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AKADÉMIAI KIADÓ, BUDAPEST

VOLUME 19
NUMBER 1
1977

ACTA OECONOMICA

A MAGYAR TUDOMÁNYOS AKADÉMIA
IDEGEN NYELVŰ KÖZGAZDASÁGTUDOMÁNYI FOLYÓIRATA

Felelős szerkesztő:
FÖLDI TAMÁS

Szerkesztőség: 1112 Budapest, Budaörsi út 45.
1502 Budapest Pf. 262

Megjelenik évi 2 kötetben. Megrendelhető az Akadémiai Kiadónál (1363 Bp. Pf. 24.), a külföld részére pedig a Kultura Külkereskedelmi Vállalatnál (1389 Budapest Postafiók 149)

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Acta Oeconomica Vol. 19 (1), pp. 1–17 (1977)

I. VINCZE

ON THE COMMON CURRENCY AND THE SYSTEM OF INTERNATIONAL PAYMENTS WITHIN THE CMEA

The author makes an intensive study of experiences with the common currency of the CMEA member countries – the transferable rouble – and with the operation of the system of international economic settlements, the functioning of the International Bank for Economic Cooperation. He states that the IBEC successfully plays the role of an international clearing centre, the crediting activities of the IBEC play an important role in the economic relations of the member countries and also the exchange rate policy of the IBEC has developed. On the other hand, however, bilateralism is still characteristic of the trade between CMEA countries, multilateralism has not developed. The author challenges the view that the common currency completely fulfils the basic functions of international money-measure of value, means of payment and means of accumulation. He shows that in this respect there are particular factors at play which also raise obstacles.

The particular features, and, for the time being, the constraints of the common currency of the CMEA and its system of international payments, originate in part in the principles of the socio-economic system of the member countries and in part they are related to the level and structure of social production in these countries, to the national systems of economic control and management, to the methods and means of economic cooperation among the member countries. In order to change the role of money in the CMEA community corresponding changes must be effected in the sphere of these three latter factors.

Under the terms of an interstate agreement reached on lst January 1964 the CMEA countries created their common currency: the transferable Rouble (tr Rb). They founded at the same time the International Bank for Economic Cooperation and laid down the principles of their international payments as well as of the credit activities of their joint Bank.

Although the thirteen years passed since its foundation are a comparatively short time, they have nevertheless provided practical experience sufficient to evaluate how the payment of economic transactions among CMEA member countries was realized and with what result. The role played in practice by the common currency of the CMEA, and the extent to which the relevant preliminary assumptions have been verified can be examined as well. It is important for us to draw objective conclusions by relying on actual experience, without intending to prove by all means that the preliminary expectations have been realized. This is because further progress depends obviously on correct fact-finding, i. e. on a solid diagnosis, since it is only on these grounds that topical tasks can be identified.

A realistic appreciation is needed all the more as the Comprehensive Programme of Developing the socialist economic integration of CMEA countries lays down as an

essential task to further develop international monetary and financial relations within the community of the CMEA countries, and within this to increase the role of money in economic relations among member countries, to perfect the system of rates of exchange, and of the international credit system of the member countries. Attainment of these tasks requires a realistic evaluation.

Aims and principles determined at the start

The financial payment of claims and liabilities (debits and credits), arising in the economic relations between member countries of the CMEA, has been effected in the common currency, i.e. transferable Roubles through the International Bank for Economic Cooperation (IBEC) since January 1964. Settlement covers the trade in commodities among member countries, payments outside trade (e. g. for transportation activity), repayment of interstate credits granted to one another, non-commercial payments, and the issue and repayment of credits by the IBEC.*

At the start the following aims were formulated with regard to the international system of payments to be made in the common currency;

– it should eliminate the need for bilateral balancing in the economic relations of CMEA countries;

– it should allow the multilateral balancing and payment of trade among member countries; this is particularly necessitated by such more advanced forms of economic cooperation as international specialization, and cooperation in production, investments, with joint resources, joint enterprises;

– it should make it avoidable that CMEA countries keep important monetary assets as unused reserve in bilateral clearing accounts;

– it should encourage a fast development of trade among member countries.**

The governments of countries signatory to the agreement on the multilateral system of payments undertook to balance in a given period (calendar year or other agreed period) receipts and expenses in regard of the community of member countries as a whole, taking into account, of course, also credit activities.

The declared main characteristics of the common currency, i. e. the transferable Rouble, are the following:

– its unit represents 0,987412 gr of pure gold;

– it is a credit-currency issued by the IBEC, the joint bank of the CMEA countries, on the basis of its own capital and deposits of member countries. The common currency also has a safe commodity coverage;

– its unit represents a definite purchasing power in the mutual trade and payments of CMEA countries;

*Exceptions are trade and credit activities accounted in convertible currency among member countries.

**For details see [1]

– it is called upon to fulfil the basic functions of international money, i.e. measure of value, international means of payment and of accumulation;

– it is used by CMEA countries in the sphere of international payments, and it is not in circulation within the national economies;

– the common currency is transferable without restriction between the current accounts of the authorized banks of CMEA countries with the IBEC;

– for the time being, the common currency cannot be exchanged into convertible currencies, i.e. it is not convertible;

– it is exchanged into the national currencies of member countries only in a limited scope and in a previously determined manner.

