are a precondition for real changes in the financial condition of work collectives and of individual workers.

Experience has shown that in order to radically reform the economy and lead it out to qualitatively new frontiers, not cosmetic but profound, radical changes are required in the very system of relations of production. The more radical the planned reforms will be, the more deeply will the restructuring drive affect various layers of relations of production. The question naturally arises as to how to distinguish between the purely organisational, at times merely formalistic changes and transformations in relations of production.

Relations of production are always man-

ifested as interests of people. If the transformations fail to affect the interests of the people and leave them apathetic and indifferent, then this is a tell - tale sign that they are no more than formalistic. Yet if they cause the people to react, this means that changes have occurred in the very economic foundation of society, in the system of relations of production.

The question of the representation of interests of people is a complex issue that has yet to be studied. Without reflection, we often think of the interests of society and the state, of the work collective and the enterprise as being identical. However, the public interest, or the interests of the national work force, can be expressed or represented in many different ways, just as the interests of the work collective. The creation of special bodies and other structural formations to represent and protect various interests may lead to a situation where the interests of such structures begin to become detached and take on a self-contained nature. In this lies one of the main sources of bureaucracy and rule by fiat.

Democratisation and the fundamental renewal of socialism are closely interwoven with the development of explicit forms of expression and protection of interests of the national work force at large and of separate elements. Only in this way can the alienation of workers from the public (the whole people) means of production be

overcome and a guarantee exists that workers become the true masters at the work place, in the region and in the country as a whole.

The resolution of this task assumes a change in the very basis of the economic system of socialism—in the relations of property in the means of production. Required is not just an incremental improvement, but a radical, revolutionary renovation of the entire mechanism of the functioning and economic realisation of public property. The revolutionary nature of the reforms does not mean the abandonment of socialism but the development of its innate capabilities. The very nature of the revolutionary reforms witnesses their depth and their promise of fundamental qualitative changes in current methods of economic management.

Past experience teaches us another lesson: in dismantling the existing management system, it is necessary to be aware which legacy we are leaving behind.

The resolution of this problem is closely connected with an understanding of the link between the principles and methods of socialist economic management. The principles reflect the permanent foundations of the socialist economy. They are immune to passing trends and momentary changes. To be sure, this conclusion, like all others, should not be absolutised. As historical experience is amassed, the principles underlying economic activity are

enriched and developed. Yet, at all times they retain their untouchable general socialist content.

In carrying out a radical reform of economic management, we proceed from the same principles that were in operation during the first years of the building of socialism and which were followed—or at least an attempt was made to follow them—over all the years of the Soviet Union's existence. Among these principles are democratic centralism, a mixture of one-man management and the principle of collective leadership, the use of plan methods in combination with economic levers, and the combination of sectoral and territorial approaches to management. Any retreat from these principles would be tantamount to the abandonment of the fundamental tenets of socialist development.

Unlike the above-mentioned principles, the methods of socialist economic management are malleable. They cannot remain unchanged for all historical stages and different conditions. They are modified to match the peculiarities of the development of specific countries and specific historical conditions. Attempts to apply management in an unaltered form inevitably end in serious economic and social losses.

Much has already been written about the fact that just such a situation emerged at the end of the 1970s and the start of the 1980s. However this is far from the only case in the country's history. Such

a situation has occurred at least three times before. By the late 1930s it had become evident that the planning and management methods that had emerged during the first two five-year plan periods had in many ways exhausted themselves and were the source of negative phenomena in the economy. These phenomena were intensely studied at the 18th CPSU Conference held shortly before the war. At the conference were discussed many of the same problems that are at the centre of attention today: the slowing of growth rates of industrial output and labour productivity, the deceleration of technological progress, the decrepit state of capital construction and transportation, the weakening of material incentives to work and declining observance of the principle of distribution according to work done.

However the outbreak of the war prevented the job from being completed. With time the events of those years were either forgotten or regarded merely as an episode in the complex history of the development of the Soviet economy. Postwar reconstruction and rapid growth rates created the impression that the methods being used were effective and reliable. The situation became aggravated at the end of the 1950s and early 1960s when the negative phenomena reappeared. Slackening in the rate of growth made necessary the attempt at reform conducted in the 1960s.

However the reform was never completed.

The difficulties of that period were largely attributed to subjectivism in management and economic policy-making. It was thought that matters could be rectified by overcoming these negative phenomena without making fundamental changes in relations of production and in the methods of planned management.

When the same situation was encountered for the third time in the late 1970s and early 1980s and the economy was at a pre-crisis state, it was already impossible to dismiss or ignore the problem and not take account of the lessons of the past.

Today it is obvious that socialist relations of production can fulfill their role as the driving force of industrial development, the accelerated growth of productive forces and greater efficiency only provided that they are constantly perfected. Otherwise they will ultimately lose their stimulating role and become a serious brake on further economic growth.

The perfection of relations of production can occur either in the form of a smooth evolution or in the form of profound, revolutionary transformations. The necessity of the latter appears and becomes urgent when unresolved problems amass at the same time that the scale of production becomes larger and major shifts occur in the development of the forces of production.

The changeover to entirely new management methods constitutes an important development law and indispensable con-

dition for making avail of the vast potential and advantages of the socialist system of planned management of the economy. The task at hand is no simple affair. The old methods are very much tenacious, and with the help of a certain degree of mimicry could extend their existence for a long time under the cover of new names, particularly if the organisational structures and political institutions are left untouched. The ability of the old methods to adapt themselves to new conditions represents a major danger to any attempt at sweeping reform.

Such phenomena can be observed today at this critical junction of the radical restructuring of the economic management system. They are manifested in attempts to preserve under the guise of state orders the outmoded system of issuing detailed instructions to regulate output, adapt economic standards to outdated planning methods and emasculate the essence of self-financing. Strictly speaking, there is nothing unexpected about this. The current situation merely confirms the historical lesson that the new must be fought for, fought for persistently and resolutely.

III

History has taught us another lesson: that the emergence of monopolistic tendencies in the industrial, research and devel-

opment, banking and other sectors is a major impediment for a socialist economy. This is confirmed by Lenin's profound observation that any monopoly, and not just that based on private property, inevitably becomes a brake on economic, scientific, and technological progress. Without repudiating the benefits of public property in the means of production and centralised economic planning, it is necessary to supplement them by fostering competition among manufacturers for the market and for access to state resources (especially credit) to encourage their more effective use, by instilling a competitive spirit in the R & D field and by stimulating competitive proposals on major economic projects. An indispensable condition of economic competition is providing consumers a choice of ways to satisfy their needs and furnishing suppliers with the best possible technical blueprints and solutions. One should not forget the repeated reminders of Marxist-Leninist writings about the need for the total satisfaction of needs and the all-round development of the individual, as well as the free resolution of these problems.

It is impossible to eliminate deficiency—a chronic problem for the Soviet economy—without overcoming the power of monopolies and encouraging economic competition.

There are compelling reasons to believe—on the basis of theory and in view of histor-

ical experience—that a deficiency economy surely cannot be effective. Such an economy inevitably fosters lowered demand for the quality of goods, reduces the social and labour incentive and causes chronic disruptions in the industrial supply network. The entrenched administrative methods with their extreme centralisation and bureaucratic distortions are not so much a product of deficiency as their cause.

Providing enterprises the right to choose suppliers and utilise resources as they see fit and the introduction of competition principles cannot be accomplished without the broad development of the socialist market with its methods of influencing production. The market is not a capitalist invention. It possesses a number of traits common to all economic systems based on an elaborate division of labour and commodity forms of economic relations.

The modern concept of the role of the socialist market and ways for stimulating it through the encouragement of wholesale trade of capital goods, increasing the flexibility of prices, and attaining a rational balance between supply and demand are key elements in the programme to radically restructure the economic mechanism. The measures outlined are based on a new political and economic vision of the most complex economic development processes and on the lessons learned from the longstanding (as it has become clear now completely unjustified) neglect of the role

and possibilities of the socialist market.

In the past, social progress was often understood as movement from elaborate structures to more simple ones. Many practical steps were made on the basis of this concept. Today such concepts are hopelessly outdated. Historical experience permits us to conclude that the growing sophistication of forms of organising economic life and of methods of economic management constitutes one of the most important social laws. Not every sophistication is a sign of progress, but only those necessitated by the objective demands of the expansion of production. In view of this, it would hardly be correct to regard the advancement of socialist society as the mechanical raising of the share of state property at the expense of curtailing other forms. A richer and more mature content always manifests itself in a growing variety of forms. In particular, it is expressed in the growth of the variety of sizes, scales and types of enterprises and associations.

Also increasingly in disuse are attempts to find a universal solution for all occasions. Today we can't imagine the devising of a universal model that could be used for introducing profit-and-loss accounting in small services enterprises and giant heavy industry plants alike. What's more, the Law on the State Enterprise (Association) provides for at least two different ways for introducing profit and loss accounting. It would be incorrect to try to determine

which of the forms is best; each is rational and effective under particular conditions.

IV

Absorbing the lessons of the past and working out the most rational means for fostering socio-economic progress cannot be done without the substantial overhauling of economic theory and the shaping of a new type of economic thinking radically different from previous views, including those prevailing in the 1960s.

Today we should not limit ourselves to an analysis of external economic forms alone and leave unchanged our notions of the underlying principles of relations of production and of property, its structure, subjects and mechanism of realisation. We are no longer content with the traditional two-dimensional depiction of reality, its interpretation as the interlacement or mixture of plan and market, centralism and autonomy where the strengthening of one element is considered to be incompatible with the development of another. According to that approach, encouragement of the market is perceived as the weakening of the principles of a planned economy, and granting enterprises greater autonomy is seen as undermining the concept of centralism.

Such way of thinking, which is widespread even today, has a serious effect on the ideological climate in which the re-

structuring drive is being nurtured. Surmounting the old way of thinking and developing a new, modern one assumes that the lessons of the past are learned well. And not just for the sake of recording facts or receiving ready-made answers, but in order to take a broad look at current problems, assess them against the backdrop of profound historical transformations and see clearly both the sources of these problems and the prospects for resolving them.

Today much needs to be rethought, relying not on book wisdom but on objective historical experience. Generally, this means a reassessment of the very essence of socialism, its economic system, driving forces and internal contradictions. Answers must be found as to how susceptible the socialist economic system is to renewal and the best ways to reveal and put into effect the vast but far from fully realised advantages of the socialist economic system. It is impermissible to answer these questions by the meaningless repetition of the fact that the advantages of socialism are connected with public property in the means of production. It is necessary to considerably enrich the very understanding of public property, reveal its inner structure. This means more than just expanding, together with public property, the scope and significance of cooperative property and other types of property connected with the encouragement of private individ-

ual farming and individual labour activity.

Recognition of the need for and advisability of fostering a variety of forms of socialist property is a major step forward. Yet this is not the most difficult issue relative to the theory of property. The most complex problem concerns state socialist property, the elimination of its depersonalised nature and anonymity and the insusceptibility of state enterprises to scientific and technological progress and to changing social demands. In order to solve it, it is necessary to reveal the internal logic, the law-governed sophistication of the mechanism of realising the whole people's property, and demonstrate the need for including within its structure relations based on elements of a collective contract, of group forms of economic activity and appropriation.

A new understanding of this key category is an essential part of the formation of a modern type of economic thinking and assumes the abandonment of a simple, linear description of property in favour of an awareness of its complex internal structure, of empty declarations in favour of an analysis of its driving mechanism. It is increasingly obvious that only by including the worker and the work collective in the process of public appropriation, only by instilling a proprietary attitude toward work in conjunction with a move toward full profit-and-loss accounting and

self-management, can the concept of property acquire real economic meaning and be made truly socialist. Otherwise it will remain nothing more than an empty legal concept, and socialisation will be purely formal.

To involve the worker in the real driving mechanism of property and overcome its alienation means to go in the direction of "more socialism". This is the chief way to utilise its advantages.

In the conception of restructuring the management system developed by the Communist Party, the greatest headway has been made in the understanding of the place and role of its key elements. Conclusions that have made that industrial enterprises (associations) are socialist producers of goods, and their work collectives are the owners of the means of production—advance us far in the economic and political comprehension of the realities of economic life.

In much less detail has been developed a modern conception of centralism. It is abundantly clear that a cardinal solution of scientific and technological problems and a giant leap in labour productivity and industrial efficiency rates cannot be achieved by local, isolated actions by separate enterprises. Moreover, it is hardly possible that the advantages of socialism can be demonstrated at the level of a single enterprise.

To do so is possible only by utilising

the advantages of centralised management, by putting into effect a coherent, well-conceived, flexible and effective economic strategy, by quickly redirecting resources toward priority areas of science, technology and social development. This, together with the encouragement of a genuinely proprietary attitude toward work and the results of one's labour, is capable of ensuring the most efficient level of production.

A modern approach to this issue is incompatible with purely mechanical considerations as to whether to increase or decrease centralism in management. Today the challenge is to lend it an entirely new appearance, to develop a whole new philosophy of centralism. The aim is a centrally planned management with expanded functions (including informational and orientational functions) able to meet the basic strategic tasks of developing the national economy relying on economic methods and creating maximum scope for self-management of enterprises and the activation of work collectives.

The new conception of centralism, much more substantive and refined than the previous notion, is a central ingredient of the new type of economic thinking. It is rooted in a consideration of entirely new conditions of economic development and a critical awareness of the far from unequivocal experience of past decades.

To be sure, mastering the lessons of the past requires that orderly and thoughtful

studies be made. The important thing is not in the acuteness of the perception of the past, although this too is necessary. Without negating the outstanding achievements of Soviet planned economic system, it is necessary to draw lessons from Soviet history. No one is insured against making mistakes. That is the way it was in the past, and, probably, that is the way it is now and will even be tomorrow. But only he who avoids repeating past mistakes and instead learns from them in order to move ahead purposefully and boldly is wise and ultimately successful.

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HUMAN FACTOR: ESSENCE AND WAYS OF ACTIVISATION

Social development is subordinated to the demands of objective laws which are independent of human will or conscience. Actually, it is these laws which determine people's will, conscience and aim. However this tenet of Marxism does not deny the role of the human factor and does not at all contradict the common belief that true historical development is "the activity of the mass of human individuals," that history is *nothing but* the activity of man pursuing his aims. "It is *man*, real, living man who does all that, who possesses and fights; 'history' is not..."¹ wrote Marx and Engels. Social reality should be regarded as human vital activity, as practice, Marx added. This means that neither are the conditions of activity always objective

¹ Karl Marx, Frederick Engels, "The Holy Family, or Critique of Critical Criticism", in K. Marx and F. Engels, *Collected Works* (Moscow: Progress Publishers, 1975) pp. 85, 93.

nor the activity itself always subjective. Social laws are laws of the practical activity of people; they always manifest themselves through people's actions.

These fundamental tenets of Marxist-Leninist theory take on special actuality at the current stage of the development of socialism, at a time when it is faced by the challenge of attaining an even higher stage of maturity, of realising the vast economic and social opportunities presented by the scientific and technological revolution and giving maximum scope to the creative potential of the people.

At the Thirteenth Congress of the Bulgarian Communist Party (1986) it was reiterated that any violation of objective laws will retard social development and breed negative phenomena, crises or regressive situations. On the other hand, *the metaphysical arraying of social laws against the purposeful and transforming activity of people under socialism will unavoidably lead to passiveness and sap the energy and creative initiative of the masses.* "Our freedom of action, our possibilities as a subjective factor lie in the understanding and consideration of the demands of these laws, in the creation of conditions for them to be expressed even more fully and for them to energetically alter reality," Todor Zhivkov said at the Thirteenth Party Congress.

Ensuring a qualitatively new economic growth, the quickening of scientific and

technological progress and the unfurling of socialist democracy will require that a *qualitatively new unity of the objective and subjective in social development be achieved*, i.e. a unity of the mounting objective possibilities of socialism and of deliberate, energetic actions of the subjective factor, of the initiative and creativity of every individual and every work collective.

Whereas the term "subjective factor" refers to the qualitative characteristics of all historical actors, in particular, large social groups, communities, classes and their organisations and party and state bodies, the term "human factor", which can be met often in the documents of the recent Congresses of the Soviet Union and Bulgarian communist parties, designates the functioning of an individual in the system of social relations and the qualities and abilities of that individual which make him an active participant in material production, spiritual life and social management.

Sometimes the term "human factor" is used as a synonym of the term "social factor". This is permissible since, as Marx pointed out, "the essence of man is no abstraction inherent in each single individual. In its reality it is the ensemble of the social relations".¹ But the term "human factor",

¹ Karl Marx, "Theses on Feuerbach", in K. Marx and F. Engels, *Collected Works* (Moscow: Progress Publishers, 1976), p. 4.

expressing above all the social essence of man, contains in addition a number of biological traits such as sex, age and biopsychic features. It is possible to cite other significant differences between the term "*subjective factor*", "*social factor*" and "*human factor*", but in our case it is more important to perceive the *new and important elements* which party decisions are attaching today to human factor. In particular, the strengthening of man's role in social development, the raising of his socialist consciousness, education and professional skills to the level of modern scientific and technological achievements and quality standards.

Human factor is the social, natural and intellectual potentials of people participating in transforming social relations and shaping the material and spiritual values of socialism.

The extensive use of this term today stems not from a fondness for scholastic theorising or the "constant reclarification" of this or that definition but from objective necessity, so that *each and every* socialist worker can actively influence the organisation and results of production, the creation, distribution and use of public benefits, and directly participate in social management.

To be sure, the building of a new society has always presented a considerable challenge to the subjective factor, but the present turning-point has profoundly altered the educational, moral and political nature

of this challenge and directly and urgently addresses each and every person. It can be said that the objective laws themselves of the turning-point period raise the activeness, scientific consciousness and responsibility of every person to the level that is required for successfully harnessing the advantages of new social relations with the achievements of the scientific and technological revolution.

The "human factor" is a matter of the connection between knowledge and action, of *strengthening the active, transforming principles in the historical process*. It is necessary to instill in every person a motivational mechanism to guide his behaviour at work and in social and political matters, one that will promote the most efficient use of material resources and the overcoming of mismanagement, demagoguery, apathy, narrow departmental and provincial approach—in short, everything that alienates man from public property and the national interest.