In the course of its banking operations, the IBEC observes the following principles:

– orders to pay are fulfilled to the debit of free monetary assets (claims) showing on the current account of the authorized bank;*

– whenever a member country (or its enterprise) delivers goods to, or performs services for, another member country (or its enterprise), the Bank debits the account of the authorized bank of the recipient country with the value of goods delivered or of services accomplished and credits the account of the authorized bank of the supplying country with the corresponding amount (i.e. a transfer is performed). Delivery of goods to or performance of services for another member country increases the transferable Rouble credit balance of the account of the authorized bank; delivery of goods by another country or receiving of services the same balance;

– the authorized banks may use their transferable Rouble assets showing in their current IBEC account for payment of commodity deliveries and services supplied by other member countries, repayment of credits granted by the IBEC and of interests, for non-commercial payments, as well as for meeting other liabilities that may arise between member countries;

– if at a certain date an authorized bank has no free transferable Roubles on its account, it can meet its liability by raising an IBEC credit. For the time being, the IBEC may grant so-called overdraft credit or so-called term credit (with fixed deadline) to the authorized banks. The upper limit of the overdraft credit that may be granted to a member country is 2 per cent of the value of its yearly exports to other member countries. The overdraft credit is revolving: the IBEC grants it without request to the authorized bank in case of need and when it is not needed any longer, it is withdrawn without separate collation.

If there is a lasting and considerable disharmony between receipts and outlays, the IBEC grants fixed-term credit to authorized banks, usually for one year, or, by decision of the IBEC Council, for a period of three years at most. The coverage of the

*Each member country of the CMEA authorizes one of their banks to open a current account with the IBEC, to act on their behalf, issue payment commision and receive incomes.

credits granted by the IBEC in the common currency is its own capital, deposits of the authorized banks and balances of their accounts;

– the IBEC pays a yearly interest of 1,5–4 per cents on deposits of the authorized banks, and charges 2–3 per cents, on overdraft credits and 3,25 to 5 per cents on fixed-term credits.

Experiences of the years 1964 to 1976

The experience of thirteen years has shown that several of the aims formulated at the start have been attained, some have been realized in an amended form, and a few have remained unsolved so far.

Between 1964 an 1976 the International Bank for Economic Cooperation fulfilled its task perfectly as an international centre for payments. It smoothly settled accounts related to trade, services, non-commercial payments and repayment of interstate credits. In practice it proved to be serviceable to make payments on basis of claims for payment put in by the recipient bank (prompt cash). The volume of payments made in the common currency rose from tr Rb 22,9 thousand million in 1964 to tr Rb 35,4 thousand million by 1970, and to tr Rb 82,5 thousand million by 1976. There has been, thus, a 3,6-fold increase in thirteen years. Between 1965 and 1974 turnover increased at a rate of 9–11 per cent on a yearly average, while in 1975–76 the rate more than doubled. This latter growth is connected also with the considerable rise in socialist foreign trade prices in those years. Yet the basic factor in the growth of payments was the growth of foreign trade turnover.

Within the payments the volume of operations connected with interstate credits did not change essentially during the whole period; in 1964 it amounted to tr Rb 1,3 thousand million, and in 1976 to tr Rb 1,7 thousand million.

The volume of non-commercial transactions was tr Rb 0,3 thousand million in 1964, reaching tr Rb 1 thousand million by 1972, and tr Rb 1,2 thousand million in 1976. The fourfold increase in thirteen years has been first of all connected with the recent rise of tourism among member countries.

Credit activities of the IBEC in the common currency have grown considerably. In 1964 the Bank granted credits of tr Rb 1510 million to the authorized banks of member countries. In 1970 these credits amounted to tr Rb 1975 million, in 1972 to 3047 million, and in 1976 to 4223 million. (At the end of these years, the debts of CMEA countries with the IBEC amounted to tr Rb 125,7, 466, and 1011 million resp.) Credits granted by the Bank were mostly – in about three-quarters – overdraft credits, while fixed-term credits represented the fourth quarter. During the period under examination, the Bank modified the rates of interests several times with the aim of increasing efficiency.

The IBEC dynamically developed its banking activities in convertible currencies. It transacted a growing number of active and passive banking operations with both Western banks and member banks of the IBEC. The volume of operations transacted in

convertible currencies rose from tr Rb 0,9 thousand million in 1964 to tr Rb 21,2 thousand million by 1970, and to tr Rb 70 thousand million by 1976.

In the period between 1964–1976, the exchange rate policy of the IBEC changed and improved. In the activity of the Bank, as well as in the economic cooperation of CMEA countries, an important role is played the rate of exchange of convertible currencies – first of all of the dollar – expressed in transferable Roubles. It is, namely, this rate that CMEA countries use in the formation of foreign trade prices for expressing world market prices in transferable Roubles. Because of the devaluation of convertible currencies in 1971, the IBEC revalued the transferable Rouble. The rate of became tr Rb 0,71 instead of 0,9, while the rates of other currencies changed, according to the quotations of the money market.