It is no secret that the current economic mechanism does not ensure the full and effective use of the material and production resources of socialism nor the full and effective use of manpower. A number of studies indicate that at some enterprises only a third of the work force work at full capacity and that the individual is little concerned about the public interest. In many work collectives there is absent a feeling of a master and the creative cli-

mate for ensuring the full mobilisation of forces and the skillful and professional performance of one's job.

In 1986 nearly 27 per cent of all people employed in industry, the construction trades, transport and communications switched jobs. That means that nearly every fourth worker changed his place of employment. This attests to their dissatisfaction with working conditions, the existing production engineering, the size of their pay, the opportunities for leisure and the services offered them at their place of work. It is hardly necessary to mention the enormous material, political and moral harm caused to society by such disorders and deformations of the "human factor" as embezzlement, various forms of corruption, the hiring of employees because of personal connections or bribery, demagoguery and the falsification of progress reports. The struggle against such negative phenomena is a struggle for the lofty moral values of the human factor, for the creation of a situation under which everyone receives what he deserves—whether good or bad, and occupies a position corresponding to his personal abilities and talents.

One of the totally new functions of the human factor today is that it acts as the *connecting link between the objective demands and laws of the scientific and technological revolution and the corresponding social activity, which requires high theoretical knowledge and creative abilities.*

Although intensification, self-management, and the development and introduction of new technologies depend to a large degree on objective factors, in the end they hinge on one thing—man. As never before objectivity speaks the language of subjectivity, that is, the qualities possessed by the human factor.

But on what qualities do the activeness of the human factor depend? In what way can its creative potential be increased? In answering this, most people would say, and not without grounds, what important here is that the person have firm ideological convictions and a high degree of socialist consciousness, which are essential if a person's aspirations and abilities are to develop in unison with the interests of society. Psychologists have long shown that a person's activeness is determined by three *major aspects: what a person aspires to, what he is capable of, and what he actually is.* Whereas needs and interests determine "what a person aspires to", his abilities and gifts govern "what he is capable of", and his behaviour and social realisation influence "what he actually is".

A person's world outlook, his ideological conviction and sense of public duty have a large influence on his social orientation. That is why in our ideological work so much importance is attached to the formation in every member of society of a sense of socialist consciousness, of the need for having an active position in life.

The resolutions of the Thirteenth Bulgarian Communist Party Congress demand that this work have a real effect on the acceleration of scientific and technological progress and the enforcement of order and discipline. It is called on to raise the prestige of the creative individual, shape new standards of morality and behaviour.

Past experience shows, however, that to count on the "omnipotence of consciousness" alone is insufficient for the activation of the human factor. Sources of activeness rest not in the "calling of the heart" and in "emotional aspirations", but in the real conditions of the existence of the masses and the *new demands can play a role only to the extent that they correspond to their (the masses) vital interests.*

Here it is worth recalling Marx and Engels, who said "theory can be realised in a people only insofar as it is the realisation of the needs of the people".¹ *Only by the people being sufficiently interested, and not by propaganda, administrative decrees or control, can the fundamental issues of the activation of the human factor be resolved.* Unless the people are interested, no appeals to reason, enthusiasm or get-tough policies can enforce discipline, get the people to work efficiently, use indus-

¹ Karl Marx, "Contribution to the Critique of Hegel's Philosophy of Law", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 3 (Moscow: Progress Publishers, 1976), p. 183.

trial capacity to the fullest or save raw materials.

Technological breakthrough which is a key factor of the scientific and technological revolution can be achieved only if work collectives and individual workers have a vital interest in introducing new technology. Thus, *key to the activation of the human factor is the problem of economic interests which determine the behaviour of work collectives.* Activation of the human factor depends on the possibilities that exist for stimulating, satisfying and realising this activeness, which are determined by social relations, and not only on the strength of ideological influence. We cannot talk about true activeness and responsibility when nothing depends on the person, when he is only riding the general flow, when ideas are thrust upon him from above and when his actions are guided by ready-made rules and standards.

This problem hinges on the real unleashing of socialist self-government, on an increase of production democracy and on the eradication of bureaucratic barriers.

Activation involves the maximum expansion of democracy in the socialist system so that each worker will feel that he is a real master at his place of work. Unless this is achieved, the human factor will prove ineffective, Soviet leader Mikhail Gorbachev noted at a Party Plenum in January, 1987. "It is only through the consistent

development of the democratic forms inherent in socialism and more extensive self-government that our progress in production, science and technology, literature, culture and arts, in all areas of social life is possible. It is only this way that ensures conscientious discipline. The reorganisation itself is possible only through democracy and due to democracy. It is only this way that it is possible to open broad vistas for socialism's most powerful creative force—free labour and free thought in a free country.”¹

How, for example, should attitudes to socialist property be shaped? Its significance cannot be taught at lectures, but by combining individual, group and public interests with a person's possibilities to influence the organisation of production and the distribution and use of the results of his labour. It is a must, for socialism, as past experience has shown, is not insured against the possibility foreseen by Marx that “*the totality of the objective conditions of labour*” confronts the worker as alien property.²

Mismanagement that attains such proportions that it becomes not only an economic but a moral stigma of socialism is

¹ Mikhail Gorbachev, *Reorganisation and the Party's Personnel Policy*, Novosty Press Agency Publishing House, Moscow, 1987, p. 27.

² Karl Marx, *Theories of Surplus-Value*, Part III, p. 352. (Moscow: Progress Publishers, 1978).

rooted not only in the past but in present-day alienation from public property, giving rise to a *dual morality* according to which it is a sin to steal from your neighbour but a lesser one to steal from the state.

Social activeness is unthinkable without the establishment of harmony between the private and the public. Disregard for individual interests and unjustified agitation for the preeminence of public interests, especially when these are rather obscure for individual persons because of shortcomings in the distribution system—inevitably lead to a functional, purely consumer's attitude toward socialist property and society. That is why at the present stage of the development of socialism the *interlinking of individual and public interests is of crucial importance for the activation of the human factor*, for ensuring social stability and the optimal functioning of its structure. This interlinking is the most accurate psychological gauge not only of the economic levers and mechanisms employed to raise labour productivity but of the entire educational influence exerted by society on the behaviour of an individual.

The public interest is not an artificial mixture of the interest of the state, groups and individual but an organic combination of the three in which each element cannot exist without the others. The socialist social organism can function normally only when each of the three interests, despite

them being independent and different, develop in such a way that they stimulate and enrich each other. Social activeness that relies on properly directed individual interest is the key to strengthening the role of the human factor.

The criteria and mechanisms for the establishment and functioning of self-governing organisations should stimulate and develop group and individual interests as a factor of the realisation of public interests. At the Thirteenth Congress Todor Zhivkov pointed out that self-governing organisations are essentially the *highest forms of the unity of public, collective and individual interests that have existed throughout our history.*

These self-governing organisations in this way are expected to strengthen discipline. According to Marx, the individual (group) interest will cease being a selfish interest after its opposition to the public interest is completely eliminated or becomes totally obsolete. Yet this opposition cannot be overcome without changing the material conditions of life, without altering the mechanism that encourage the individual or group to realise public interests.

To get rid of this opposition and ensure the unity of the three interests inherent to self-governing systems, it is necessary to switch socialist enterprises over to profit-and-loss accounting (self-supporting) and introduce a system under which workers are paid according to the quantity and

quality of their work. Of great importance here is systematic and strict public control over the ways labour and consumption are measured and the unflagging adherence to laws and regulations designed to exclude the possibility of someone receiving unearned income.

Self-governing involves a level of public discipline that would guarantee a high degree of organisation and exactingness and constant supervision and self-supervision, ensure the efficient deployment of labour and the knowledge of every person and encourage him to use scientific and technological advances.

The tightening of discipline and the development of socialist self-governing is a single, interconnected process. However it often happens that a person's being late for work by five minutes is seen by the management as sufficient reason to convene noisy meetings at which the offender is humiliated and punished. But no one raises his voice about the chronic idleness of entire work collectives during the course of the day caused by poor organisation, lack of materials and spare parts and so forth. Today it is necessary to resolutely overcome the formal bureaucratic approach to discipline by stressing the social factors on which discipline depends. Can we expect an employee to show creative initiative and high discipline if the job he performs is simply not necessary to a self-governing organisation or if he is paid not for how

much he does but for simply showing up for work? Impersonal labour breeds labour irresponsibility. What's more, many people lose their skills (and consequently become less disciplined) by not working at the job they were trained for. It often occurs that talented researchers spend half of their working hours at various meetings, surgeons are obliged to attend to administrative duties, etc.

It is necessary to create in every self-governing organisation conditions under which each worker has a material interest in working efficiently, being disciplined and displaying initiative. Independence without responsibility more often than not means anarchy, and responsibility without independence is an indicator of "collective irresponsibility". Self-governing organisations will increasingly count on the creative self-realisation of the individual and not on "disciplined morality" rooted in fear of punishment.

Dangerous today is not only open, unconcealed idleness, which is most often cited as an example of indiscipline, but of faked activity and concealed idleness that can be found in many state and public institutions. Employees are paid for simply reporting for work and not for final results. It is not surprising then that competition is shifted from the work place to after-work hours, where the race is on for all the trappings of the good life. Such expression as "he's one of us", "someone upstairs is

pushing him", "he's got powerful patrons", have firmly entered the language. But we are more indignant at the "mirror" than at the circumstances which it reflects. What's more, we ourselves are cultivating (in the broad, Marxist, sense of the word) the qualities and properties which we then begin to combat ideologically (for instance, the disappearance of genuine labor education in the home and at school, the orientation of our children toward so-called prestigious professions, parents overwilling to help out their children financially, encouraging the dependency which we so loudly assail).

We cannot expect a person who knows that his standard of living depends on his parents' position and the quality of his personal connections to be active civically and on the job. Moreover, such a person will inescapably concentrate his efforts on developing his personal connections and acquiring material trappings, as well as a diploma from a prestigious university and a sinecure.

Unless social circumstances—that best educator—instill hourly in a person's conscience the awareness that his standard of living depends on his job performance and skills, a high level of civic and labour activeness cannot be achieved. On this basis are formed man's key internal "guards"—duty and responsibility.

If the motivational aspect of human activity is shaped by demands and inter-

ests as well as a conscious attitude to societal tasks, then the performance aspect of activity depends on a person's talents, skills and abilities. Marx placed at the top of the list of factors causing labour productivity—a worker's average level of ability thereby stressing its significance as the leading, active moment. Amid intensification of the economy, the educational and skill levels of a worker have become immensely more important for increasing the productivity and effectiveness of labour. According to a study by P. Dobrev of the Bulgarian Academy of Sciences Institute of Economics, a worker's labour productivity goes up by ten per cent for each additional year of schooling. At a growth rate of labour productivity of five per cent, a worker's education level accounts for one-sixth, or sixteen per cent of the rise. For this reason *activisation of the factor is unthinkable without the work force having a good education and solid professional training.*

Between the years 1981 and 1985 alone, Bulgarian secondary schools turned out more than 355,000 executives, and another 77,118 persons received a higher education. Training was begun of specialists in such high-tech fields as microelectronics, robotics, information science, biotechnology and laser technology. Yet the educational level of the work force in Bulgaria is still lower than what is required. More than eighty per cent of the industrial work force is

without a secondary education, a percentage several times higher than in the leading industrialised nations. Another disturbing fact is that about forty per cent of all workers under the age of thirty have not completed secondary school. The low skill level of workers is increasingly becoming a serious socio-economic problem. Mainly because of this the country's economic potential is not being put to full use. The poorly trained labour force is also responsible for the delay in re-equipping plants with high technology and for the slowdown of labour productivity growth rates.

The educational level of the Bulgarian work force is noticeably behind that of the labour forces in some other socialist countries. In 1980 the average worker in Bulgaria had eight years of education while his counterparts in the USSR, German Democratic Republic and Czechoslovakia had between ten and eleven. Since then, this figure has seen little improvement.

The potential of the human factor in Bulgaria has been somewhat checked by the poor way in which specialists with higher education have been used. Amid a shortage of design engineers, there has been a *pronounced tendency for engineers and technical graduates to fill management and accountant positions*. In the last several years there has been a shortage of trained specialists in industry and a surplus of job-seekers in the service sector and administration.

A much needed activation of the human factor cannot occur if a large part of the educated labour force is employed at jobs where their skills are not being used fully. According to statistics, a significant number of engineers and economists use their education only partially.

At the same time some fields are experiencing a surplus of highly skilled labour, with the result that too few duties are divided among too many people. Can there be any hope of creativity at a job requiring the talents and efforts of a single person but that is divided among three or four specialists? It is clear that such a job is unable to offer any opportunities for competitiveness and self-expression and is preprogrammed for time-serving and collective idleness.

Under present circumstances activation of the human factor hinges not only on a person's theoretical knowledge but on his creative abilities as well. With the advent of the scientific and technological revolution, what the country needs are creative individuals.

Creative abilities are becoming an increasingly effective means for multiplying society's productive forces. This presents a totally new challenge to the educational system, requiring that it encourage creative thinking and inspire an intellectual craving and a critical attitude to established views. Today we are in dire need of teaching methods which develop a quickness of

wits, initiative, flexible thinking, the capability of switching from one category of thought to another, to make estimates and generate new ideas and approaches.

Unfortunately, many workers in the field of ideology and education continue to cling to outdated methods that fail to inspire creative thinking and elicit curiosity and a desire to learn new things. Rote learning is still emphasised over the ability to polemicise, debate and think for oneself. A revolution is necessary in the very method of teaching and learning. Teaching on the basis of problems should become the rule. Subjects such as heuristics, mnemonics and computer programming, without which the nation's intellectual potential cannot advance, should become mandatory. A person's ability to make decisions quickly, act in a business-like manner, be disciplined, be a good organiser and look ahead, his willingness to take risks, educate himself and constantly improve himself, are becoming increasingly important.

We have made indisputable gains in the revealing and development of special talent among the young generation of artists, mathematicians, musicians and so forth, yet we have remained behind in stimulating the creativity and initiative of the masses which is essential for labour activity.

Creative pursuit must become a permanent part of the political and economic work. We must steadfastly raise the social standing of scientists and engineers as

promoters of scientific and technological progress. The incentives for getting a higher education must be increased. In addition, our ideological institutions should work to stimulate and propagate high professionalism and enterprise, to cultivate an intolerance toward mediocrity and diletantism.

Another subject meriting closer attention is the social barriers inhibiting the more rapid utilisation of scientific and technological achievements. Among these are the insufficient powers of leaders, the discouragement of enterprising persons and the lack of effective incentives.

An important task is to bring together in organic unity the political, professional and moral culture of leaders and executives. Until this is done no real progress in science and technology can be expected. The expression "cultural and technical level" refers to not only a high level of education but also such moral qualities as collectivism, self-discipline, a sense of societal duty and civic honesty and activeness.

The scientific and technological revolution demands that *each person turn his education into high professional skills, into an element of socialist civilisation* and a need for social creativity. This will present new challenges to the forms and effectiveness of a moral upbringing and sharply raise the issue of a person's moral maturity and steadfastness, etc. The moral development of society and of individual members

is a main feature of the perfection of the socialist way of life. The larger is the correlation between professional, ideological and moral qualities, between job requirements and one's abilities, between one's calling and his confidence in his abilities, the more organic is the link between a person's job and his self-realisation, and the stronger is the feeling of personal and societal duty and the desire to educate oneself and improve oneself.

It is necessary to bridge the gap between the already existing fundamental values of an individual under socialism (a materialistic view of the world, loyalty to communism, etc.) and the daily regulators of behavior (such as a sense of the new, conscientiousness, the ability to keep one's word, decency and the inseparability of rights and obligations) which are crucial for the effectiveness of all social activity.

The scientific and technological revolution creates preconditions for the technocratisation of the conscience and also for the formation of "active consumerism", a particular pragmatic rational consciousness directed not at doing good deeds but at achieving the maximum "personal effectiveness" in a given situation and using the advantages and shortcomings of socialism for one's own personal benefit.

Lenin always took into consideration the circumstance that the French Revolution died out not because of excessive terror but because it was not able to find the key

to rallying the masses against big and small parasites as well. For this reason he argued that if we destroy the major embezzlers but allow small-scale swindlers to flourish, we would open a loop-hole for the petty thievery of state property and prevent the revolution from attaining its goals. In our case the goal is to prevent the exploitation of the STR by petty careerists, demagogues and self-called innovators who place their own material interests above those of society.

A psychological correlator of the "necessity" and "correctness" of scientific and technological progress is the sense of social justice, of "human measures" of science and technology and of the humanisation of relations between people. The problem of social justice is becoming increasingly important not only as an economic and legal category but also as an everyday moral standard and a public issue. The acceleration of scientific and technological progress is inextricably linked with the further *assertion of justice as the core of the socialist way of life*. This in turn requires that there be an improvement in the interconnection between public, group and individual interests, in the consistent realisation of the socialist principle of distribution, the struggle against work-shirking and consumerism and deformations in social management.

Scientific and technological progress complicates not only the technical and economic

objects of organisation in material production but as well the most important object of organisational activity—man. His professional skills and educational level are increasing, as are his demands for the organisation and content of his labour.

The *socio-psychological climate* plays an ever larger role among the factors and conditions contributing to good production performance, the all-round development of the employee's skills and abilities and the heightening of his socialist consciousness. But at the same time managers are becoming more professional and are being accepted as representatives of an independent branch of human activity, thus creating the possibility of them becoming detached from their underlings. For this reason it is necessary to take account of the danger of technocratic conceptions and approaches which reduce management to its purely cybernetic aspects and are oblivious of its social essence.

The organisational orientations of a socialist manager and especially of one who is charged with the introduction of high technology may show tendencies to absolutise science which are fraught with adverse psychological and moral consequences. The overrationalisation of a manager's acts and thoughts is quite possible, especially when he becomes detached from the collective and violates the proportions between "engineering" and "human" elements of production. When a manager

begins to think more about machines than about people, he becomes devoid of human feelings and emotions. Today conservatism, routine and lack of imagination are equally as dangerous as haste, adventurism and false revolutionary spirit. In the early days of the building of socialism Lenin appealed for a merciless battle to be waged against bureaucracy, seeing this battle not only as a battle against vestiges of the past but against possible new appearances of "communist arrogance", "bureaucratic complacency", and "the dulllest sort of scholasticism". He was sharply critical of supercilious bureaucratic disregard for daily affairs and of the pointless "drawing up theses" instead of the careful accumulation of practical experience. "Let us have less of this intellectualist and bureaucratic complacency, and a deeper scrutiny of the practical experience being gained in the centre and in the localities, and of the available achievements of science".¹

As the entire past experience of socialism has shown, the formation in a person of new qualities and the affirmation in his conscience of new social values cannot be accomplished only through the spontaneous influence of the material environment or of economic and political relations but requires purposeful, conscious efforts. To-

¹ V. I. Lenin, "Integrated Economic Plan", in *Collected Works*, (Moscow: Progress Publishers, 1977), Vol. 32, p. 145.

day, at a time when the STR invites radical changes in the behaviour and activity of the worker under socialism, new, more important challenges confront the ideological front. It is called on to create a moral and ideological climate in which the creative activity and societal responsibility of both managers and production workers alike will be ensured.

As was stated at the Thirteenth Congress of the Bulgarian Communist Party, "ideological work is called on to defend the high standards by which the party and society judge the merits and abilities of everyone, to give an immediate public rebuff to attempts to lower them and circumvent them".

The ideological institutions are called on not only to provide timely information but to become a real guarantee of public interests, of respect for and the inviolability of individual and group rights. They must revolt against tranquility, ensure broad publicity of decisions and measures and properly assess everyone's contribution in implementing them.

Zdzislaw Sadowski, Deputy Chairman of the Polish Government, Chairman of the Economic Society of Poland¹

THE SECOND STAGE OF THE REFORMS: MORE ENTERPRISE

As is abundantly clear from the Resolution of the 10th Congress of the Polish United Workers' Party (PUWP), during the second stage of the reform it is necessary to make qualitative changes in the method of implementing the economic reform programme—endorsed by the 9th Extraordinary PUWP Congress with the emphasis on an accelerated realisation of all aspects of this programme.

Little has been done so far. The foundation has been laid, but no changes have yet occurred in the logic of the functioning of the socialist management system. The sluggishness with which these changes are being carried out carries the danger of consolidating transient, time-serving solutions.

Now we have the opportunity to take new, substantial steps ahead. On the whole, this is no easy task, as it does not depend exclusively on our stated will to do so. All economic and social measures and solutions must correspond to the actual econom-

¹ Z. Sadowski resigned in October, 1988.

ic, social and political opportunities.

The goal of the economic reforms is not only to elaborate theoretical schemes and urgently put them into practice but make them readily acceptable. This is a rather difficult social process making its way through the struggle of various forces and the clashing of individual interests, through the mutual negation of contradictory trends, etc. Obviously, it is the only way to carry out this process, which implies the introduction of large-scale changes in the system of subordination and authority as well as in the way all the components of the national economy function. However, the introduction of independent decision-making at the level of enterprises, linked with the financial responsibility for the results of their economic activities does not evoke uniform response among all interested parties. Enterprises that are in the black financially and hold stable positions in the manufacture of a particular item readily agree to such changes. On the other hand, enterprises that are financially shaky, more often than not due to deficiencies in the existing price-formation system, i.e. enterprises experiencing serious difficulties in paying their staff or difficulties with fixed assets are clearly in favour of the old system and strive to retain various forms of outside assistance and support. The situation is exacerbated even further by the fact that these attitudes are supported not only by inefficient enterprises.

It would be much easier to realise all elements of the economic policy if it were possible already today to separate enterprises which are unprofitable due to their general inefficiency from those whose financial standing is undermined by the shortcomings in the system of price formation, wages and other economic factors. Yet, first of all we must clear the ground for such differentiation, and this should be done by making the above-mentioned factors real. However not everyone is interested in doing this.

Clashes and conflicts between divergent interests give rise to various phenomena which are at variance with the reform programme and engender inconsistencies and deformations. But it is necessary to strive to ensure their elimination which, in turn, requires a more rigid application of legal norms.

The orientation toward the consistent practical application of new legislative acts underpinning the entire logic of economic solutions must become the basic feature of the second stage of the reforms. It also calls for the improvement and upgrading of the current legal norms and regulations, the elimination of discord and the introduction of new norms which are necessary today.

The general concept of the economic reforms as it is presented in the resolution adopted by the 9th Extraordinary PUWP Congress held in 1981 is correct. It needs

no changes or alterations but requires a more consistent and resolute implementation. I see this concept as a programme for establishing a new logical system of the socialist economy's functioning that would ensure the encouragement of socialist initiative.

First, this concept embraces the cardinal changes in the nature and role of centralised planning. Its goal is no longer to set specific production targets in physical terms for enterprises. Now it establishes only general proportions for the socio-economic development of the country.

Second, this concept is based on the total autonomy of enterprises in decision-making, i.e., the autonomy of enterprises managed by directors in cooperation with employees self-management councils relying on information about the market situation.

The introduction of this programme concept not only more clearly reveals all difficulties and barriers but also allows valuable experience to be accumulated.

Total autonomy of enterprises in decision-making is a must. Now, what is socialist initiative? This is an important feature of economic life indispensable for successful social and economic development. It is influenced by the measures linked with creative and innovative activities based on the expedient introduction of new technologies, products and methods, flexible marketing, search for new sources of supply

and, finally, the introduction of its new and most efficient organisational forms.

These activities rise to the level of a social function which is of a key importance for progress and the development of the productive forces.

What does it depend on and is there enough initiative in the economy? There is enough initiative (enterprise) in store in each society to be sure. The problem is how to implement this initiative and what part is played by the social organisation of production, forms of economic management, property relations and principles of management in this respect. These factors largely form the relations of people in the process of economic activity.

When they evolved, capitalist forms of social organisation of production encouraged a substantial development of initiative based both on private property and the exploitation of the labour power.

This social function is successfully performed by the capitalist organiser of production, i.e. the owner of the means of production, or the private entrepreneur. Even now many people hold that initiative is inseparably linked with private property and that only the owner of private property—who has his stake in the results of production and is capable of taking risks to introduce innovations—can be an entrepreneur.

However, the very development of capitalism has proven that this interpretation

is too simplistic. Time has substantially altered the capitalist world. The social function of initiative has become divorced from the direct ownership of the means of production. The function of organising the social process of production, as well as the function of initiative, has been transferred to production managers. The interventionist policy of the state has acquired particular importance. At the same time the direct link between initiative and property is preserved only to a limited degree, at small-sized firms whose activities have limited influence on the national economy.

And the subjugation of the capitalist economy to monopoly-type organisations began over time to stifle initiative. Monopolies began to repress the innovational motivation of businessmen, thereby undermining initiative and bringing about stagnation. However, capitalism entered a new phase in its evolution during the second industrial revolution. There emerged mechanisms capable of ensuring financing and organising large-scale production within the R&D framework and capable of taking risks and ensuring an expedient introduction of state-of-the-art technologies. Modern capitalism is flexible enough to create new forms of competition between major monopolies making managers to display more initiative.

In world history capitalist enterprise has played an important role by paving the

way to material progress and industrial civilisation with all its technical blessings, qualitatively transforming living conditions. However, this has also tended to promote social injustice. At present, we see two aspects of this phenomenon i.e. the remaining backwardness and poverty in the Third World countries and the large-scale unemployment in the industrialised countries. These factors have long been the focus of protest. Socialism has emerged as a new form of social life designed to eliminate injustice and human suffering.

The socialist system made its debut in history at a time when capitalism was experiencing an ever stronger negative impact stemming from monopoly domination over businesses and the development of productive forces. It is against this background that socialism had to create conditions and prerequisites for an accelerated and rapid development of productive forces on the basis of new ownership relations. Socialised property in the means of production had to ensure the all-round and direct interest of the working people to show more initiative. However, subsequent developments have shown that the problem of fostering initiative under socialism has remained, for all intents and purposes, practically unresolved.

Consequently, today we face the acute problem of stimulating socialist economic initiative. This is the basic requirement at the second stage of the reforms.

From the outset the socialist economy was centered on the idea of centralised, directive planning, which was expected to organise production and all other economic activities in a way that would satisfy the general interests of society and facilitate the attainment of shared social goals. In practice these solutions implied that initiative was vested in a group of specialists trained for that purpose whose job was to supervise social development, that is, planners who would know how to plan, coordinate and optimise plans.

In theory that concept was quite logical. However, in reality we witnessed the rapid bureaucratisation of economic management, as well as that of planning and initiative. Only at the initial stage of the socialist system (and not only in the Soviet Union, for the same thing happened at the earlier stage of industrialisation in Poland, for instance) did we see a manifestation of initiative by the central planning bodies. However, time showed that this type of management inevitably led to bureaucratisation.

Planning by fiat which is typical of centralised planning deprives individual components of the national economy of initiative. Despite the fact that they are still called enterprises, they have long ceased to be such because they no longer engage in enterprise. They only execute the assignments planned by the centre.

The same plan stipulates the resources

they must use to meet their assignments. Naturally, this system leaves no room for real initiative at the level of the so-called enterprises, for they are no longer interested in looking for new solutions to increase their economic effectiveness and technological and organisational efficiency, reduce production costs and ensure the overall effectiveness of their economic policy. On the contrary, an enterprise is only interested in obtaining the best conditions possible from its "employer", i.e., a higher organisation representing the central planning body.

An enterprise displays its "initiative" rather peculiar by striving to obtain the easiest assignments, while availing itself of the best opportunities for their realisation. Until now, despite the efforts to carry out the reforms, our enterprises are still in the grips of a price-formation system which encourages them to boost prime costs rather than lower them.

As it turned out, the depriving of production enterprises from using material and financial resources freely stifles their initiative. The bureaucratic apparatus, or simply the economic management, is unable to display true business initiative, for it is not prepared to take risks. Consequently, the system based on centralised planning by fiat has engendered contradictions with its own goal. Instead of fostering economic efficiency it stifles the social function of initiative and undermines it.

Some experts conclude from this that in order to reestablish the initiative function it is necessary to foresake socialist relations of production. This suggestion reflects a lack of understanding of the essence of the socialist system. There are no grounds whatsoever to equate socialist initiative and capitalist enterprise. Decisions taken in Poland stem from the need to create the proper climate to encourage socialist initiative on the basis of self-management.

The Polish economy is multistructural, having both a state and a private sector. In the private sector, enterprise is realised on principles similar to those obtaining at the stage of early capitalism. There are no reasons to restrain them. On the contrary, the encouragement of small-scale producers is vitally important for an efficient and flexible functioning of the economy. However, the problem of initiative on a national scale can and should be resolved in the state sector. Thus, at issue is whether the new concept of the functioning of the socialist economy introduced in Poland encourages initiative or not. If the answer is no, then this belies the economic effectiveness of the socialist system as a whole. However, the second stage of the reforms should furnish a positive answer, but corresponding efforts have to be made.

The socialist nature of an enterprise is reflected in the fact that it bears a specific responsibility in society: it must operate with the means provided to it rather

than with its own means and, besides, these means are provided by the society at large on the basis of the decisions made by bodies representing the latter, rather than by individual owners on the basis of specific contracts. But this specific responsibility does not mean that the function of an enterprise is reduced to a purely executive function. Enterprises are not special-purpose groups deprived of initiative and a drive to operate rationally which, instead of performing a socially-useful function, pursue the goal of making selfish use of the shortcomings of the centralised system. Many justified reprimands for the inanity of various measures in the Polish economy stemmed from such developments. This situation requires radical changes.

For a long time in our society business initiative lacked support or was even interpreted as a negative factor. This shows that steps need to be taken to streamline the economy and 'revolutionary' measures need to be introduced to influence public opinion and foster initiative and creative activity by enterprises and entire segments of the population.

Initiative and resourcefulness should be encouraged in state, cooperative and private sectors alike. In each of them, economic decisions should pave the way for bold innovations and create conditions stimulating such actions.

First, it is necessary to ensure a cor-

responding status for innovators in technology. The results of their work and creative endeavours, that is, ideas and inventions, as well should provide a legal basis for forming incomes depending on the value of innovations. An inventor must have the opportunity to contribute the results of his proposal as an initial share in a company, including companies with state capital.

It is necessary to recognise copyright and royalties. These royalties can significantly exceed salaries and wages.

Secondly, it is necessary to create conditions in the state sector whereby the manager of an enterprise can act as a manager-entrepreneur. Managers should have a wide range of authority to display initiative involving business risks, as well as guarantees of corresponding material remuneration, taking into account the moral and material benefits accruing from the resulting success. It requires not only changes in legal norms (apart from the system of material remuneration), but also the drafting of a policy as regards enterprise managers, directors, etc. This is a rather difficult problem because its solution, once again, requires the establishment of a partnership between the manager and a self-management council of enterprise employees to oversee the operations of the enterprise.

Thirdly, it is necessary to define strictly the permissible—from the standpoint of

economic and public interests—limits for the expansion of private businesses. This expansion should be based on the individual initiative of their owners.

It is necessary to do away with the inconsistent and ill-considered interpretation of private initiative by state bodies, and we have to elaborate the principles of interaction of private and state enterprises.

The basic instrument regulating the scale of private initiative and the field of its application should be a stable tax system. Its aim cannot be to limit the initiative of private businessmen. Owners must be interested in further investment expansion. It is advisable to introduce the principle whereby a private enterprise obtains extensive opportunities for its development, and if it exceeds the previously defined limits of its operations, it should be transformed into a state-private company, with the simultaneous guaranteeing of the interests of the former owner.

The encouragement of initiative and making it serve development should be a mandatory part of the policy toward semi-private owners, who run their own businesses but rent premises and equipment from the state. Long-term contracts should be offered, helping to create a propitious investment climate.

It is obvious that non-profitable enterprises should be eliminated in all sectors of the economy. The main problem is coming

with the criterion of assessment, which cannot be done until more realistic prices are established. But before this happens, it is necessary to break the opposition to the closing of unprofitable enterprises. As for the shutting down of enterprises that are the sole producers of a product, such a decision should hinge on the possibility of setting up a competitive structure and the assertion of greater control over its activities.

The development of enterprise depends on the creation of economic conditions encouraging the free flow of material resources and manpower between industries and enterprises. Important in this respect is the unimpeded exchange of assets and the development of financial services.

The problems involved in the creating of an enterprising environment should invariably lead to reinterpretation of the socialist principle of distribution according to work done. The challenge is to encourage enterprising people in a way that society will benefit. The solutions that were tried in the past didn't work. This demands a precise theoretical substantiation. The concrete results of one's labour, and not the quantity, should be made the primary criterion of distribution. In turn, the results of one's labour should depend on enterprise and effectiveness. The humanness of the socialist system demands that concern be shown for those who are not capable of working efficiently. However

this concern should be expressed in the form of social security and not as remuneration for labour. This problem warrants further study.

The fostering of an enterprising spirit in the state sector should be aimed at improving job conditions and production methods. The ability of an enterprise to adapt to new conditions in a short period of time is limited by the existing production apparatus. Adaptation may require that changes be introduced in the structure of production thus affecting the size, and composition, of the production apparatus.

Past experience has shown that an enterprise must have the opportunity to change its product line to keep up with changing market conditions. But only after its mandatory production quotas are met. Only the enterprise itself can cope with the challenge of adopting more efficient management methods and introducing more efficient technologies to improve quality of output and more rationally meet the steadily rising social demands. Innovation carried out by the enterprises is essential to effective management.

Orientation toward development should become one of the primary distinctive traits of enterprises. There are no other types of structures in the national economy that would be able to perform this social function.

But enterprises will not be able to perform this function if the state shows too

much favouritism toward them. It is necessary to make enterprises directly interested in expansion and displaying initiative and create economic conditions under which they will be encouraged to show constant concern for innovation.

There can be only one answer to the question of who at the enterprise should execute these functions: the person who runs the enterprise, the director. He should be free from pressures from the bureaucratic apparatus, have the right to make decisions and take risks and hand out material incentives to employees.

To be sure, the enterprise director should not be left to his own devices, but be the leader of a tightly knit work collective. In this respect it is important to ensure that employee organisations within the enterprise possess a corresponding status and that a normal climate exists between them and the director. In this area there are still many unresolved problems. In particular, the issue has yet to be fully resolved of whether or not to grant the director the authority to take financial risks.

For an enterprise to function normally, it has to be self-managing. Only in this way can the interests of employees be coordinated with the interests of the enterprise. Making employees directly interested in management problems is essential, for by helping to decide the fate of their enterprise, they can also determine their own fate. Participation of employees

in the enterprise decision-making process should not infringe on the powers of the director to run the enterprise. However employees have the right to assess the director's job performance and make recommendations. Employee participation in the running of the enterprise is expected to play a large role in deciding wages and salary issues and how to use the enterprise's profits. These questions are not simple.

Active self-management in work collectives is necessary as a form of joint economic management and as a way for employees to understand the problems faced by management. However self-management bodies within the enterprise should not cripple the director's ability to run the enterprise and take risks nor should they become his obedient tools, for in that case the entire purpose of their existence would be defeated. Herein lies a mass of difficulties which, if they are to be solved, requires that the entire concept be thought through, that both sides make concession and display good will. Account must be taken also of other organisations such as the primary party and trade union committees whose decisions have an influence over how the enterprise is run.

Today large Western firms too show concern for the social problems of their employees, and do so quite effectively. They understand that for a company to be profitable, employees must derive satis-

faction from their work and feel that they are a part of the company. Concern for employees is even more important for a socialist economy, where it is seen as a key factor determining the realisation and development of socialist relations of production. Self-management is called upon to make out of employees tight-knit groups deeply interested in the issues of effective management and who feel that the factory's problems are their problems.

**Yan Tao, People's Republic
of China**

**ECONOMIC REFORM IN CHINA:
ACHIEVEMENTS AND PERSPECTIVES**

The economic reform of Chinese agriculture launched after the Third Plenum of the Chinese Communist Party Central Committee of the 11th convocation is already in its ninth year. Sufficient time has passed since the advent of this reform to allow us to examine its results, assess the importance of its achievements and consider its future prospects.

**Tangible Changes in the Foundation
of China's Economic System**

The eight years that have passed since the launching of the economic reform in China fully confirmed the correctness of the general course toward "revitalising domestic development and expanding ties with the external world" worked out by the Plenum and of the goals of the reform directed on the development of the socialist planning and trade system* put forward at the Third Plenum of the 12th convoca-

tion (October, 1984). Generally speaking, over this period the reform effort was based on the realities of Chinese life. Thanks to the reform, which goaded the national economy into a pattern of sustained, stable growth, the country entered a period of vitality and development unparalleled in its history.