In 1975–76 the financial organs of the CMEA countries modified also the non-commercial rates of exchange among themselves and determined the rates (coefficients) of their national currencies to the transferable Rouble. These affected the payments of countries between each other.

The changes that have taken place in these last years, necessitate a reconsidering of ideas, concerning the gold content and the stability of purchasing power of the common currency of the CMEA.

As for tis substance, the gold content of the common currency was but an indirect indicator already at its creation. Until 1971 the exchange rates of convertible currencies to the dollar had been fixed. Currencies could be exchanged into dollars, and central banks could exchange their dollar reserves for gold at the U.S. Treasury in conformity with the declared gold content of the dollar. The gold content of the transferable Rouble was stated by the IBEC in accordance with the rate of exchange, corresponding to the purchasing power parities of the transferable Rouble and the dollar starting from the gold content of the dollar. (Exchange of the transferable Rouble itself for gold was not undertaken nor declared by either the IBEC, or the member countries founding it.)

In recent years important changes have taken place in international monetary relations and international prices. In 1971 the exchangeability of the dollar into gold was suspended, and later two devaluations followed. The declared gold content of other convertible currencies was in the meantime abolished and fixed rates of exchange were replaced by floating rates. The price of gold escalated on international markets, the international price level expressed in convertible currencies grew to about the double; within it the price level of primary energy rose to three- to fourfold, and that of other important materials to two- to threefold.

The IBEC revalued the transferable Rouble relative to the dollar only to a small extent. Between 1971–1977 the rate of the dollar fell to tr Rb 0,71–0,75 which corresponded to an 18,8 or 16,6 per cent revaluation of the transferable Rouble. Since world market prices rose much more, socialist foreign trade prices calculated on the basis of this rate considerably rose from 1975 on, i.e. after accepting the three- and then the five-years average of world market prices for the basis of price formation.

All this leads to the conclusion that the earlier stability of socialist foreign trade prices ceased. Also, as a consequence of rising socialist foreign trade prices, the nominal gold content of a unit of the common currency fall. Notwithstanding the target formulated in the international agreement about the system of payments and the common currency of the CMEA payments within the community are still characterised by bilateralism instead of multilateralism.

The IBEC applies a system of payments that allows both multilateral and bilateral payments. It provides for unlimited remittability (transferability) between the current accounts of authorized banks. Yet in the practice of economic relations between member countries bilateralism prevails. Independently of the principles of the system of international payments enabling multilateral payments, member countries continue recording exports and imports bilaterally and demand bilateral balancing. In other words: in the system of cooperation between CMEA member countries there prevails – if we penetrate below the surface – a stubborn bilateralism! As a consequence, a CMEA member country, having a credit surplus in a certain bilateral relation, cannot use this claim to settle a debt with a third partner. In the CMEA international system of payments a bilateral debt cannot, for the time being, be finally settled by transfer of money, i.e. of a corresponding amount of the common currency.

It can be stated, too, that the country disposing of a transferable Rouble credit balance can use it for purchasing goods or services only according to the plan, and usually only in the country where it came about.

The IBEC records receipts as well as payments effected in the current accounts of authorized banks, and, accordingly, it shows every time the aggregate balance, i.e. the sum of claims of the authorized bank in transferable Rouble. (The balance may be zero as well as a debit, in which latter case credit will be resorted to.)

The aggregate balance of the current account gives the impression as if it were indifferent from what receipt or outlay positions of what bilateral relations it results. According to the rules of the international financial payments, the IBEC has, in fact, to grant overdraft credit or fixed-term credit to an authorized bank only if the latter has not enough claims on its current account to cover a liability. In the real relationships of the CMEA community, however, the balances of bilateral economic relations are not at all indifferent. Since in a bilateral relation the account cannot be settled by the transfer of money, there is no possibility for a mutual setting off: the balance of exports and imports must be finally settled by supplying goods or services.

Payment of economic relations among member countries is now effected with the IBEC in monetary forms, but it is entirely linked to the movement of goods or performance of services, and this happens by bilateral relations, and cannot be separated from these movements.

All this leads to new kinds of conclusions as regards the crediting activities of the IBEC.

In the economic relations between CMEA countries delivery of goods and performance of services are practically effected bilaterally in a sum of values and a

composition of goods planned yearly and agreed internationally. This planned movement of goods may result in a transitory monetary credit balance for some countries, and in a transitory debit balance for other countries – estimated beforehand (and deliberately). The monetary claim appears in the current account of their authorized bank with the IBEC, it shows as a deposit with the IBEC. On the other hand, the monetary debt necessitates that the authorized banks of the countries in question should raise overdraft credit or fixed-term credit, for as long as they can settle their account. Therefore, it is the system of payments itself that creates coverage for the credits.

In accordance with general practice, CMEA member countries balance imports and exports in each of their bilateral relations every year. Therefore, at the end of the year only a small amount of imbalance shows in comparison with the yearly exports of CMEA member countries between one another (300–400 million tr Rb in the period from 1964 to 1970, and 800–1000 million tr Rb from 1971 to 1976).

The amount of claims or liabilities may be increased or decreased by supply of goods above plan, or failure to fulfil the plan.

One more interrelation needs to be pointed out in connexion with IBEC credits: exports not counterbalanced by imports on the accounts of some authorized banks turn into credit claims; and the debit stocks of countries whose imports exceed exports that turn into liabilities. Claims and liabilities (debits and credits) appear first in the export-import relations of CMEA countries between themselves, and after that in deposits placed with the IBEC, or in credits granted by it.

Since its establishment the IBEC has several times modified the rate of interest paid on deposits and that charged on credits, as well as the differentiation of interests, according to the repayment time of credits. In spite of that economic stimulation by the IBEC system of interests is slight. This is because the Bank registers separately both interests received by each authorized bank on its deposits and claims, and the interests paid on credits. Interests mean obligation or claim only towards the IBEC. Income from interests can be used for payment only to the IBEC, but it cannot buy goods or services. This obviously lessens interestedness in the granting of credits and renders the stimulating effect of interests doubtful. Thus, forward steps ought to be taken in this field.

The International Investment Bank founded in 1971 can also grant investment credit in the common currency, i. e. in transferable Roubles. The source of these credits is composed of the capital contributions and deposits of member countries.

Experience since 1971 has shown that *the utilization of the transferable Rouble credits granted by the International Investment Bank still meets with difficulties.* The founding member countries allow the International Investment Bank to use (in the form of capital allocation) transferable Rouble without their being obliged to supply commodities. The possibility of utilizing means available to the IIB is not combined with a priority ordering right of the IIB. The IIB or the country it grants credit to can order goods only with difficulty from any member country. (Deliveries of goods between countries are determined in the bilateral five-year and annual plans of supplies. This is so

because a member country that supplies goods to another country for investment purposes against the transferable Roubles of the IIB, which are not covered directly by goods, cannot exchange its transferable Rouble claim acquired into a bilateral claim and thus into goods required by it. Finally, the country itself becomes investment creditor. Obviously, this problem is also derived from the fact that the common currency of the CMEA can be used only in bilateral relations.

Although CMEA organs elaborated and put forward already several recommendations to solve the problem, so far no general arrangement has been reached.

The foundation documents and statutes of both the International Bank for Economic Cooperation and of the International Investment Bank *allow also countries outside the CMEA to join the international system of settlements effected in the common currency, i.e. transferable Roubles,* and to be granted medium- and long-term credits in the common currency of the CMEA.

The IBEC worked out in detail the rules according to which third countries may take part in the international system of payments of the CMEA. Several international consultations have been held on these conditions, particularly with developing countries. A special credit fund was created with the International Investment Bank. Developing countries may obtain credit from this fund and repayments of credit are also added to this fund.

So far, however, no country outside the CMEA has joined the international system of payments in the common currency, nor has any such country asked the IBEC or the IIB for credit in transferable Roubles. Obviously, the reason is partly that with present conditions joining the system is not attractive for these countries and they see more of its difficulties than of its advantages. They are also afraid that by joining this system, they would become isolated from the monetary system of the capitalist world.

Factors determining the role of the international system of payments and of the common currencies in the CMEA community

The reviewed particularities and deficiencies of the international monetary system of CMEA countries appear, if looked at superficially, as if they were deficiencies exclusively of this monetary system and as if they could be essentially changed by means of monetary and financial regulation. A little more thorough examination will convince us, however, that real interrelations are different.

The role of money in the mutual economic relations of CMEA countries can be correctly evaluated only in consideration of the socio-economic conditions and particularities prevailing in the national economies of these countries and in their mutual economic relations. They are as follows:

– basic principles of the socio-economic system;
– the level and structure of social production of member countries;
– particularities of the national economic control and management systems;
– methods and means of economic cooperation between member countries.

CMEA countries have a *socialist social system.* Some of them are working already on the realization of an advanced socialist country, while others are still at laying down the foundations of socialism.* The socialist transformation of society and the national economy, the laying down of foundations of socialism, and the building up of advanced socialism imply political and economic policy contents determined by Marxist-Leninist science.

The economic policy objectives of CMEA countries and, even the national systems of economic control and management, as well as the means and methods of economic cooperation *are affected by the socio-economic conditions of these countries, and by the attained level of economic development.*

Statistical data prove that the CMEA countries attained – from the day they stepped onto the road of socialist transformation of society – outstanding results in the development of their national economies. Their gross output and national income has grown at a fast rate. They changed the production structure of their national economies, increased the productivity of social labour at a fast rate, and successfully raised the standard of living of their population. The largest socialist country the Soviet Union, is steadily approaching the United States of America, the strongest power of the capitalist world, in respect of basic indicators of economic development: its industrial output reaches 80 per cent and its national income 67 per cent of that of the United States. Significant development can be observed also in other CMEA countries. A particularly fast development shows in CMEA countries that were economically least developed at the beginning of the socialist construction. The CMEA community is the most dynamically developing region of the world.