Because the previous economic system was beset by such pitfalls as overcentralisation and ossified management methods, the current reform drive has emphasised the revitalisation of production and circulation, expansion of ties with the outside world, and strengthening the economy. The reforms started in the countryside and spread to the cities. In the countryside, a new system of contract responsibility for production was introduced that emphasized the role of a small unit, or household, procurement prices on produce were raised, the circulation system was reorganised, a wide array of economic and commodity-monetary relations were encouraged, and peasants were broadly encouraged to display initiative. In urban areas, the reforms centred on fostering a wide range of economic structures and management methods, giving enterprises greater autonomy, the creation of new markets, and the encouragement of enterprise. Along with this the macroeconomic management system was reorganised, and economic and legal levers were used with greater force to regulate the economy. All this set the stage for

the adoption of a new economic model and the abandoning of the old. During the course of the economic reform drive in China, the following major changes were wrought:

As economic management methods grew in number and various forms of property were developed, the economic viability of enterprises rose markedly. For a long time Chinese production enterprises operated under the conditions of single state property and centralised distribution; they were essentially nothing more than appendages of the ministries. A significant gulf existed between their rights, obligations and interests; and their commercial effectiveness was extremely low.

Under the reforms in the countryside, 98 per cent of peasant households were switched over to a family contract system. In urban areas, depending on the type of enterprise, contracts, leases and other forms of economic responsibility, including the issuing of shares and the setting up of joint ventures, were widely encouraged. To date almost 60 per cent of small state-owned trade enterprises have been leased out to private individuals. At the same time, taking into account China's comparatively low level of development of productive forces and the utterly uneven development of different sectors and regions of the country, the structure of property was regulated adequately, but with state ownership retaining its role as

the leading force in society. Collective, individual and other forms of economic management promoting the development of the forces of production were widely encouraged. As a result of these reforms, state-owned enterprises acquired greater rights and responsibilities and became more profit-oriented.

Directive centralised planning and price formation are gradually giving way to market mechanisms. In the past, economic management was overly dependent on state directives and centralised planning while the law of value and the role of the market were neglected. During the course of the reforms, the number of products produced on instructions from central bodies has been cut significantly, and the role of market factors has increased. By the end of 1986 the number of industrial goods produced according to plans of the State Planning Committee fell to 60 per cent from a previous level of 120 per cent, and their share in the gross industrial product dropped from 40 per cent to 20 per cent. Also, now only 20 types of material resources are distributed centrally, as opposed to 256 previously. The range of products regulated by the Ministry of Trade was also significantly cut.

As for prices, 65 per cent of all agricultural produce, 55 per cent of manufactured goods, and 40 per cent of capital goods are now sold at variable and market prices. The increasing reliance on market

factors, the law of value and consumer preferences as well as the regulation of supply and demand brought major changes to the economic mechanism.

Crediting system was introduced together with changes in the structure of national income distribution. Under the previous system, the redistribution of the national income was accomplished mainly through budget financing. Industrial projects were usually financed out of a single fund on a gratuitous basis, thus making the use of capital investments ineffective.

Since the institution of the reforms the proportion of national income distributed and planned by the state (financial income plus deposits) practically has remained unchanged, comprising 39,7 per cent in 1986 and 39,5 per cent in 1978. However, a significant shift can be observed in the ratio of funds distributed through budget financing and through crediting. The proportion of national income made up by financial income fell from 37.2 per cent to 25 per cent, while new deposits grew from 2.3 per cent to 14.7 per cent. The proportion of capital investment appropriated for industrial construction and circulation needs fell from 76.6 per cent to 31,6 per cent of the total, whereas today 68.4 per cent of all investments (against 23.4 per cent in the past) are financed through credits. This has brought a significant shift in the way economic projects are financed. Financial instruments have

begun to be a major force in the regulation of social needs and the acceleration of economic growth. On the macroeconomic management level they have paved the way for a transition from largely direct regulation to a largely indirect regulation. This is one of the important accomplishments of the economic reform.

The development of foreign economic ties makes the Chinese economy more open. Under the previous leadership's assertion of economic self-sufficiency, a ban was placed on foreign technology and management experience, a policy which seriously retarded economic development, technological progress and an improvement of management. In the last few years, under the new policy of economic reforms and expansion of ties with the outside world, the situation has changed drastically. The decision to set up "open belt" in the coastal regions has met with much success. By 1986 a total of twenty billion dollars in investments were attracted from abroad. In addition, more than 10,000 different pieces of technology were brought into the country, and more than 7,700 different types of joint ventures were set up.

In the years of the reforms foreign trade has increased by 200 per cent, with exports accounting for 12 per cent of the national income in 1986 as opposed to 5.6 per cent in 1978. This attests to the degree to which China has opened up to the outside world in a relatively short period of time and to

the beneficial effect of foreign economic ties.

The Economic Reform for the Good of China's Economy

Over the last eight years the reform has moved ahead smoothly. The reform drive has not only made it possible to uproot the ossified economic system, which has given little chances to demonstrate the advantages of socialism, but has enabled a number of breakthroughs to be made in the outdated, rigid pattern of thinking, thereby enriching Marxist economic theory and benefiting the national economy.

The reform helps adjust the structure of production and makes it possible to develop industry and agriculture in a balanced manner. The development of the tertiary sector (service-producing industries), which for many years lagged far behind other sectors of the economy, is an important part of the reform drive. The ratio between agriculture, industry and the tertiary sector as a percentage of the gross national product has shifted in the years of the reform from 31:48:21 to 30:44:26. The greater attention to the service sector has had a beneficial effect on economic growth rates, living standards and employment patterns. The ratio between agriculture, light industry and heavy industry has also become more proportionate, going from 28:31:41 in 1978 to 34:32:34 in 1986.

Supplies of consumer goods of which there were chronic shortages before the reform drive have since become more plentiful. With the exception of electricity, shortage of primary materials has also been mitigated.

Still, it must be acknowledged that, for reasons primarily of a historical nature, the irrationalness of the country's economic structure is yet to be overcome, particularly major disbalances in production. Putting an end to these disbalances poses a long-term challenge that requires the intensification of the reform process.

The development of the energy and raw material sectors continue to lag behind the growth of the manufacturing industries. The engineering industry and computer production fail to meet needs for new technology and production of consumer goods is out of sync with demand. Such problems will be solved gradually by making further changes in the capital investment structure and the financial system and by better coordinating supply and demand.

The reform stimulates stable economic growth. In the past, because of strategic miscalculation and an inflexible management system, the Chinese economy went through periods of "leaps" and "flops". These fluctuations had an adverse effect on production patterns and on the populace's standard of living and hindered the unleashing of socialism's advantages.

Owing to the economic reform and the

introduction of a new strategy of economic development, major changes for the better have been scored. The transformations in the countryside have boosted the vital functions of agriculture, thereby laying a firm basis for the stable growth of the whole economy. The shrinking of the disbalances due to regulatory measures has offered vast prospects for stable growth. The increasing reliance on financial, monetary and other indirect methods of economic regulation has negated ineffective command management methods.

The reform is an instrument to raise macroeconomic indices. Low economic effectiveness is an inevitable result of the inflexible economic system characteristic of the Chinese past. The current economic reform points to a turn to the better. Although the profitability of state enterprises (as calculated per 100 yuans of the value of production in current prices) has actually declined, from 25.6 per cent in 1978 to 23.7 per cent in 1986. This index, however, was influenced by a number of incomparable factors such as the increase of tax rates and depreciation charges, rising prices of agricultural produce, increase of wages and material incentive funds, subsidies, etc. If the 1986 profit rate figures were adjusted to take account of higher tax rates and depreciation charges, it would equal 25.4 per cent, and if other factors were adjusted for, the 1986 rate would be somewhat higher than the rate of 1978.

Capital investments as a share of the gross national product also grew, from 34.4 per cent in 1978 to 36.5 per cent in 1986. Between 1978 and 1986 overall energy consumption decline by 30 per cent (28 per cent if the increase in imports of rolled steel products and non-ferrous metal are taken into account), attesting to an increase of macroeconomic efficiency.

Nevertheless, economic efficiency rates in China are still low, a problem that merits closer attention. But in this area too positive changes have been observed. Only if the reform is intensified can the problem be solved fundamentally.

The reform boosts China's economic might. In 1986 the country's gross national product increased by 102 per cent against 1978 (in comparable prices), national income increased by 95 per cent, state revenues increased by 98 per cent, and non-budget assets of agencies and enterprises rose by 4.8 times over this period. During the same period, China climbed from seventh to fifth place in the world in the generation of electricity, from fifth to fourth place in steel output, from third to second in coal production and from eighth to fifth place in oil production.

The reform raises living standards. Under the previous management system, income levelling was a serious brake on the development of productive forces, causing living standards of the population to stagnate over a long time. The institution of the

reform put an end to the stagnation and caused living standards to climb substantially. Between 1978 and 1986 rural incomes rose from 134 yuans per capita to 424. During this same period urban incomes climbed to 828 yuans per capita from 316. Adjusted for inflation, the spending power of rural and urban dwellers increased by 160 and 80 per cent, respectively. In the eight years of the reform 60 million new jobs were created in urban areas and the unemployment rate fell from 5.3 per cent to 2 per cent. In the countryside, nearly 70 million people took up work unrelated to farming. In general, during these years the problem of feeding a billion population has been basically solved, thus moving society closer to the goal of "modest abundance".

Unresolved Problems

The obvious successes achieved during the years since the reform was launched allow us to see with even greater clarity that reforming the economic system is an extremely complex, novel process in the course of which new problems are inevitable. Particular stress should be made of the fact that China is a country with poorly developed productive forces, with few possibilities to withstand the risks connected with reforms. Also, the degree of the socialisation of production is low, traditional managerial personnel lack the necessary

knowledge to run a modern economy, and in the early years of the reform drive a consensus was lacking on many issues. Consequently, it was not immediately possible to draw up a detailed, comprehensive reform programme and implement it, just as it proved impossible to immediately carry out economic regulation in accordance with the demands of a modern commodity economy.

The revitalisation of the economic activity of enterprises and the rebirth of initiative among direct production units paved the way for the reform. Headway was made as experience was accumulated and a consensus grew. During this period primary emphasis was placed on the coordinated nature and comprehensiveness of the measures adopted.

The reform drive currently faces several serious problems, one of which is the coordination between the reform and economic growth. On the one hand, the large scale of economic development and the overtaughtness of economic life leaves little room for manoeuvre. On the other, it is still not clear how to provide a balanced growth of the national economy and improve its structure, by means of the reform.

Another problem is to supplement the raised economic activity of production units with the adequate system for managing macroeconomic processes. The granting of greater autonomy to local bodies and enterprises was accompanied by the growth

of non-budgetary capital investments, however no mechanism has as yet been created to oversee the use of these funds.

Average annual increases of real wages outstripped the growth of labour productivity, yet no effective methods have been devised to control the dynamics of consumption and accumulation funds.

The time and effort required for conducting the economic reform as well as their complexity are still underestimated, rashness is displayed in determining the goals of the new economic system, little attention is given to the possible consequences of implementing certain parts of the reform package, the reform measures are at times too sweeping, and many problems are created when in localities reform measures are copied blindly without due account taken of real conditions.

Yet, despite many problems, the impressive results yielded by the reform attest to the correctness of the chosen path. The existing problems can be resolved only by an intensification of the reform process. There is no going back to the former policy of economic isolationism, overcentralisation, the freezing of wages and prices, wage levelling, rationing and poor living conditions.

In analysing the prospects for the reform, it is necessary to sum up the experience accumulated over the past years and take into account the peculiarities of the socio-economic development of China at the

current stage. China, as measured by social development, is currently situated at the beginning stage of socialist construction, for which is characteristic poorly developed productive forces and a large variance in economic development among different regions of the country. As measured by economic development, China is at the stage of a transition from a traditional economy to a modern one with a flexible economic structure. The economic reforms are going through a period when two management systems, two economic mechanisms coexist, a period rife with contradictions and bottlenecks.

Generally speaking, the reform programme is aimed at developing a socialist commodity economy, true socialising large-scale production, promoting the rational regulation of the economic structure and maintaining stable growth rates. The reform drive has to be intensified in order to eliminate the contradictions between the old and the new system, yet in doing so every decision must be carefully weighed.

Proceeding from the experience of the past years, before the reform drive is speeded up a detailed study has to be made of the problems directly affecting the course of the reform. Among the chief questions that need to be answered immediately is how to speed up the revamping of the economic activity of enterprises, how to complete the price reforms and quicken the pace of the restructuring of the capital

investment system, and how to reorganise the activities of governing bodies. The positive resolution of these problems is instrumental in making the reforms successful.

Nguyen Van Zinh, Secretary
General of the CPV Central
Committee

EXCERPTS FROM THE SPEECH DELIVERED
AT THE SECOND PLENARY MEETING
OF THE CPV CENTRAL COMMITTEE

It is no accident that the problems of distribution-circulation¹ is a topic for discussion at the Second Plenary Meeting of the CPV Central Committee. From 1981 on the Central Committee has repeatedly discussed this problem and made relevant decisions. However, the situation has steadily deteriorated rather than improved. It has grown into an urgent problem and has become the root cause of all difficulties in the country's economic life.

I would like to present some ideas in the hope of elucidating *the way in which the problem should be posed*.

I. The distribution-circulation sphere incorporates various components such as prices, circulation of materials and goods, finances, the budget, banking, salaries and

¹ Here and below "distribution-circulation" is understood as commodity and money circulation and the distribution of material and financial resources.—*Tr.*

wages. Being a key part of the process of social reproduction, in a narrow sense this sphere serves the input and output links of production.

The distribution and circulation sphere is both a condition and the result of production. Consequently, the solution of the distribution-circulation problem is closely associated with the process of production and the entire mechanism of managing the national economy. A problem of this magnitude cannot be totally resolved at this CC Plenary Meeting. The process of tackling it should be divided into *several stages* to be carried out over several years. The initial stage is to last from April to the end of the current year during which the most pressing problems are to be resolved and the present difficult situation overcome. Later on it is necessary to continue the study and supplement the methods for the solution of new problems.

Precisely at this time we need a new way of thinking and a correct point of view on the correlation between centralism and democratism.

Another extremely important problem is the danger of haste and the desire to immediately eliminate all existing difficulties by resorting to poorly substantiated and inadequately objective concepts and measures, ballyhoo and sloppy groundwork. If we take this course, all the errors of the 1985 general reform of prices, wages and money circulation will be imperceptibly

reproduced. I do not at all mean to imply that we should drag out with everything. Rather, I stress the need for this work to be carried out vigorously, with initiative, in accordance with the urgency of the problem on whose solution we must concentrate all our efforts.

II. What urgent and main tasks should be solved at the first stage?

Everybody is fully aware that at present *inflation* is the most serious problem facing our economy. It makes itself felt in society to a degree that everybody feels it daily. Within a year's time the volume of money in circulation has grown several times, while gross social product has risen by only six to seven per cent. Of course, not all circulating money is inflationary, yet it is an indisputable fact that the inflation rate is high.

However, it is necessary to understand that inflation is *the sum product of various composite factors*. Meanwhile, we see it stemming from a large budget deficit, galloping prices—which is largely due to shortcomings in the sphere of distribution of raw materials and goods, an arbitrary rise of prices resulting from speculation, and competitive purchases and sales. The main, deep-rooted cause of the present situation is the low level of production, the gap between supply and demand and the substantial disparity between the amount of money in circulation and the volume of available goods. Here I would like to

stress that we have been facing this situation for many years but in no years have the inflation rate and prices risen so rapidly and the situation of salaried employees and the military been so precarious as in 1986. In the public sector, income distribution policies were implemented arbitrarily, and there existed substantial disparities in incomes and various lingering negative phenomena. Only those segments of the population which were engaged in illegal operations, profiteers and smugglers, a number of degrading career personnel and renegade office employees were getting rich, lining their pockets with money and becoming a burden to the state and the working people. In its present form, the distribution-circulation sphere cannot serve as a prerequisite for the development of production and a condition for a gradual stabilisation of life. Instead, it is exacerbating the problems.

It is now necessary to pool all our efforts in order to radically lessen the impact of the by-products of inflation: *the chronic budget deficit and the erratic rise of prices*. Only then will it be possible to ensure real wages and alleviate the difficulties of the working people's life. The direct causes of inflation are relatively independent, allowing us to improve the situation and stimulate business activity by properly solving the distribution-circulation problem. If we are to look at the problem in this way, then we must examine and

gradually tackle the following problems at the Second CC Plenary Meeting:

1. Policy relative to price formation and the circulation of materials and goods;
2. Policy and measures to reduce the budget deficit and lower the inflation rate;
3. Policy as regards salaries and wages, the living standards of workers, office employees, the military, pensioners, and the working people in towns and the countryside.

The *goal* during this stage is to bring about reductions in four areas: cut the rate at which the budget deficit is growing; bring down the inflation rate; slow the growth of prices; and alleviate the difficulties in the life of the working people. It is necessary to encourage greater vigour on the job, expand commodity exchange, transfer all economic activity over to a profit-and-loss system and encourage socialist enterprise. This period is to last until the end of 1987.

I would like to stress that it is imperative not only to gradually resolve all problems in the area of distribution-circulation but also to achieve *tangible, effective changes over a specified period of time, to resolutely preclude stagnation or an exacerbation of the negative situation.*

After the Sixth Party Congress our people expect and resolutely demand positive shifts—life does not allow us further procrastination.

III. We speak about a stage-by-stage

solution of the problems lying in the distribution-circulation field. However, *the general principle and approach* forming the fabric of the measures undertaken at each stage must be their linkage and a lack of contradictions between them.

The Sixth Congress unambiguously showed that the mistakes committed in the past in the distribution-circulation sphere were a result of miscalculations in the location of economic structures, and in carrying out socialist transformations and the perpetuation of the multi-layer bureaucratic structure in economic management.

To radically change the situation it is necessary to alter the economic structure in order to concentrate efforts on tackling three vital economic problems: the provision of food, the production of consumer goods, and the output of export commodities. All this requires that we radically modify our investment policy, use our capital more rationally and prevent the spread of existing disproportions. It is necessary to invest in only those projects and manufacture which will yield profit in the shortest possible time.

The radical measures in the distribution-circulation field should be necessarily subject to the following principle of guidance: maximum use of existing production capacity and the efficient use of all the country's potential and international aid, especially that rendered by the Soviet Union and other socialist countries. To a certain degree

this circumstance is linked with the transformation and use of all economic structures.

Experience of various localities and sectors show that if a correct economic policy is pursued inactive resources (natural, labour, private savings, etc.) become active resources that help to develop the economy and equally benefit each person, family and work collective. The appropriate economic measures will help create new production opportunities to produce more goods, thus narrowing the gap between supply and demand.

Both current and long-term measures in the distribution-circulation field must be aimed at fighting bureaucratic practices and multi-layer centralism, bring about profit-and-loss accounting principles and lead to more socialist initiative, and proper embody the principle of democratic centralism. It should be noted that until now the inertia of stereotyped thinking stifles economic management as a whole and the distribution-circulation sphere in particular. Experience shows that the deeper we sink in the quagmire of bureaucratic centralism the heavier is the pressure it exerts on us. It is necessary to take a different course by using the levers of profit-and-loss accounting and socialist entrepreneurship: prices, money, materials and finances should be transferred over to a profit-and-loss basis. We cannot eternally maintain the system of unlimited budget

subsidies to enterprises at the input stage to the extent that tens of millions of dongs slip from the state budget.

The profit-and-loss accounting system is distorted when prices of machinery, equipment, raw materials, fuel and other materials, etc. are set at a level substantially below their production costs. All of you are well aware that this policy has brought state finances into disarray. It is necessary to set prices at a level that would allow multi-layer bureaucratic centralism to be eliminated, the market-place to be guided by a competitive spirit and, simultaneously, to avoid a situation when prices are raised arbitrarily or there is a one-sided pursuit of high price levels on the free market. There is no doubt that it is necessary to encourage competition and stimulate the circulation of goods, though within the confines of a planned economy.

We should be aware that the elimination of the multi-layer economic system *is a process*. The desire to do away with this system hastily through a correct and full accounting of production at the input stage will cause a sudden jump in prices or calls for caution and prudence and, ultimately, for leaving the existing situation intact. Both ways are wrong. In evaluating the various options and making detailed estimates, it is necessary to bring the input of each material and commodity to a rational level. It should be a general principle that at the output stage of pro-

duction no circumstances should emerge to encourage price increases. In this area we have gained valuable experience from the implementation of two reforms, in 1981 and 1985.

IV. Like the process of socialist reproduction, the distribution-circulation sphere is essentially composite. This accounts for the need for systematic and comprehensive regulation of each of the composite factors. An unrelated examination and a separation of one aspect of the problem from another will inevitably produce a negative effect.

In this lies the difficulty, intricacy and acuteness of the problems involved in the distribution-circulation sphere. They require a thorough, precise and well-substantiated approach. Arbitrariness and coercion, as well as spontaneity and do-as-you-please attitudes, will yield negative results. Despite the importance of the general principles and concepts, they alone cannot solve the problems. It is necessary to elaborate specific options covering inter-sectoral links.

The elaboration of specific options is a most difficult task. That is why at this CC Plenary Meeting we shall not attempt to elaborate a comprehensive system of such options. After the Plenary Meeting, task groups will continue to work on the calculations. I believe that this is a task not only for the central bodies but for local ones as well, first and foremost, for production enterprises. Since it is they

who put into practice all options, they know best what can or cannot be done.

To work out correct approaches to solve these problems it is necessary to carry out an in-depth analysis of the specific and immediate causes that have brought about the present situation. Only by identifying the causes can we find the right way to cure the affliction—to diagnose it, suggest a treatment and choose the proper medicine. Effective means should be unconditionally tied in with a substantial overhaul of the management mechanism, economic policies, and organisational and personnel work. It is impossible to ignore the fact that our views and style of work are lagging behind the present-day requirements and have become a serious obstacles to the restructuring prescribed by the Sixth Party Congress.

* * *

The success of this Plenary Meeting hinges on several factors. First, the most important provisions of the Sixth Party Congress on building and using the economic structures and updating the management mechanism, as well as the concept of the distribution-circulation sphere, were the basic factors determining the train of our thoughts and trends in the search for correct solutions.

Secondly, miscalculations and mistakes in the reform of the pricing system, sala-

ries and wages and money circulation committed in recent years, particularly at the end of 1985, have taught us a serious lesson. Mistakes of the past acquire a positive meaning when we can draw the proper conclusions from them and avoid a wrong course. It should be noted that as of late we have attempted on the macro-economic level to tackle the problems in the distribution-circulation sphere contrary to the objective laws and the real situation in the country and permitted rashness and voluntarism. However, at the micro-economic level we have elaborated quite a few typical, viable decisions.

Thirdly, at this Plenary Meeting we have made the first steps to restyle our work in the spirit of the Sixth CPV Congress. This implies above all ensuring compliance with the principle of democratic centralism. The key determinant of success was the correct choice of the main topic on the agenda of the Plenary Meeting, a topic selected by the CC Political Bureau. It does not mean that prior to and during the Plenary Meeting there were no contrary opinions on the subject. Many people believed that the emphasis should have been placed on the problems of production, while others held that more attention should be paid to the urgent economic problems taken as a whole. Complying with the decision of the Sixth CPV Congress and taking into account the real situation, the Political Bureau decided to discuss the

urgent issues in the distribution-circulation sphere as the main problem to be deliberated upon by the Plenary Meeting. During the discussion the CC members approved that choice. The Political Bureau suggested various options for solving the above-mentioned serious problems in a draft sent to the CC members.

Various opinions put forward at the meeting contributed to a lively discussion on the best course to be taken. Many rational and correct proposals had been made improving the draft and the initial versions.

The Plenary Meeting voted to unanimously approve the Resolution in the spirit of democratic centralism which bears no traces of subjective voluntarism. The opinion of the Central Committee is decisive and mandatory for the entire Party. I believe that this is a new style of work that should be followed and developed.

The Plenary Meeting made relevant decisions on major problems in the distribution-circulation field which are of current and long-term significance. The impact of these decisions is not limited to the problems of distribution and circulation proper. Rather, it affects, on the whole, the process of reproduction in which the key element is the process of production as such.

In the area of distribution and circulation we discussed not only the issue of standardised supply, the correlation of

prices, price coefficients, wages, budget and money circulation but also spared no effort to resolve the most important problems of economic policies, as well as structural and organisational problems. Experience has shown that an omission or underestimation of these aspects does not allow us to tackle the questions of distribution and circulation with an active influence of economic levers on production. The idea that correctly satisfying the *economic interests* will stimulate agriculture, industry, trade, finances and money circulation runs throughout these economic policies. V. I. Lenin believed that in a small-scale peasant country devastated by a protracted war, the path to setting up a large-scale socialist industry should *begin with agriculture and the peasantry*. What is needed is a reliable policy for mobilising peasantry's enthusiasm and labour activity. It is necessary to strengthen and consolidate the alliance of the proletariat and the peasantry under new conditions. In this sense economic relations between the state and the peasantry on the basis of equality, price levelling and genuine agreement embody the above-mentioned Leninist principles. In industry, the interests of production are reflected in the setting of wholesale prices as a difference between retail prices and distribution costs, a desire to restore the level of real wages established in September 1985 and the setting of prices with due account of production costs.

Yet state interests are also accounted for. A new point in the Resolution is the recognition of, and the demand for, a complete realisation of the following principle: the state provides the peasants with materials and goods in strict proportion to the quantity of the agricultural produce delivered by the peasants to the state.

The concepts and measures in the distribution-circulation sphere put forward in the Resolution of the Second CC CPV Plenary Meeting fully embody the course to eliminate the bureaucratic centralised administrative system and a gradual transition to profit-and-loss accounting and socialist enterprises.

This trend is a vital foundation of our Resolution. We have to take the following steps to mount this trend—develop commodity-money relations: this will occur when the state sells material-technical resources to the peasants and buys rice from them on the basis of contract and levelled prices; the state sells material-technical resources to industrial enterprises and handicraftsmen at adequate prices; eliminate the obstacles to a wide circulation of commodities; reduce central budget subsidies; increase substantially the share of the money paid in wages and gradually restore real wages; switch banks over to a system of profit-and-loss accounting.

Our switching over to profit-and-loss accounting can effectively rely upon *pe-*

restroiika carried out in the Soviet Union and other socialist countries. It is everybody's knowledge today, that the use of funds according to administrative bureaucratic laws as was the case before does not bring desired efficiency.

We shall have to wage a resolute struggle not only over ideological concepts but in the area of economic management as well, in such spheres as planning, the economic mechanism, the managerial staff, and personnel policies. It is necessary to undertake a vigorous and comprehensive reform of all these areas. As for the organisational aspect of the problem, it is necessary to radically change the system of material and technical supply in order to eliminate interim stages and bring materials and goods to the consumers without delay. It is necessary to cut managerial staff, overhaul salary scales and effectively reemploy the released work force. It is also necessary to urgently set up profit-making organisations in the domestic trade, material and technical supply, foreign trade, banking and transport sectors.

The struggle for the adoption of the Resolution of the Plenary Meeting is a difficult task. However, the struggle to implement it will prove even harder. It is absolutely necessary that each and every CC member think, speak and act in accordance with the Resolution ensuring the unity of the Communist Party and the unity of the masses.

While carrying into life the Resolution of the Plenary Meeting, we should simultaneously fight conservatism, sluggishness and the fear of everything new and stave off rashness, excessive vigour, an underestimation of individual actions.

In successfully implementing the Resolution we have to continue the struggle against bureaucratic practices of isolation from the practical life of the masses, among other things, and attain a high level of discharge. At the same time, it is necessary to deplore spontaneity and lack of organisation and discipline which are undermining consolidated centralised management.

In Viet-Nam it is totally impossible to tolerate the parochial interests of individual territorial units which damage overall state interests. At the same time it is necessary to avoid lending protection to the interests of the centre to the detriment of the gains of individual localities as a result of which the latter could lose their freedom of action and abandon their creative endeavours because all this could lead to the violation of interests and undermine both the centre and the localities.

The struggle for the implementation of the Resolution adopted by the Second CC Plenary Meeting must be tied in with the movement for purging the Party and the state apparatus and the struggle against negative phenomena. Soon the Political

Bureau will adopt a corresponding resolution.

The Plenary Meeting, in the spirit of unity, defined the trends and approaches to the problems in the distribution-circulation sphere. The Central Committee realises the degree of its responsibility to the Party and the people and is prepared to wage the struggle for the implementation of the Resolution so as to achieve success, strengthen the trust and enthusiasm of the masses and meet the aspiration of all people.

Rosa Andžić, Yugoslavia

**INTENSIFICATION OF PRODUCTION:
THE KEY PROBLEM
OF ECONOMIC PROCESSES**

The substantial slowdown of economic growth and the related drop in employment during the reform years were not fully compensated for by the rise of labour productivity. Economic growth rates declined significantly in the period from 1956 to 1968, with industrial output growing at an annual rate of 3.6 per cent. This caused a drop in the investment rate and worsening of an entire range of indices in industry and the economy as a whole. Finally, in the 1970s, the need was realised to adopt an intensive growth strategy.

In working out the plan for socio-economic development for the period 1981-1985 complicated domestic and foreign economic conditions were taken into account and changes were introduced into the country's economic policies which earlier had emphasised quantitative growth factors dependent on high resource consumption levels. The new plan provided for slower growth rate of industry and emphasised the achieve-

ment of an optimal balance between production and consumption levels, the matching of demand with available resources, the balancing of foreign trade and other qualitative factors. Economic growth rates, import and capital investment policies and consumption levels were all subordinated to the meeting of these goals.

Yugoslavian economists agree that the economic problems faced by the country cannot be resolved if the current low rates of economic growth are maintained.

The lowering of growth rates should be regarded as a temporary compulsory measure. The key to solving the country's economic problems and accelerating growth rates lies in increasing the efficiency and quality of production. The long-term programme for economic stabilisation drafted by the government commission on economic stabilisation and adopted by the federal assembly in 1983 spelled out the steps to be taken to solve the country's economic problems, and in particular, laid the groundwork for the adoption of an intensive development strategy.

Yet a more intensive development of the economy, requiring a higher level of technology in industry, the elimination of disproportions in its structure and the expansion of exports, is highly difficult in view of the country's low level of currency reserves, which are severely taxed by the heavy burden of foreign debt. Moreover, what makes things still more difficult is the

unstable and even poor financial position of many of the country's enterprises.

Intensification of the Yugoslavian economy is also hindered by high inflation rates and the declining value of the dinar. Inflation grew at an annual clip of 40 per cent in 1981, 32 per cent in 1982, 40 per cent in 1983, 60 per cent in 1984 and 80 per cent in 1985, amounting to a seven-fold rise in retail prices over the five-year period. Deputy prime minister Zemlyarič called inflation the key problem largely blurring the overall economic picture.

To surmount these hurdles standing in the way of implementing the long-term economic intensification and stabilisation strategy, it is necessary to alter virtually all facets of the economic system. In particular, greater reliance should be made on the effects of the law of value and market factors while encouraging self-financing and reducing the role of command methods in the management of the economy.

The long-term programme attaches much importance to the improvement of the financial system and the reform of the pricing system to allow enterprises to set prices in line with world prices. Due attention needs to be paid to expanding the self-financing of enterprises in order to ensure that existing assisting assets and capital investments are used more effectively. The goal is to restore the dinar to its real value and make it partially convertible and also to increase monetary discipline. The chan-

ges proposed in the planning mechanism are intended to put a stop to the disintegration of the Yugoslavian economy.

Growth Strategy and the Economic Mechanism

Despite the surplus of labour in the country, the need for adopting an intensive growth strategy became urgent in the 1980s due to the shortage of investment funds and the drying up of foreign credit which was heavily relied on in the past for financing the country's economic development. Another factor was the compulsory cutback in the use of national income for investment and consumption.

Priority is now given to reducing embodied labour, cutting production costs and quickening economic growth rates by improving production engineering and using resources more efficiently.

Since 1981 the level of investments in the economy has steadily declined, reflecting the policy to decelerate production growth rates. In addition, interest rates on commercial lending were jacked up considerably, and a large number of non-industrial projects were stopped midway. Efforts were concentrated on raising the effectiveness of investments which was hitherto low.

A programme is now being drafted to ensure the more rational and purposeful use of investments and to increase the

effectiveness with which existing fixed assets are used. A large share of investment funds are being used to speed up the construction of industrial projects that will eventually allow exports to be increased and imports to be cut.

Also, steps have been taken to attract investments of foreign capital in Yugoslavian enterprises on the basis of long-term production cooperation contracts and increase hard currency earnings from construction projects abroad which use Yugoslavian blueprints, technology, equipment and materials.

Intensification of the economy is complicated by wide disparities in the development level of the country's constituent republics. The economic detachment and disintegration of the regions make it a cumbersome task to even out the republics' development levels, causing dislocations in the overall Yugoslavian market.

A new law regulating planning was enacted in September 1985 in a bid to halt economic disintegration and end the dispersement of funds among 10,000 production enterprises and organisations.

The new planning law aims to reverse the tide of economic disintegration while at the same time strengthening the regulatory and coordinating powers of the federation. Until recently the practice of detail coordination—whether at the enterprise, republic or federation level—was one of the main factors slowing down or blocking

the adoption of economic plans. Under the new law, a plan is considered adopted if a majority of the republics vote in favour of it.

At the factory, a plan is considered adopted if it receives the approval of two-thirds of the factory's employees. It is worth noting that enterprise plans are now compiled by work collectives themselves. In this way Yugoslavia has gone back to the former practice when the enterprise was considered the primary economic unit.

Until recently each constituent republic adopted its own economic plan. Then the federal assembly would work out so-called "guidelines" for the socio-economic development of the federation. Under the new law, economic guidelines are to be worked out at the federal level before drafting plans. In this way the republics, branch industries and enterprises can give greater consideration to the interests of the country as a whole.

One new feature of the planning law is that it provides for the adoption of integrated plans for key sectors of the economy such as energy, transport, and the postal and telegraph service.

The new law has also streamlined planning procedures by standardising planning methods and establishing universal planning indices for the entire economy. The economic plan for the period 1986-1990 was compiled on the basis of the new planning procedures.

Of key importance for the stable functioning of the economy is the adoption of a plan for the development of Yugoslavia up to the year 1990, which will promote the drafting of an economic policy and the defining of priorities which would reflect to the maximum extent possible the requirements and interests of the development of the country on the whole and ensure the realisation of a concerted strategy for the development of Yugoslavia.

The strategy for intensifying the Yugoslavian economy is centred on the issues of improving the sectoral structure of the economy, for disproportions in the economy stemming from miscalculations in economic management over the years have become a major obstacle to the further development of the country's economy.

In the 1970s and early 1980s, attempts were made to improve the sectoral structure of the economy by speeding up the pace of industrialisation, which it was thought would stimulate the technological revamping of industry and higher labour productivity rates. In 1972, for the first time in more than twenty years, the rates of growth of capital goods industry, into which investments were channeled on a priority basis, surpassed the growth rates of the consumer goods industry. The share of industrial output accounted for by high-tech fields such as energy, machine building and the chemical industry rose

from 30 per cent in 1970 to 36 per cent in 1984.

The priority development of industry spurred economic growth and contributed to an improvement of the socio-economic structure. Yet at the same time it tended to cause the disproportions in the economy to grow. As is pointed out in the long-term economic stabilisation programme, "industrialisation was understood in practice one-sidedly, and development of other sectors of the economy without which industry cannot function effectively was given a back seat".

A major manifestation of structural disproportions is the insufficient development of the energy and raw materials complex. During the world energy crisis of the 1970s that affected the entire world, the disproportions in the Yugoslavian economy bred new problems. Because of the sharp increase of world prices for raw materials and fuels, Yugoslavian import prices increased between 1971 and 1981 by 2.8 times while export prices rose by only 2.5 times. This was one of the main causes of the country's increased foreign indebtedness.

All these factors combined made it imperative that the government's economic growth strategy give priority to eliminating disproportions in the country's development.

At the Tenth, Eleventh, Twelfth and Thirteenth Party Congresses, in five-year socio-economic development plans, the Gui-

delines for the Development of Yugoslavia up to the Year 1985 and other programme documents, the following directions of the country's structural policy were defined: on the basis of the accelerated development of domestic energy and raw material base and agriculture, ensure greater balance in structure of the national economy, create conditions for the effective development of the economy on the whole, expand the country's export potential and reduce imports of raw and other materials, thereby enhancing Yugoslavia's position in the international division of labour.