Yet, in spite of the excellent results achieved in economic development, the following must not be neglected:

The production standards and structure achieved up to now by CMEA countries can satisfy national and CMEA community needs for certain products only to a limited extent. (This statement refers to such products as can be produced otherwise – under the given geological and climatic conditions – in CMEA countries.) Tensions and lasting imbalances are found in primary energy, quality materials allowing efficient processing, semi-finished products, up-to-date machinery and equipment; agricultural products, quality consumer articles (clothing articles and foodstuffs.) These tensions and shortages lead to various economic restrictions, and in many cases to emergency both within CMEA countries and among them.

In the mutual ecnonomic relations of CMEA countries a special trade structure has developed: so-called 'hard' and 'soft' articles are usually exchanged in identical

*The foundation rules of the CMEA allow that countries outside it – socialist as well as non-socialist – cooperate with the CMEA in one or another field of the economy on the basis of a separate agreement. In such cases the contentual prescripitons of the agreement are relevant as to the sphere and order of the cooperation. As a matter of fact, other obligations of CMEA members do not concern these countries.

proportions. Hard articles are of primary importance for the raw-material and energy supply of the national economy, for technical development and for supplying the population with food. Soft articles do not satisfy national economic or personal demands of primary importance. Their utilization may move within comparatively wide limits. Countries are much less interested in exporting hard articles than in exporting soft ones. The degree of hardness of articles and the demand for them are always factors considered when foreign trade plans of the CMEA countries are collated.

Each member country of the CMEA form and develop their national systems of economic control and by setting out from the basic principles of the socialist socio-economic system, the socio-economic conditions of their national economies, and the development level that far achieved. *Beside common features, in these national systems there are a number of particularities characteristic of only one country.*

In the national system of economic control of each CMEA country the fundamental role is played by the national economic plans. *For the implementation of the national economic plans serve, on the one hand direct government decisions and obligatory instructions, and, on the other hand, direct means, i.e. economic regulators.* These two groups of means serving plan implementation may be found in every CMEA country. Yet, there are important differences by countries as regards the proportion and weight of direct means (instructions) and indirect ones (economic regulators). The statement can be also made that economic regulators (prices, taxes, financial supports, exchange rates, bank credit, etc.) bear national marks to an increased extent.

In the present article, I deal only with a few characteristics of national economic control and management systems that prove to be particularly important from the point of view of the subject treated.*

It is today generally characteristic of national economic planning systems in CMEA countries that economic units (trusts, unions, enterprises, farms) are given obligatory plan targets by central economic control organs. Obligatory plan targets are determined, on the one hand, in terms of value indicators (e.g. value of output, the total value of goods to be supplied for home trade, wage-fund payable, etc.), on the other hand, they are determined in physical units of measurement (e.g. the production targets of priority products in the national economic plan or in the ministry plan, distribution of products between main consumers, or material management organs, limit to the use of the most important materials, etc.). The allocation of products for whose manufacturing economic units are given obligatory targets is carried out by a material management organization. Production targets determined in physical units of measurement extend to a particularly wide sphere in the Soviet Union, and the German Democratic Republic, and are of considerable coverage also in Czechoslovakia, Romania and Bulgaria. In Hungary economic units are not given obligatory production targets, but the consumption of twenty-three different materials is limited for large consumers.

*I dealt in detail with the national economic management systems of CMEA countries in another work [3].

It is an important factor in shaping foreign trade turnover that central government organs decide also on the exports and imports of all such products as are covered by national planning and central material management. The volume and country of exports and imports cannot be changed within the enterprises' sphere of authority.

The CMEA countries have formulated and are further developing by joint efforts the methods and means of planning and organizing their economic cooperation. The most important elements of the armory of means and methods of economic cooperation are the following:

– cooperation in planning and international cooperation of the national economic plans;

– long-term interstate cooperation agreements, in whose framework the means of interested countries are drawn into the expansion of material- and energy producing capacities with a view to a better satisfaction of raw-material needs;

– agreements on product specialization and cooperation;

– five-year foreign trade agreements and yearly minutes accompanying them,

– CMEA foreign trade prices;

– currency system of the CMEA: the currency and order of international payments, and international crediting.

CMEA countries share the opinion – as is contained in several international documents approved by them – that cooperation in planning and particularly the coordination of national economic plans are basic methods of organizing cooperation and widening the international division of labour.

Cooperation in planning, i.e. the *coordination of national economic* plans brings, finally, after several rounds of negotiations, the following results: each CMEA country will know what assortment and volume of important materials, primary energy, agricultural products, machines, instruments, vehicles and consumer articles it will receive in a five-year plan period (in the case of basic materials and primary energy for even a longer period) for the development of its own national economy from other CMEA countries; on the other hand, it will know, what materials, agricultural products, machines and consumer articles it will have to deliver to help satisfying other member countries' needs. This movement of goods planned beforehand is contained in bilateral minutes laying down the five-year national economic plan targets. Delivery obligations specified in these minutes reach, as has been found, 75–80 per cent of the long-term foreign trade agreements later concluded.

Five-year bilateral *foreign trade agreements* usually indicate the products to be delivered between the countries in physical units of measurement (tons, cubic metres, pieces), and in a yearly breakdown. Delivery obligation is prescribed in transferable Roubles only for products of a very wide assortment (such as car parts, medicines), but even in the latter case a few important products are specified in physical units of measurement. Foreign trade agreements are usually bilaterally balanced (except if the granting of international credit was agreed upon). Fulfilment of the prescriptions of foreign trade agreements is an international obligation.

CMEA countries calculate their *foreign trade prices* by relying on world market (main market) prices. Prices follow the fundamental tendencies of international markets, but business fluctuations, monopolistic distortions are, by common agreement, left out of consideration. Foreign trade prices had been adjusted usually every five years till the end of 1974, and from 1975 on according to necessity every year, because of the large-scale changes in world market prices.

The level and proportions of socialist foreign trade prices are highly essential for each member country, since the amount of goods (the national value) to be delivered in order to balance their imports depends largely on these.

Delivery of goods between CMEA countries is characterised by an extensive – almost exclusive – determination (specification) in kind.

What appears in monetary terms in the current accounts of authorized banks of CMEA countries with the International Bank for Economic Cooperation is that a country gets receipts for exports and has to pay for imports. At some date, the balance of the current account may show free assets (a surplus) or a debit (a deficit), Yet, free assets can be spent on acquiring goods only in a planned order, practically as it is envisaged in long-term foreign trade agreements. It is usually only when the following year's foreign trade turnover is collated that the remaining balance can be used for acquiring goods, and only in the bilateral country relationship in which it arose. This is because a third country does not supply goods against transferable Roubles.

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The preceding proves presumably the following:

– The common currency of the CMEA and its international system of payments has, for the time being, a secondary (servicing, recording, accounting) role. The primary role is played by the obligatory and physical elements of planning both in the national economic control systems of most CMEA countries, and in the international armory of means and methods of CMEA cooperation.

– Bilateral balanced state is the general characteristic of minutes on plan coordination and of long-term foreign trade agreements. The system of payments takes this into consideration already as a settled condition.

– In order that the role of money, i.e. of the common currency, should grow in the economic cooperation among CMEA countries first appropriate changes must be effected in the standards of social production of member countries, in the national economic control systems, and in the international armory of means and methods of cooperation.

Assertion of the monetary function of the common CMEA currency

Most of the rather large number of articles published by economists in the CMEA countries treating the international system of payments and the common CMEA currency discuss, in my opinion, the assertion of the monetary functions of the common currency

in an oversimplified way. The majority make statements without going into serious analysis and examination.

Thus, the statement is often found that the CMEA currency fulfils the basic functions of world money, that is, it is a measure of value, a means of payment and of accumulation.

Some authors suggest that the common currency does not fulfil the basic functions of international money completely. These functions will be fulfilled by the common currency of the CMEA only to such extent, in their opinion, as the necessary economic and organizational conditions are created. But these authors do not explain, either, what it is that ought to change in order that the common currency should be real world money, nor in what way those changes would take place.

In the course of my examinations concerned with assertion of the monetary functions of the common currency, I have found the following:

Assertion of the *function* of the CMEA common currency as a *measure of value* cannot be considered, in my opinion, a proven fact simply because it has been so stated. In this context a few other important circumstances and interrelations must be considered.

CMEA countries derive their foreign trade prices from the capitalist world market (main market), "cleaning" them, as far as possible, from business fluctuations and monopolistic distortions. For the conversion of world market prices, i.e. their expression in the common currency, the rate of convertible currencies expressed in the CMEA common currency is used. This rate of exchange is determined by the International Bank for Economic Cooperation. Socialist foreign trade prices may deviate more or less from capitalistic world market (main market) prices as a consequence of "cleaning" them from distortions due to business fluctuations or the averaging of several years' prices, but basically they are determined by the world market (main market) prices and follow world market price tendencies. That is, the real measuring of value takes place now – as it did in the past – outside the CMEA community, i.e. on the world market. The common currency, i.e. the transferable Rouble, fulfils practically only the role of a standard of prices. It plays an active role only in the case when and in the proportion in which socialist foreign trade prices are deliberately diverted from world market (main market) prices.

The special character of the CMEA common currency in respect of measuring value as here described will not change if its specific value is increased or decreased in relation to convertible capitalist currencies (and, accordingly, the nominal level of socialist foreign trade prices is lowered or raised).

Within the international system of payments of the CMEA, member countries pay goods and services supplied to them in the common currency is the first approximation. They settle accounts of non-commercial character, repay credits granted by the common banks, pay interests on credit, repay interstate credits, and effect payments related to joint investments and joint enterprises in this currency. This formulation suggests *as if the common currency were an unlimited means of payment and, consequently, a general equivalent and a means of purchase.* The real situation is, however, different. Within the system of payments of the CMEA, the common currency can be used for settling only

planned debts and liabilities. The common currency cannot be freely exchanged for goods, only in a planned order.

Also, in the case of investments by joint efforts, the recipient country expects delivery of definite products or the accomplishment of certain building and installation work. That is, it is not possible to pay with money.