Yugoslavian economists agree that disproportions in the sectoral structure of the economy are a main cause of the inefficient use of industrial capacity and of low production efficiency. These disproportions made it necessary to increase imports of raw materials, fuels and machinery. The dependency on imports has become even stronger because of the fact that many Yugoslavian enterprises are equipped with imported technology.

A number of steps have been taken to improve the situation in the country, including the concentration of resources to accelerate the commissioning of industrial projects that are of prime importance for the raw materials industry, the reduction of the number of industries receiving preferable treatment, and the banning of the construction of plants and factories for which supplies of energy and raw materials

are unavailable and which do not help to balance the structure of the economy.

Owing to the steps that have been taken over the last several years positive changes have occurred in the sectoral structure of the economy. In particular, for the first time since 1982, growth rates in the extracting industries exceeded growth rates in the processing industries. Overall, however, structural changes are taking place too slowly and with great difficulty.

Changes in Scientific and Technological Policies

The country's scientific and technological policies are crucial to the intensification of the economy. Until the mid-1970s, Yugoslavia imported vast amounts of technology from the West. In recent years, however, it has received most of its technology from socialist countries. Yugoslavian industry is highly dependent on imported technology. Large exports of foreign technology have helped the country to industrialise and achieve an average level of economic development.

The economic reforms adopted in 1965 aimed to reorientate Yugoslavian industry to produce goods that could compete on the world market and stimulate the development of a domestic scientific and technological base. This was to be accomplished by the importation of foreign technology and machinery, the purchase of foreign

licenses, patents and technical blueprints, the exchange of industrial information and the training of scientific and production specialists. Yet the reorientation toward the satisfaction of the demands and criteria of the world market was carried out at a time when the country's industrial infrastructure was ill-prepared for this. The absence of a centralised agency to supervise imports of technology led to the wasteful spending of hard currency on the purchase of identical licenses and to competitive bidding among Yugoslavian enterprises. At the same time Yugoslavia's own technological potential began to show poor performance. As a result, the country began to depend too heavily on imports of Western technology, which impeded the integration of the economy and paved the way for the emergence of structural disproportions, and also made it difficult to increase the effectiveness of social production since the purchasing of licenses often meant the installation of outdated technology.

The basic directions of the scientific and technological policies being followed today were determined at the Tenth Party Congress in 1974, at which was adopted a special resolution on science, technology and technological potential and on using it more effectively and accelerate the application of scientific achievements. These policies were reaffirmed at the Eleventh and Twelfth Party Congresses.

In the government's technological deve-

lopment strategy drafted in 1983 as part of the long-term economic stabilisation programme, the need is stressed for conducting a selective policy toward science and technology enabling the country to focus its efforts on the priority development of key areas of science and technology while continuing to introduce foreign technology on the basis of scientific and technological exchanges. However, only foreign technology which is cost-effective, more modern than comparable domestic technology and stimulates the use of domestic primary materials will be imported. Priority will be given to trends conducive to the development of the energy, raw materials and agriculture sectors as well as export industries.

In a related development, the federal assembly adopted in January 1984 a decree on the guidelines for the strategic development of technology. Soon after, the country's federal executive council formed a special commission on science and technology in order to draft a coherent strategy and policy for the country's technological development as an integral part of the strategy and policies of economic and social development.

The government's strategy for stimulating the development of science and technology emphasises applied research since the country is still weak in this area.

In solving these tasks an important role is allotted to the system and sources for

funding science. Before the end of the 1970s the federal budget was the main source of funds for financing science. During the 1970s federal funding of scientific research gradually declined and was eventually supplanted by self-financing. Enterprises, which directly benefit from new inventions and discoveries, became the main source of funds for scientific research, supplying more than 70 per cent of the total. In the final analysis, in 1970 only one per cent of the national income was spent on research and development, while in 1981 the percentage had risen to 1.23.

In accordance with the long-term economic stabilisation programme, the share of national income spent on research and development is to reach two per cent by the year 2000, and 40,000 more jobs are to be created in the scientific fields. Between 1984 and 1986, only nine-tenths per cent of the national income went to science. This smaller effort reflects the government's policy of cutting back investments in all sectors of the economy.

Despite the steps that have been taken, science is still not seen in Yugoslavia as a decisive productive force in society. The result of this attitude is that allocations for science are from 15 to 30 times lower in Yugoslavia than in the most technologically advanced countries, and four to five times lower per employee.

Centralisation of investment funds is important if Yugoslavia is to make pro-

gress in technology .The development of large technological systems and complex economic organisations is a priority task advanced by modern scientific and technological progress.

The implementation of a coherent scientific and technological policy is complicated by the fact that each of the republics and autonomous regions continue to shape and carry out their own policies in this area. Yugoslavian economists argue that a single scientific and technological development strategy should be adopted for the entire country, and that until this is done, the country's position in the international economy cannot be enhanced and the long-term economic stabilisation programme cannot be realised.

A special section of the political report delivered at the Thirteenth Party Congress was devoted to the problems of accelerating scientific and technological progress. In it is stressed the necessity of conducting a selective policy toward science and technology. "In accordance with the integrated technological policy, we must rely as much as possible on our own resources and be selective in importing and using foreign technology," the report stated.

In this connection, plans have been adopted to constantly improve economic exchanges and the procedures for purchasing technology abroad, develop domestic research and channel greater funds into science, all of which should lessen Yugo-

slavia's dependency on imports of foreign technology. The central task of the economic development plan for the period 1986-1990 is to transfer the economy onto the rails of all-round intensification and increase the technological level of industry. Special significance is attached to structural and scientific and technological changes in the economy based on the development of modern forms of economic management and the steady growth of labour productivity.

The realisation of these tasks will make it possible not only to implement the long-term economic stabilisation programme but to pave the way for the accelerated growth of the economy and improvements in the population's living standards.

F. Valenta. Director, Czechoslovakian Academy of Sciences' Institute of Economics

TOWARD A NEW QUALITY OF ECONOMIC DEVELOPMENT

Since the mid-1980s the Czechoslovakian economy has undergone a move toward a new, intensive type of economic development. The qualitative, profound restructuring of the national economy is the main strategy of the socio-economic acceleration programme for the period 1986-1990 and up to the year 2000 outlined at the 17th Congress of the Communist Party of Czechoslovakia.

The necessity of a move toward the intensive development of the Czechoslovakian economy was precipitated by a wide-ranging set of domestic and external factors and their simultaneous influence.

Among the most important external factors were the rapid gains made recently in science and technology. During this period the world economy also underwent major structural changes. The Czechoslovakian economy must adjust itself effectively to both of these processes by winning its due place in the international division

of labour and taking active part in socialist economic integration.

However this implies more than just adapting the Czechoslovakian economy to the demands of further social progress in the country and the challenge of building an advanced socialist society as the highest stage of the development of socialism. Even more important is that the process of going over to a more intensive development strategy must rely on such type, structure and dynamics of economic growth which can ensure that domestic social and economic programmes are met while allowing Czechoslovakia to better its position in the world economy.

The strategy for accelerating Czechoslovakia's socio-economic development is rooted in the need to substantially increase national income growth rates in the period up to the year 2000 as compared with the previous 5-10 years. Within the next 15 years national income is expected to increase by more than two-thirds of what it was in 1985. To reach this target, national income will have to grow at an annual rate of 3.5 per cent in the first five years, and at an annual clip of more than four per cent in the final ten years of the fifteen-year period.

The new dynamics of Czechoslovakian development as measured by the growth rates of national income presupposes the need for abandoning the existing extensive economic growth strategy. Extensive

development, which emphasises the expansion of production scales through increasingly greater capital investments and the building of new plants and facilities, is characteristic of the first stage of the building of a socialist society and promotes high rates of economic growth initially. For instance, national income in Czechoslovakia grew at an annual rate of eight per cent throughout the 1950s. In the 1960s the growth rate slowed to 4.4 per cent. In the first half of the 1970s national income grew by 5.6 per cent, only to fall off to a rate of 3.7 per cent for the last half of the decade. The slowdown continued into the 1980s, with the national income growing by only 1.7 per cent. In 1981 and 1982, zero growth was registered.

A close study of the causes of the gradual slowdown of national income growth rates in the country indicates as the primary cause the predominance of an extensive type of economic development, the vitality of which was totally exhausted in the past three decades. Reinvigoration of growth rates is now impossible without switching over to an intensive method of economic development based on major changes in production and in the national economy as a whole.

An economic analysis also shows that in real life there exists a certain level of national income growth rates essential for ensuring the optimal proportions among constituent elements of national income,

in particular between the consumption fund and the accumulation fund. For Czechoslovakia, a 3.5 per cent annual growth rate is required. This figure is based on an estimation of long-term economic growth trends. Yet this level cannot be met if an extensive growth strategy continues to be pursued.

The need for achieving a national economic growth rate of at least 3.5 per cent is prompted by a number of factors, both domestic and external. One of them has to do with the need to increase the flow of capital investments in production and non-production spheres, including protection of the environment. Yet, as we noted above, increasing economic growth rates are in principle impossible under the current extensive growth strategy. An entirely new intensive type of development is closely connected with the need to revamp the fixed assets which, in turn, would require an increase in growth rates in order to sustain larger volumes of capital investments.

Greater capital investments are mandated by the increased participation of Czechoslovakia in CMEA integration projects. This refers primarily to Czechoslovakia's involvement in industrial construction projects on the territory of other countries.

Higher growth rates of national income, which will promote faster economic development at home, should also enhance

Czechoslovakia's position in the world economy. Higher growth rates are also needed to lessen the national income growth rates' dependency on the necessity to use increasing amounts of raw materials and energy resources and reduce the total amount of working hours expended in the production process.

According to this strategy, the share of industrial consumption in the gross social product should decline, while national income should grow at a faster rate than the gross social product. This is the exact opposite of what occurs under an extensive economic growth strategy. However, it should be pointed out that the weakening of the dependency of national income growth rates on the amounts of resources is but an external manifestation of the new quality of economic growth.

† In general, growth of national income can be secured in two ways: either by increasing the total amount of working hours expended in social production or by increasing the complexity of living labour expended per unit of time.

Characteristic of an extensive economic growth strategy is such a combination of the above-mentioned methods when increasing the total amount of working hours put in social production in order to maintain national income growth rates predominates. This underlies an extensive type of development. The extensive economic growth strategy is centered on the commissioning

of new industrial capacities in an economy marked by a surplus of jobs, which necessitates the involvement of increasingly more workers.

The growth of the total amount of working hours in the engineering industry has the effect of pushing up prices of machines and equipment to a point beyond their use values.

National income growth based on a greater complexity and creative content of labour input would provide greater scope for increasing the new value produced as well as improving the use values of products comprising national income.

Under an intensive economic growth strategy, increasing the complexity of living labour plays a leading role among the different factors contributing to the growth of national income. This is totally in line with the trend toward innovation in science and technology that has made its mark recently. The scientific and technological revolution makes it indispensable to use improved living and embodied labour.

The new strategy for increasing national income growth rates is also connected with structural changes in the economies of socialist countries. These changes can be most readily observed in the diversified rates of economic development in different sectors and industries.

These changes centre on an emphasis of industrial innovations with priority given to the more efficient use, processing

and enrichment of raw materials and energy resources.

The innovations have affected with particular force the manufacturing industry.

In the current five-year plan period the growth rates for different industrial branches fixed in the Guidelines of Economic and Social Development of Czechoslovakia for 1986-1990 and up to the year 2000 and approved by the 17th Congress of the Communist Party of Czechoslovakia are a clear embodiment of the planned structural changes which accord with the intensive economic growth strategy and the new quality of national income growth.

According to the Guidelines, between 1986 and 1990 industrial output is to rise by 15-18 per cent. Output of the chemical industry is to increase by 13 per cent, that of the pharmaceutical industry by 40 per cent while the engineering industry is expected to increase its output by 30 per cent. Moreover, output of heavy engineering is to increase by 21-22 per cent over this period, with a 25-per cent rise in output planned for the general engineering industry and a target of 60-65 per cent set for electrical engineering. These examples illustrate the ambitious nature of the planned changes, which reflect the new quality of economic growth.

The development processes indicated above, mandated by the new strategy for national income growth and reflecting the changes in innovation processes, structural

policies and the level of public activeness, are law-governed tendencies. Specific manifestations of these general tendencies in the economies of different countries can be quite distinct and are closely linked to those countries' level of participation in the international division of labour. For this reason in no country can the general tendencies be observed in their pure form.

Moreover, in our view, in the economy of a small or medium-sized country, the size of Czechoslovakia's, specific types of innovations and structural changes cannot be uniformed. On the contrary, each small or medium-sized country has its own unique conditions. Thus, a comparison with other countries its size should not be used in drawing up a programme to develop Czechoslovakia's national economy. It is necessary to shape a specified approach to the structural development and specialisation of the Czechoslovakian national economic complex in the process of the socialist economic integration within CMEA and in the international division of labour in general.

Several basic precepts must be followed in shaping the future profile of specialisation of the Czechoslovakian economy. First, a strategy for fostering specialisation of the national economy with account taken of the international division of labour is a manifestation of the general tendencies of world structural development which

become overriding in respect to a particular country. In other words, a strategy according to which the economic structure of a country is formed must take into account the processes in the international division of labour and trends in the STR.

For this reason, in devising a conception of economic restructuring in Czechoslovakia, it is necessary to ensure that industries, which in line with world structural changes display a tendency to decelerate, does not determine the fate of the national economy as a whole. This means that priority in the country's economic life should be given to developing more rapidly the manufacturing branches and particularly those that turn out final products.

Secondly, in fixing growth rates for different branches of the manufacturing industry, it is necessary to take full account of the comparative advantages and disadvantages of the Czechoslovakian economy. Among the disadvantages are a relative shortage of raw materials and a limited economic potential. Among the advantages are the country's longstanding industrial tradition and the presence of a skilled labour force.

Taking account of these pluses and minuses, two groups of industry can be singled out in the country's manufacturing industry.

The first group consists of the mass manufacturing of standard goods, including those of high complexity and science-in-

tensity, as far as the previous stages of production are concerned. These goods can become competitive on the world market only if their production costs are low and the prices at which they are sold are low too. For this reason production of these goods is increasingly concentrated in the industrially developed countries.

The second group consists of the manufacturing of material-intensive, piece products (usually on non-standardised machinery), whose competitiveness in world markets is ensured by high quality, an advanced technical level, and a high level of labour productivity. The production of these goods, which are highly profitable, is, like that of the first group, increasingly concentrated in the industrially developed countries.

Conceptions of a future strategy for revamping the Czechoslovakian economy structurally and the defining of its place in the international division of labour must take full account of the two basic precepts described above.

In our view, developing both groups of manufacturing simultaneously will prove most effective. It can be assumed that this course will be followed by the other CMEA member-countries and by the community at large. Such a strategy takes into account the peculiarities of the CMEA member-countries' foreign economic relations with the developing world. Unlike the developed capitalist countries, the

CMEA states are able to pursue a division of labour not only in the manufacture of mass-produced, standard goods but in the output of industrial production systems and complete equipment.

* * *

A new quality of national income growth depends in large measure on the fostering of the creative abilities of individual workers and work collectives and on public activeness.

The ultimate success of Czechoslovakian economic development over the long term thus hinges, on the one hand, on qualitative changes in the forces of production, which are being encouraged by the current pace of scientific and technological progress, and, on the other hand, on the new vigour with which socialist relations of production are being developed, particularly as it concerns the increasing involvement of workers and work collectives in the process of the planned management of the national economy.

The new quality of economic growth also demands that the economic mechanism of the socialist economy is lifted to a significantly higher level. The basic guidelines of the radical changes which are necessary in this are contained in the decisions of the 17th Congress of the Communist Party of Czechoslovakia and in subsequent party plenums.

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**HOW WE MANAGE THE SCIENTIFIC
AND TECHNOLOGICAL
REVOLUTION IN A SOCIALIST WAY**

Our experience with the flexible management of a planned economy shows unambiguously that such an approach can yield dynamic and crisis-free economic growth while at the same time increase the material and cultural standards of the people, which accords with the essence of socialism.

Thus, national income, which reflects general economic prosperity, doubled between 1970 and 1985. Our net output in industry rose by 217 per cent over this same period, and in construction by 180 per cent. Such growth and the increase of labour productivity—results of the economic and social policies adopted at the Eighth Congress of the Socialist Unity Party of Germany in 1971—have led to a substantial increase in the standard of living of the people.

Our social and economic successes as noted at the Eleventh Party Congress, are of principal importance and indicate the scale of economic and social progress that

can be achieved by using the advantages of socialism. The continuance of these policies, aimed at reaching the main goal of socialist construction, provides us with precise bearings for the future in respect to the possibilities for using the advantages of socialism more effectively.

The ways for attaining this goal up to the year 2000 are spelled out in ten principles of economic strategy and measures for improving economic management, planning and commercial efficiency.¹

Intensification of the Economy

In the first half of the 1980s, the socialist planned economy brought about a turn

¹ The main points of the economic strategy were outlined in the report of the Party to its Eleventh Congress. First, the economic strategy, to cover the period up to the year 2000, is designed to derive even greater benefit out of the coupling of the advantages of socialism with new breakthroughs in science and technology. Second, the economic strategy is aimed at accelerating the growth of labour productivity. Third, it provides for an increase of industrial output while cutting the consumption of raw materials and fuels. Fourth, the strategy calls for the production of only high quality goods that meet world standards. Fifth, in the party's strategy socialist rationalisation is allocated an important place. Sixth, priority is given to achieving a high effectiveness of production. Seventh, the strategy places greater emphasis on the capital investment sphere. Eighth, the strategy calls for the production of consumer goods in greater assortments and larger volumes. Ninth, sustained, dynamic economic growth is a key objective of the strategy. And finally, it provides for the continuous intensification of reproduction and the laying of a firm foundation under it.

toward all-out intensification. A major result of this turn was the achievement of world standard high labour productivity growth rates based on the application of scientific and economic achievements. Attesting to this are the successes in microelectronics, in particular, the increase from 209 in 1980 to 612 in 1985 of the number of different active microelectronic components produced. Over this same period the output of special-purpose technology doubled, which paved the way for the production of high-quality microelectronic components.