It does not occur that a credit balance emerging in a certain bilateral country relation would be transferred by the bank disposing of it to another bilateral relation. All this indicates that the assertion of the means of payment function of the common currency moves, for the time being, on a particular constrained path.

A significant share of the trade between CMEA countries is made up of such products in which the composition of mutual deliveries and quantities to be supplied of each product are determined by international collation of national economic plans, and by interstate foreign trade agreements following upon them. Although, the recording and payment of mutual deliveries are effected in the current account of member countries (their authorized banks) with the IBEC in the common currency, it is quite clear that the targets of interstate agreements are of primary importance, while the common currency is practically only a means of recording and accounting, i.e. of secondary importance.

In my opinion, the proposition formulated by several authors according to which the common currency entirely fulfils the *function of means of accumulation,* is also over-simplified and departing from realistic facts.

Experience with IBEC accounts has shown that relative to the yearly volume of payments transacted by the Bank only a comparatively slight amount of credit balance – free assets in common currency – remains at the end of each year. This balance is considered by the member countries disposing of it as a temporary imbalance of their exports and imports. Member countries do not make efforts to accumulate assets (monetary reserves) in transferable Roubles. How much each CMEA country is actually interested in reserves of the common currency depends really on how fast and with what success the reserved money can be used for acquiring goods necessary for their national economy. As has been mentioned earlier, the common currency can be used, for the time being, only in a planned order, and bound to the bilateral country relationship in wich it has been accumulated. All this much hinders, of course, that countries accumulate reserves in the common currency.

Certain authors consider it as a manifestation of the means of accumulation function of the common currency that in the case of investments implemented with the common material contribution of several CMEA countries this currency serves as a means of recording, payments, and possibly used also for economic computations. It is, however, justified to call attention to a few economic interrelations also in this context. In the case of investments realized with common material contributions, the primary aim is always that participating countries obtain some additional quantities of certain materials and products for a certain time. And they do not contribute to the investment a determined amount of money but machines, instruments, materials and building and installation work.

Utilization of investment credits granted by the International Investment Bank in the common currency is as yet rather difficult. The reason is that every time a partner must be found who will undertake to deliver machines, instruments and materials, and to do building and installation work against IIB credit. The country (authorized bank) that has received common currency from the IIB can transform it only with difficulty into a direct claim on a certain country, i.e. into goods necessary for its own economy.

The examples cited prove that the means of payment function of the common currency is specific and restricted.

A further essential feature of the international system of payments of the CMEA community realized in the common currency is *that it is transacted among the authorized banks* of the member countries within the IBEC.

The predominant part of economic relations is constituted by commodity trade collated, according to plan. Foreign trade prices are directly determined in the common currency, i.e. transferable Roubles. In the present system of payments of foreign trade turnover, it does not seem necessary on the international plane that the international currency of the CMEA community, i.e. the transferable Rouble, should be exchanged for the national currency of member countries. Economic units in member countries do not get transferable Roubles, they have no direct contact with the transferable Rouble. This is because for their exports they receive, in most CMEA countries, the national producer price expressed in national currency, and for products imported from socialist countries, they pay the official domestic producer price. Although, in some countries a rate of exhange (coefficient) is used for the conversion of transferable Rouble into national currency, this conversion is widely corrected by other financial measures. The above-said amounts to the fact that the transferable Rouble does not appear either as a means of purchase or of payment on any of the home markets of CMEA countries.

In the case of investments realized with the common contribution of several countries aggregate or differentiated coefficients are used for the conversion of certain costs arising in the currency of the country of location. In this field, however, international payments are rather cumbersome, exactly because the national producer prices of CMEA countries deviate in their proportions rhapsodically from socialist foreign trade prices.

In the settlements of enterprises jointly owned by several CMEA countries, and in those of international economic associations similar difficulties emerge as in the payment of investments realized by common efforts. In the sphere of non-commercial payments, first of all in international tourism, CMEA countries convert transferable Rouble into national currencies (and conversely) on the basis of the non-commercial rate of exchange of their national currencies, and the exchange coefficient of the Soviet consumer Rouble to the transferable Rouble. But the amount of money convertible for the purpose of non-commercial payments is under planned control in every bilateral relation.

All these facts will presumably suffice to prove that the simplified statement according to which the transferable Rouble, the common currency of the CMEA, completely fulfils the fundamental functions of international money can be accepted

only with considerable qualifications and recognizing limiting factors. It is wrong as well as unnecessary to pretend that the common currency of the CMEA is money in the same sense as are the convertible currencies in the capitalist world.

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Conditions and requirements prevailing in the CMEA community lend particular features to the CMEA international system of payments and to the assertion of the monetary functions of the common currency. Some of these conditions and requirements are of permanent character and will persist in the future as well. These are implied by the essential character of socialist relations of production asserting themselves on the national and international scale. Thus, a planned development of the economy will necessitate it also in the future that the production and international turnover of products of basic importance for national economic reproduction and for the supply of the population should be laid down also in physical units of measurement. In my opinion, the international market of the CMEA will be, in this sense, a planned socialist market also in the future.