The output of modern computer technology also grew significantly. For instance, over this same period the output of microcomputers rose by ten times, and around 4,900 industrial robots were produced. Also, 30 per cent of machine tools and assembly lines manufactured in 1985 were equipped with computer control systems.

The turn toward all-out intensification was also marked by a rise in industrial output, without increasing, and sometimes even decreasing, the amount of materials and energy used. Between 1981 and 1985, for example, reduced consumption of raw materials by industry accounted for around 40 per cent of national income growth. Economic growth was thus achieved on a totally new basis. During this period for the first time national income grew at a faster rate than that of industrial consumption.

A key factor influencing the development

of the economy in the first half of the 1980s and causing labour productivity and production efficiency rates to rise significantly was the faster renewal rate of goods, an improvement in their quality and the introduction of labour-saving technology. At the same time, as a result of the fast growth of high-tech industries, considerable changes took place in the structure of production, especially in industry. In 1985, for instance, the electro-technological, electronics, chemical, engineering and heavy transport machine building industries accounted for 50 per cent of all industrial output. While gross industrial output increased between 1980 and 1985 by 22 per cent, the output of the machine tool industry rose by 44 per cent, that of the electronics industry by 100 per cent, and that of the precision mechanics and optics industry by 91 per cent. Thus, the way was paved for moving the national economy onto a higher level.

The main factor ensuring sustained economic growth was the well-tested emphasis on developing domestic sources of energy. All these processes occurred against the backdrop of expanded economic, scientific and technical cooperation with the Soviet Union and other CMEA countries.

From this emerged a highly efficient structure based on the modernisation of existing capacity, the opening of new industries, and the introduction of state-of-

the-art technologies including flexible automation.

As a result of all-out intensification and higher growth rates of the national economy and the major structural changes that it underwent, the opportunity presented itself to march in the step with the demands of modern society. After all, there has long been a tendency in world practice for the accelerated accumulation of know-how, the development of new technologies and their practical use and wide application, the emphasis of technological progress in economic development and the development of new goods characterised by high usevalues.

Development of Modern Forces of Production

Proceeding from the new stage into which the scientific and technological revolution has entered, the Eleventh Party Congress determined the role of key technologies in expansion of the country's economy. GDR leader Erich Honecker placed at the centre of the economic strategy the use of key technologies to revamp production speedily, raise the quality of goods and reduce expenditures. He also emphasised that the drive to reach the leading edges of science and technology that needs to be conducted on a broad front can be successful only provided that the potential of the key technologies is used to the fullest.

Such technologies exert growing influence

on the economy and society as a whole, smooth the way for the carrying out of structural shifts in the national economy and determine the pace of labour productivity growth. By virtue of their universal application, the effect of these key technologies on the national economy varies. The effect ranges, for instance, from the totally new opportunities these technologies have created in the field of energy saving to the profound changes they have wrought in agriculture as a result of the widespread use of electronics and biotechnology. Reliance on key technologies has given an impetus to the further development of science and production and to the growing interlapping of scientific disciplines, industries and the consumer demands. What's more, these technologies exert strong influence on quality improvements in the technologies themselves and in the goods manufactured with the help of these technologies. All this conditions higher productivity and effectiveness and exerts influence on the pace of labour productivity growth.

The qualitative factors of economic growth were attributed at the Eleventh Party Congress primarily to the use of key technologies. For hinging on the rise of labour productivity is the satisfaction of the people's needs and the place our country occupies in the world. Provided that dynamic economic growth is achieved and key technologies are employed, it will be

possible to realise the law of economies in time, according to which a cut in living labour in material production will allow to have more time to be spent on other socially useful pursuits.

Key technologies variously affect the work and living conditions of the population, ease the work of thousands, and expand their opportunities for taking part in creative activities.

The point is that by developing the socialist planned economy and in general perfecting socialist relations of production, the country can march in step with new forces of production and promote the dynamic growth of forces of production in the interests of strengthening socialism. This is to be achieved by improving management, planning and profit-and-loss accounting in the country's economy.

Continued Development of Integrated Plants

A central feature of the country's socialist planned economy and its expansion are integrated plants and their constituent enterprises. They have fully justified themselves as a new modern form of managing large-scale socialist industry in conditions of intensification. Their formation represented the most rational form of realising public property, organically coupling the advantages of socialism with the scientific and technological revolution. The operation

efficiency of integrated plants depends largely on the integrated management of all important phases of their reproduction processes. On the basis of democratic centralism and a single, connecting plan, integrated plants and their enterprises, relying on a close link between science and production are quite successful in reaching the forefront edges.

In the development of integrated plants and their operations are embodied the main features of the further perfection of socialist relations of production and genuine socialisation. Considering the level of development of our society up to the year 2000, it is necessary to march in step with the dynamic development of modern forces of production. The possibilities of using the advantages of socialism to harness the scientific and technological revolution will be determined in the final analysis by the reproduction processes within the integrated plants. What's more, their interaction with leading scientific institutions will become increasingly important. Advances in science and technology present new challenges to integrated plants, which respond to these challenges and thus complete the cycle reproduction.

For instance, the five-year economic plan for the period 1986-1990 adopted at the Eleventh Party Congress calls for accelerating even further the development and application of computer technology in planning, design and industrial management.

Between 85,000 and 90,000 jobs are to be automated by the year 1990, primarily at integrated plants. To back this automation drive, it is planned to produce 160,000-170,000 office and personal computers, 1,900-1,950 microcomputers and 660-670 mainframe computers. It is also planned to develop and produce special computers for engineers equipped with flexible programming and processing abilities and a powerful memory. Thus, vast reserves are being found to increase efficiency, save labour time, cut the job cycle and use existing capacity more fully.

At the same time an effort is being made to radically improve work at integrated plants and everywhere. The use of computers helps to spur improvements in the organisation of labour at integrated plants and their enterprises. The experience of the successful application of automated planning, design and industrial management systems employing computers and advanced technology demands that new decisions be made. In particular, a new procedure needs to be developed to allow complete basic information to be retrieved at every work station, basic data at integrated plants and their enterprises need to be standardised and automation should be introduced from the planning of output to the sale of finished goods. Enterprises are continuously gaining increasing experience with these technologies.

The importance of flexible automation

is growing quickly. In the metal processing industry at least 60 automation drives are to be launched before 1990, and 35 are to be conducted in other industries. By 1990 the output of the metal processing industry produced by automated technology will be trebled. Enormous efforts will be required for this since flexible automated technology will be possible only after advanced computer technology, computer design and planning, industrial robots and programmable digital systems are combined. Automation is to be introduced also in transportation and cargo handling and storage. This is to be done in such a way that automatic transport and storage systems take into account the rhythm of production. The automation drive implemented at a machine-building plant in Meuselwitz increased labour productivity at the plant by 60 per cent and reduced the time of processing from two months (as it was required using the traditional equipment) to 2-3 days.

Flexible automation allows a broader assortment of goods to be produced at lower costs, new goods to be introduced in a shorter time period and large-scale production, lot assembly production and piece production to be combined. But in the latter case new demands are made on the organisation of production, encompassing material production and the operational management of production including the storage and shipment of output to con-

sumer services. Here is observed a tendency for comprehensive organisational decisions, which are necessary in order to increase economic and social efficiency using enormous reserves.

In a quantitative and especially qualitative respect, production of the means of rationalisation by the efforts of integrated plants is organised in such a way that it will become a substantial material and technical base promoting the widespread application of key technologies. Production of the means of rationalisation serves as a basis for intensive, expanding reproduction at integrated plants, which for this purpose rely on their own potential. Through production of the means of rationalisation can be achieved an increase of labour productivity and savings of manpower, who then can be employed in other sectors of the economy.

For this reason it makes much sense to directly use key technologies to produce means of rationalisation. The development and manufacture of special equipment, industrial robots and high-precision means of rationalisation which can be found in no catalogue, as well as the production of microelectronic modules and control systems and computer software at major industrial plants which use these products is otherwise virtually impossible, which reflects the major changes that have taken place in this field. Thus, the production by integrated plants themselves of means of

rationalisation within the framework of the entire reproduction process is becoming increasingly important.

In this connection, the drawing up of corresponding plans, the recruitment of the necessary personnel and the obtaining of sufficient funding is of great importance to the future operations of integrated plants and will determine whether they will be able to meet their plan targets and make major in-process breakthroughs in technology.

While the integrated plants were first being set up they were oriented to independently master the production of special intermediary items which would in turn determine the quality of finished goods. Such intermediary items, important in a functional and qualitative respect, greatly influence the ability of finished goods producers to quickly upgrade their assortment of goods. This way of organising links between intermediary and final products in their own reproduction process allows integrated plants to take greater advantage of the multifarious relations between different sectors of the economy.

At the *Textim* plant, for instance, the capacity was expanded for research, development and production of microelectronic modules and control systems along with the software to run them. This translated into enormous savings of time (and not only at this integrated plant) spent on the development of technology and on

selling new products. Creation of such capacities within an integrated plant to produce intermediary products is primarily a question of uniformed management of scientific and technological development and the production of special intermediary products to be used to manufacture finished goods. The purpose of all this is to increase efficiency while at the same time ensuring the continuous flow of the technological process and reacting flexibly to consumer demand.

Every integrated plant, including those which produce primarily production machinery, manufactures consumer goods. Moreover, the producers of machinery are required to produce cost-effective high-quality consumer goods that are in big demand. Ultimately, the efficiency of the integrated plants and the effectiveness of their organisation and management are determined by the correlation between expenditures and end results. The economic potential of integrated plants and their enterprises heavily depends on their ability to keep costs down, which has considerable influence on material processes.

Management, Planning and Profit-and-Loss Accounting

The intensive expansion of reproduction is unthinkable without the continuous improvement of management, planning and profit-and-loss accounting. It would be dif-

difficult to imagine any of these items in isolation from the others. The results of the country's economic development show that the system of management, planning and profit-and-loss accounting, which is aimed at cutting the costs of production, is effective, dynamic and flexible. It encourages working people to display initiative and work toward uniting economic and social policies, thereby strengthening socialism. Moreover, this system promotes an increase in the output of consumer goods of better quality. Efficient management, planning and economic accounting vigorously promotes the continued development of forces of production and the widespread use of key technologies.

Our guiding principle is the principle of democratic centralism which provides for a combination of central management and individual initiative. However the key economic levers of socialist society will remain in the hands of the state while initiative and creativity of the workers, the main moving forces of society, will take on a mass character as an important source of socialism's might.

It is essential for integrated plants to improve their own management, planning and profit-and-loss accounting in order to raise the efficiency of their production. It is necessary to precisely coordinate national economic plans with the economic interests of integrated plants and their enterprises. The system of management, plan-

ning and profit-and-loss accounting should correspond with these conditions. Moreover, the system of economic efficiency indicators of production enterprises such as net output, net profit, the volume of goods and services stimulates them to use available material and financial assets in a rational manner.

The strengthening of integrated plants is part of the plan to continue the socialisation of labour. While improvements are being made in management, planning and profit-and-loss accounting, socialist relations of production also develop. They are becoming an increasingly effective factor for the development of forces of production.

The revolutionary processes being driven by the widespread use of key technologies in the national economy make new demands on integrated plants in the management and organisation of the reproduction process and challenge the initiative of workers. On their participation, knowledge and abilities depend whether or not the leading edges of science and technology will be attained, the size of the economic dividends from the introduction of these breakthroughs in industry and how effectively will the new technologies be used to further the ends of society as a whole and the interests of each individual. The realisation of these goals is in the fundamental interests of workers. Socialist emulation, the broad discussion of plans, the widespread

use of tested methods of production engineering and the wholesale comparison of economic results are forms of workers participation in decision-making. To increase the production and social awareness of workers, especially young ones, to take all kinds of measures to raise their educational and skill level, in short, to do everything so that each worker should feel his responsibility for the success of the country's economic and social policies is the prime goal of the further strengthening of the socialist planned economy for the benefit of the people.

J. Csehák, Deputy Chairman
of the Council of Ministries,
Hungary

HUNGARY'S SOCIAL POLICY

A programme for the country's social and economic development was adopted at a plenum of the Hungarian Socialist Workers' Party's Central Committee. At a subsequent party plenum in April, 1987, ways were considered for revamping the taxation and pension systems. At this plenum it was decided to present these issues for public discussion.

Coordination of Programmes

Coordination of economic and social development programmes is imperative for the following reasons:

—key to the development of Hungarian society at the present stage is the close cooperation of all its members, their display of initiative and enterprise, the rise of labour productivity and the attainment of good end results. This in turn depends on the social climate in the country and the relations of distribution;

—the conception of economic development revolves around the process of accelerated restructuring; this is connected with changes in the social and production spheres and with social tensions fraught with various sorts of conflicts;

—resources demanded by structural changes in the economy, their insufficiency and also technological development need to be seen in the context of a state budget situation, the operation of the distribution system and of social institutions. All of these need to be made more economically and socially efficient;

—society has grown increasingly stratified over the last several years. The slow growth and later stagnation of incomes tended to make public opinion more sensitive to matters of income and property status. As a result, there have been increasing demands for social justice in distribution matters;

—slow economic growth has caused a certain part of the population to become discontented, particularly pensioners, large families and those living in depressed areas of the country. Also, the living standards of certain social groups has begun to fall below the national average, increasing pressure on the government to provide support through the social security system. However, no public consensus has yet been reached on social issues. But one thing is certain: the government's social policies have become more receptive to

problems in society and have taken a more constructive approach to solving them.

Public discussion of these issues is as important to be analysed as the economic and social processes standing behind this debate. All of these are important components of the world we live in from whose influence we cannot stand aside. What's more, it is necessary to reckon with these problems and provide solutions to them corresponding to the socialist system of social values. Yet it seems that in this area too we have put things off too long.

International Experience

Shortages of resources crucial for carrying out economic restructuring and modernisation led to a situation where in many countries rates of consumption were critically revised, including—within the framework of redistribution—consumption financed by the government and its bodies. This concerned primarily payments, benefits and free services financed by public consumption funds. It became clear that the expansion of the highly bureaucratised and mismanaged social institutions was drawing too many resources away from economic development needs, contributed to the growing budget deficit and encouraged citizens to put their money away in savings rather than spend it.

All this not only increased greatly the demands on the social security system at

a time when questions were raised about the system's effectiveness, but gave rise to social tensions whose ramifications went far beyond the government's social policies. This occurred primarily because of the aggravation of contradictions in society based in social, ethnic, territorial disputes.

The growing demands on social institutions also stemmed from demographic changes in the family. Families began to grow smaller and be increasingly stricken by divorce, conflicts between husband and wife or parents and children, unhealthy habits and antisocial behaviour. No effective solutions for a great many of these problems were readily available within the framework of the traditional social policies and social security institutions system concerning the two types of relatively stable relations, those of family and employment. For this reason many countries made considerable efforts to keep these problems in check, often within the framework of social programmes.

These problems exist in Hungary as well as in other socialist countries, though in varying degrees and in somewhat different forms. Hungary also confronted the serious problem of financing its social policies and forming an effective social security system.

It is only natural that Hungary's social policies should be based in an accurate assessment of the country's social climate.

The country's social policy institutions

have evolved gradually in the four decades of social construction. Over these years the structure of these institutions has seen shifts in ideological, political and economic accents. The social security system covers a wide range of areas such as old-age and disability pensions, education and health care. The system also includes institutions operating on a non-gratis basis. It should be stressed that only a flexible socio-political institutions system practicing diverse principles of distribution can be effective given a complex and differentiated socio-economic situation. Around 25-26 per cent of the country's national income is distributed through the social security system. For each 100 forints of income the state adds another 35-36 forints in payments and benefits from the social security and other funds. And payments from social consumption funds together with social security payments comprise nearly 50 per cent of all budget outlays. Over the long past period, social security payments to the population grew at a faster rate than earnings.

As for the effectiveness of the social security system, it is essential to determine: 1. which social groups benefit from the system, and 2. the volumes and quality of the benefits. From the standpoint of the first criterion we find ourselves in the better position. But as far as the second is concerned our concerns have increased in the last few years. In Hungary's social

policies there still prevails a uniform security system run by the center. Because of this, Hungary's social institutions have remained too far away from the problems and thus do not properly promote the participation of people at large in the alleviation of social problems. Time has presented new demands. It is necessary to reconsider the activities of social institutions and the mechanism for distributing social consumption funds and reorganise them in line with the new strategy of economic management.

This work should provide for a re-examination of the activity of all budget agencies and a more rational use of human and material resources. In evaluating the social security system, criteria should be put forward for judging its effectiveness, like in other social and economic spheres. Considerable reserves exist in the country for more rational management and the use of labour and for eliminating bureaucracy. It is necessary to more thoroughly study the question of expanding the scope of self-financing institutions.

The country's long-term social policy proceeds from the assumption that its basic social goals and values remain unchanged: to use the people's creative energy and abilities to the fullest, to provide everybody with equal social and economic chances, to raise the responsibility of work collectives, to enhance public solidarity and socialist democracy, which will provide scope for all

this. Yet it should not be forgotten that these goals can be achieved only by laying a firm foundation under economic development. To be sure, while this is being done, we will have to reconcile ourselves to certain difficulties. But the lesson to be derived from all this is that socialism cannot automatically guarantee the resolution of social and economic tasks. These goals can be met only by the conscientious labour of everyone.

During the times of economic hardship, of particular importance is the stability of living standards of the lower income bracket population. The government's social policy should guarantee them a subsistence standard of living. This subsistence level should rise as the economy improves. For example, under the new social security system, the minimum pension can be calculated proceeding from one's wage. As the average income rises, so will the minimum pension. Also, the minimum payment for childcare is already now equal to the minimum pension. This too will grow as the economy gains strength. In the long term it is planned to guarantee social security minimum payments by the law. Such a move will require certain conditions to exist, as for now the government is unable to abandon the incentive function of the social security system.

A second objective of the social policy is to erase social inequalities and reduce the gap in opportunities. The social security

system is called up to contribute to solving these problems.

The Hungarian social security system is an important pillar of social and material well-being; it has expanded rapidly over the last four decades, now distributing one-fifth of the country's entire budget. It exerts considerable influence on the entire distribution system and on the economic activity of enterprises.

From the second half of the 1970s, as a result of unfavourable economic and demographic changes, the social security system began to face financial difficulties.

Aging of the population, worsening of overall health, and the need for greater outlays to keep pace with inflation brought the social security system to the brink of bankruptcy.

Since then sundry ideas have been suggested on how to make the system more independent and economically effective. At the core of these suggestions is the notion that the social security system should provide guarantees for certain groups of the population mainly without changing the cost of the payments and benefits paid. The important thing is to put in place a properly conceived, well-thought-out programme of social security to avoid having to take rush measures in the future.

These concerns forced onto the political agenda the matter of a sweeping reform of the social security system, one that

will include an improvement in the way the system is managed economically and be consistent with the government's long-term social policies.

But making the social security system more independent will not eliminate the need for state guarantees rooted in socialist principles. This means that the social security fund should be formed both from wage deductions and from contributions from the government budget. Looking at other countries, we see that even in the developed capitalist countries, the social security programmes are underfinanced. In view of this, it is obvious that we need to create a social security system more flexible than the current system. We also need to study the question of whether the system would benefit by the creation of separate funds and the mechanisms for putting these funds to work.

Whatever changes are contemplated, the principle of a universal and mandatory social security system should remain intact. Yet it should be acknowledged that continuing budget restraints rule out the possibility of raising current payments and benefits or of introducing new ones for some time to come.

Instead, Hungary is to rely increasingly on a voluntary social security programme. Agencies are in the process of being created to help citizens to choose the social security plan best suited for them. In drafting the new social policy, the government plans

to take into account suggestions by people at large. One suggestion that has been made is to count the time spent at home raising children or looking after incapacitated parents as job years for social security purposes. Another is to expand voluntary social security and reduce the penalties for an interrupted work record.

Flexible social security programmes should be able to effectively protect citizens against nearly every risk. The goal for the social security system is to provide every member of society with stable material guarantees even during times of economic instability. This will necessitate the strengthening of self-government and an improvement in the work of social organisations.

The proposals for revamping the social security system and streamlining the pension system are consonant with the objectives and principles of the government's social policies. It is clear, however, that over the long run, the situation cannot be corrected by half-measures. Amid the mass of social and economic problems faced by the country and the likelihood of a drop of living standards, what are needed are well-balanced social measures.

At a time when the government is preoccupied with solving economic tasks it stands to reason that social issues must take a back seat. Yet this should not have to mean the total abandonment of the long-term social policies adopted earlier.

An effort should be made to see that whatever short-term measures are adopted they should not conflict with the long-term programme. Care should be taken in drafting new tax laws and shaping the government's position on funding social benefits to examine the short-and long-term ramifications of such policies on the less-well-off.

In general, the effectiveness of the government's social policies hinges on what kind of division of labour they are helping to bring about. In Hungary it is widely believed that in the future it will be necessary to devise a more rational and more effective division of labour between central and local government bodies, economic units, social organisations, various so-called humanitarian services, independent groups and private citizens. It is also believed that there is a need for a comprehensive evaluation of social problems. Greater assistance to society's needy must not stem only from the central government. Local governments, social and economic organisations must also have a hand in this. The first steps have already been made: in accordance with the Seventh Five-Year Plan, provincial and local governments have been ordered to begin drafting material assistance programmes.

Hungarian society and economic life is now undergoing broad decentralisation, which should help the government's social policies to work better and improve the

living standards of the needy. But for this goal to be met it is necessary to encourage enterprise and at the same time the level of organisation especially in times of crisis situations.

The task at hand is to shape and implement social policies that will best reflect the interests of society and form a basis for economic growth.

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**SOCIAL DEVELOPMENT
AND A NEW DIMENSION
OF ECONOMIC GROWTH**

Under the conditions of economic growth social factors play a key role in the transition of the Czechoslovak economy to the intensive path of development. Concern for the individual and a better standard of living for the Czechoslovak people are central goals of the policies of the Communist Party of Czechoslovakia. They are also important preconditions for the continued development of social relations in society. Important in this respect is the rise of labour productivity, which depends to a large degree on the firm linkage of the interests of individuals with the interests of the work collective and society.

The new dimension of economic growth also tends to stimulate the creative abilities of individual workers and work collectives, comprehensively develop the human personality and shape a socialist lifestyle.

With this in view efforts will be concentrated over the next two decades on

bringing the steadily increasing living standards more in line with the current stage of socialist construction. Basically, this involves establishing a balance between material consumption and non-material consumption, that between leisure time and working time, paying greater attention to environmental issues, and harmonising the interests of individuals and groups with those of society while at the same time strengthening social guarantees. It is also sought to raise the socio-economic effectiveness of the standard of living and make workers more interested in attaining high production efficiency.

In seeking these goals, the centre of balance is to shift toward the resolution of the comprehensive tasks of developing and strengthening the socialist way of life, which involve an ever expanding range of problems. In this article I would like to deal with but two of these problems: the effective use of leisure time and environmental protection.

Given Czechoslovakia's high standard of living, a problem that needs immediate attention is the balance between the amount of leisure time enjoyed by the average worker and the other elements by which living standards are measured, above all material consumption. The amount of leisure time available to the populace and the ways in which it is enjoyed greatly affect living patterns and the shaping of ideals and spiritual values.

Leisure time can be increased not only by reducing the working hours but reducing the time needed to commute to work, go to the store, clean the house, visit the doctor and so forth.

However studies have shown that among the most realistic ways for increasing leisure time between the years 2000 and 2010 is to reduce the working hours and increase the length of paid vacations and leave time for continuing one's education. It is important to note, however, that any increase in leisure time should hinge on corresponding increases of labour productivity.

To grant increased leave time for those intent on continuing their education would require that changes be made in the structure of distributing national income. A greater share of it would have to be channeled (either in the form of capital investments or as wages and salaries) into education. This would spark a greater demand for highly qualified teachers, requiring even greater investments.

Improved educational standards would have major material and social effects. In particular, they would help to stimulate new requirements and, consequently, the expansion of the service sector and would become the primary force driving this expansion.

Reduction of the working time would increase pressures for greater attention to be paid to the environment, both out

of concern for the population's health and for aesthetic reasons. It would also cause greater attention to be focused on creating better housing conditions and communal services.

Reduction of the working week and the increase of vacation time would make additional demands on the production of consumer goods and services as a result of changes in consumption patterns. An increase of leisure time would inevitably require the creation of ramified service networks and would place an additional burden on the health care system, the trade and service sector, public catering, hotels, sports complexes, etc.

It will become necessary to create additional jobs in the service sector and other sectors of the economy connected with the manufacture of consumer goods.

It appears likely that the proposal for cutting the working hours or increasing the lunch break by half an hour will be adopted in the near future. Another realistic proposal that is being considered is to increase vacation time by one week for employees of key industries or those which present health hazards and for residents of environmentally unsafe regions and mothers of large families.

The number of Czechoslovakians with high school or college education is expected to rise significantly in the 1990s. For this reason consideration is being given to cutting the working hours by half an hour

a day and extending vacation time by one week for all segments of the population.

Preliminary calculations show that by reducing the working week to 38 hours and increasing vacation time by a week or two, the total time spent on the job throughout the country (taking into account the forecast employment) would be reduced by approximately six per cent already in the 1980s and by twelve per cent in the 1990s. The lengthening of vacation time would account for three per cent of the total reduction. Consideration is being given to reducing the work week even further to 36 hours and extending vacation time by another week or two in the first decade of the next century.

In the last few years increased attention has been given in Czechoslovakia to environmental problems and the reduction of pollution levels. This directly reflects mounting concern for the population's health. Generally speaking, decreasing pollution levels and ensuring healthy living conditions are crucial to the survival of human civilisation on Earth.

The progress that has already been made in Czechoslovakia in the area of environmental protection falls way short of the demands of the day.

The gradual worsening of the ecological characteristics has had a considerable effect on the Czechoslovakia's standard of living. One reason why no significant progress has been made in this area is that ecolog-

ical matters have yet to be addressed by the country's social and economic policies. The environmental measures adopted in the 1970s and early 1980s failed to be implemented adequately.

Protection of the environment should be sought even at the cost of a changing of the standard of living and economic structure. An unhealthy ecological situation poses numerous risks to the population's health and could potentially inhibit the country's socio-economic progress.

In the coming years it is imperative that a greater share of the national budget be spent on combatting environmental pollution and repairing the damage already done to the ecology. A greater effort must be made to utilise and recycle waste products and install waste-free technologies, reflecting a new approach to the link between social development and nature. Only in this way can the intensification of the Czechoslovakian economy be completed and the ecological situation be improved.

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**ACTIVE PARTICIPATION
IN WORLD ECONOMIC EXCHANGE**

The Romanian Communist Party and its General Secretary, Nicolae Ceaușescu, believe that the vigorous participation of Romania in the international division of labour and international trade is an objective necessity, a priority demand for the socio-economic progress of Romania. It is seen as an important factor in the expansion of international cooperation and the strengthening of peace. Proceeding from this assumption, which reflects the demands of objective laws, active and effective participation in international trade is one of the prime objectives of the strategy for building an all-round developed socialist society in Romania. "Without active participation in the international division of labour, without an extensive exchange of material, technical and cultural values with other nations, it is impossible to create an advanced society, one that meets the standards of socialism and communism," Nicolae Ceaușescu said.

Participation in International Division of Labour is an Objective Necessity

At a time when the international economic cooperation is becoming increasingly intensive the development of a national economy as a world economic unit cannot be effected without a regular combination of internal and external factors; the efforts of one nation cannot produce significant results without actively joining in the international division of labour and cooperating with all countries of the world.

A sensible mixture of reliance on one's own resources and active participation in international trade is a basic condition for the sustained growth of the Romanian economy and the raising of living standards. The successful development of industry, agriculture, science and education and the expansion of trade all help to ensure the rapid expansion of the Romanian economy and the fulfillment of economic plans and programmes designed to raise the country to a higher level of development. Economic growth will in turn enable the country to take a more active part in international economic, scientific and technological co-operation.

Romania's participation in international trade and the international division of labour, based on the principles of national independence and sovereignty, full equality and non-interference in the internal affairs

of other countries, thus becomes an incentive for accelerating the growth rates and effectiveness of the national economy. "The development of broad international cooperation and economic exchange with all countries of the world, irrespective of their social system is an objective necessity and fructuous for the socio-economic activity of our Motherland," pointed out Nicolae Ceaușescu.

Romania's economic development efforts are significantly dependent on imports of raw materials and fuels. And although domestic production has increased considerably, especially in the last twenty years, imports of technologies are still weighty.

Expanding exports, especially by means of increasing the share among them of manufactured goods and high technology, enables material and human resources to be used more efficiently and helps to quicken the scientific technological advancement of the country. Taking into account the high ratio of exports to national output and the fact that many factories are geared solely to the manufacture of export products, there are grounds for stating that foreign trade is not only a means for optimising industrial capacity and integrating enterprises but for developing industry and the Romanian economy as a whole.

The creation of a fast growing export sector is necessary both for carrying out

domestic economic programmes and for earning foreign currency to pay for imports. The formation of a positive trade and payments balance will allow Romania to increase its foreign currency reserves and more quickly pay off its foreign debt amassed in the 1970s and early 1980s because of a downturn of the world economy and rising interest rates.

This lends support to the policy of expanding exports while slightly cutting back on imports. As Nicolae Ceaușescu has pointed out, the number one problem confronting the national economy today is how to significantly increase exports and make the export sector more efficient.

Expansion of Foreign Economic Cooperation

International economic cooperation plays a considerable role in the development of material and human resources. One of the most progressive forms of international trade is economic cooperation between various nations. Romanian enterprises today participate in a wide range of cooperation agreements such as deliveries of machinery with payment to be made in finished goods, production contracts, joint production, trade and banking activities, etc. In many countries of the world can be found various industrial projects built with Romanian participation. Romania was among the first socialist countries to allow

the setting up of joint ventures on its territory, with the corresponding legal backing worked out.

A significant part of Romanian foreign trade is carried out on the basis of international cooperation. Nicolae Ceauşescu stressed that "it is necessary to give greater attention to the concluding of agreements with socialist countries and all states, to the development of cooperation and production specialisation, including the setting up of joint ventures".

The foreign economic activity of Romania is centred around the expansion of trade and economic cooperation with socialist countries. Trade with socialist countries accounts for more than 60 per cent of Romania's total foreign trade, which is steadily increasing. Important economic projects have already been built with the help of other socialist countries and others are under construction within Romania and in third countries.

Following the guidelines approved at CMEA economic summits and the Comprehensive Programme for scientific and technological progress up to the year 2000, Romania consistently makes an effort to improve—for the sake of promoting the socio-economic development of the CMEA member-states, the successful building of a new society and the increasing of the prestige of socialism in the world—economic and technological cooperation within the framework of the Council for Mutual

Economic Assistance. It is also important that expansion of cooperation between CMEA members should foster the solution of a number of domestic problems such as the satisfaction of the growing demand for raw materials, energy and machinery and the more efficient use of existing industrial capacity.

Romania is also giving greater attention to expanding trade with the developing world, where for many years Romania has helped to build major industrial and other projects. The Romanian economy today possesses sufficient economic and technical ability to build enterprises in various countries. Thirteen such projects were completed in 1986 alone, built by Romania within the framework of economic cooperation in ten different socialist and developing countries.

At the same time Romania seeks to expand economic relations with industrialised capitalist countries, with many of which a long-standing partnership has evolved. Cooperation with them is conducive to the carrying out of the country's economic development programmes and the modernisation of industry and promotes the expansion of Romanian exports, the maintenance of peace and the development of international cooperation. Much attention has been paid and is being paid to the expansion of exports to capitalist states and to agreements which further bilateral economic and technical coopera-

tion, and also to the search for new markets.

The legal underpinnings of Romania's foreign economic relations have been gradually improved over the last two decades. Whereas in 1965 Romania was party to 120 bilateral economic agreements and conventions at a governmental and state level with 44 countries, by 1987 Romania was signatory to more than 800 agreements with 124 countries. Romania has been a member of the General Agreement on Tariffs and Trade since 1971 and is also a member of the International Monetary Fund and the World Bank. As a member of the United Nations Conference on Trade and Development and other international organisations, Romania, being a developing socialist country, speaks out for the elimination of all restrictions and discriminatory measures in economic relations, the unlimited expansion of international trade and the establishment of a new international economic order.

The economic strategy adopted at the Thirteenth Party Congress for the years 1986-1990 stresses the importance of Romania's more active participation in international economic exchange and the further expansion of economic relations with all states of the world on the basis of national independence and sovereignty, equality and noninterference in each other's internal affairs. Mutually beneficial trade and cooperation with socialist coun-

tries will continue to occupy a leading place in Romania's foreign trade, Romania will continue to move in the direction of broadening and intensifying economic and technical cooperation within CMEA for the sake of promoting the socio-economic development of each of the member-countries, the successful building of a new society and increasing the prestige of socialism in the world.

In the decisions adopted at the Thirteenth Party Congress it is emphasised that economic, scientific and technological cooperation will continue in the coming years to occupy a leading place in relations with other countries. The objective is to satisfy Romania's energy and raw material needs and develop mutually profitable specialisation in industry. With this in mind it is intended to expand the highest form of cooperation—the construction and joint operation of industrial projects and the setting up of joint ventures to manufacture goods for export.

Between 1986 and 1990 it is planned to increase the volume of foreign trade by 52.7 per cent while expanding exports significantly.

"We must develop a balanced trade, act to eliminate our foreign debt fully in the shortest time possible. We must understand that this problem directly affects our socio-economic development and the raising of the people's living standards," Nicolae Ceaușescu admonished.

Studying the World Market Situation

For Romania to meet its export targets, it must study closely foreign markets, enter into highly promising import-export agreements, expand and diversify its trade and cooperation with other countries and increase its hard currency earnings. The complexity of the international economic situation and the increasing diversification and mobility of the world market make it necessary to more quickly update the assortment of export goods and bolster marketing.

To effectively study foreign markets, Romania will have to create an information clearing house and compile data banks as well as establish close contacts with the world's major trade and banking centres. The extraordinary complexity and diversity of international markets makes it necessary to develop various methods and strategies for studying them, including the selection of priority areas of development.

On this basis we can well expect the rising demand for technology, goods and services and thus adjust the country's export to meet this demand.

Raising Quality and Cutting Costs

Amid fierce international competition, the quality of goods, their technical characteristics and performance ratings are

important factors for gaining a foothold in foreign markets. The increased level of competition requires enormous effort to be made both on a macroeconomic and micro-economic level to adjust the country's export structure to the rapidly changing demands of the foreign markets. An analysis of the country's export policies over the current five years and also over the coming 10-15 years shows that the party and government has given priority to the development and production of goods that meet world standards which are cost-efficient and are in great demand on the world market.

Highly-processed metal products, highly-valued chemical products and other such items will account for a growing share of Romania exports in the coming years. On this hinges the further expansion of the Romanian economy and its active inclusion in international economic exchange.

This will require that products be modernised at the research and development stage and also during the production process. Romanian science is called on to make a significant contribution in this area.

A large part of the growth of Romanian exports will also stem from the increased export of services, particularly technical, as well as tourism, transport, banking and finance and so forth. The export of services today accounts for nearly one-third of all international trade, and in some countries the share is much higher.

Increasing the Effectiveness of Foreign Trade

Increases in the effectiveness of foreign trade and international economic cooperation affect the production process and the creation of material values, stimulate the growth of national income and are of great significance for the successful fulfillment of the party's economic strategy.

Proceeding from the assumption that an ineffective trade policy means the loss of revenues abroad, constant attention is shown in Romania to see that the country's foreign economic activities are conducted as competently and effectively as possible.

The sustained growth of labour productivity is among the main determinants of an effective trade policy. The country's strategy for expanding foreign trade stresses the role played by labour productivity levels in raising the effectiveness of foreign trade and international economic cooperation.

Only by radically improving technologies and cutting energy and raw material inputs can product quality be raised and thus the economic effectiveness of exports be increased.

As Nicolae Ceaușescu pointed out, high material intensity seriously complicates the economic effectiveness of industry, and consequently, of exports. Drastic measures need to be taken to cut raw materials and energy consumption. The suggestions

are to improve the quality of manufacturing technology, choose the most appropriate raw materials, cut wastes, reduce the production of shoddy goods and introduce widespread recycling of materials.

Since the effectiveness of foreign trade and in particular of exports greatly depends on one's trading partners, Romania is deeply involved in efforts to draft a set of measures to ensure the unhindered expansion of international trade and the elimination of all artificial obstacles in the way of equitable and mutually profitable trade relations and economic cooperation between states.

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