In certain fields, however, forward steps can be taken. Both within each national economy, and in the mutual economic relations of the CMEA countries the role of commodity (market) and monetary categories can be increased. One condition of progress is the raising of production standards and a change in the production structure of the member countries. Some of the member countries may increase – backed by their own government decisions – the role of commodity (market) and monetary categories in their national economic control and management systems. Supported by all this, the international armory of means and methods of CMEA cooperation, and within it the international monetary system can be changed rationally.

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О КОЛЛЕКТИВНОЙ ВАЛЮТЕ И СИСТЕМЕ МЕЖДУНАРОДНЫХ РАСЧЕТОВ СЭВ

И. ВИНЦЕ

Автор анализирует опыт функционирования действующей с 1 января 1974 года коллективной валюты стран-членов СЭВ – переводного рубля и системы международных расчетов, а также деятельности Международного банка экономического сотрудничества. Он констатирует, что МБЭС успешно выполняет функцию центра международных расчетов, его кредитная деятельность играет важную роль в экономических связях между странами-членами, совершенствовалась и политика курсов, проводимая банком. С другой стороны, однако, внешнеторговый оборот между странами-членами СЭВ продолжает балансироваться на двусторонней основе, то есть еще не развернулись многосторонние отношения. В настоящее время страны-члены не заинтересованы в накоплении резервов коллективной валюты, так как она может быть обращена в товары лишь по истечению длительного времени, в планомерном порядке. Не решено и товарное обеспечение банковского процента. Использование кредитов, предоставляемых Международным инвестиционным банком в коллективной валюте, сталкивается с трудностями.

Автор полемизирует с мнениями, согласно которым коллективная валюта полностью выполняет основные функции международных денег – меры стоимости, средства платежа и средства накопления. Он указывает на специфические факторы, ставящие определенные барьеры в этом отношении.

Своеобразные черты коллективной валюты и системы международных расчетов в рамках СЭВ, а также их ограниченный в настоящее время характер вытекают, с одной стороны, из социально-экономического строя стран-членов СЭВ, а с другой стороны, связаны с уровнем и структурой общественного производства в странах-членах, с национальными системами хозяйственного управления, с действующими в настоящее время методами и средствами взаимного экономического сотрудничества стран-членов. Для того, чтобы в содружестве стран-членов СЭВ роль денег изменилась, необходимо осуществить надлежащие изменения в кругу этих трех факторов.

Acta Oeconomica Vol. 19 (1), pp. 19–34 (1977)

J. FEKETE

MONETARY AND FINANCIAL PROBLEMS IN EAST AND WEST*

The author discusses in his study monetary and financial problems of the CMEA countries and of the Western world as well as a few problems of East-West financial relations, attempting to draw some conclusions regarding these subjects. As the economic policy to be followed in the era of political détente, he points to the necessity of expanding East-West economic relations and also discusses the reality of bringing about in the future a common East-West monetary system.

Before entering into the contents of my paper, please allow me a personal and some general remarks.

This paper reflects my private views and cannot be considered as an official statement either of my bank or of my or any other socialist country. I know that some of my views are controversial but I think one of the main tasks of this Workshop is to confront different ideas. The length prescribed for this paper did not allow me to go into the details, thus, I had to restrict myself to sketch the most important, principal aspects only. But in the discussion we shall have the opportunity to exchange views on pros and cons and on some details as well.

My general remarks relate to some characteristics of issues we have on the agenda.

I think I do not exaggerate by saying that the *East-West issue* is one of the most complex problems of the world. (In this paper by East I understand the member: countries of the Council for Mutual Economic Assistance, hereinafter: CMEA.) The complexity of this question is first of all explained by political factors and often by political emotions as well. Economic relations are also an important part of it and it is affected with changing intensity – directly or indirectly – by several factors, i.e. the economic endeavours of the CMEA countries, the economic policy of the Western world, the slow-down of economic activity, the disturbances in the monetary field, etc.

The judgement of any question of greater complexity, thus, also that of East-West relations involves, however, the risk either to overrate the importance of certain details or to underestimate others. Both might result in erroneous conclusions.

To avoid this, I will try to follow the way which can lead us to the right conclusions without exaggerating the role of the monetary and financial problems in the whole East-West issue, yet taking their real importance into consideration.

*Lecture delivered at the Fourth Session of the Workshop on East-West European Economic Interaction, October 17–20, 1977, Budapest.

The development of East-West economic relations depends first of all on whether the policy of détente will continue or not. My answer is clearcut: yes, it will, as the world has simply no other acceptable alternative. *But if the détente continues, it does have its own logic, just as the cold war did have it,* since it was not only a political and military but an economic and financial cold war as well.

The economic policy in the period of confrontation was autarky – the economic policy of détente must be increased participation in the international division of labour. But transition from one to the other is not so easy. Autarky has deep roots and historical reasons. The economic development of the socialist countries – especially that of the Soviet Union – was for a long time characterised by pressing for autarky. It could not be any other way, since the Soviet Union was forced to do this because of the intervention, the economic blockade, then the menace of fascism and finally World War II. After World War II the period of the cold war was again not suitable for intensifying economic ties between East and West.

This long period has its negative remnants. There are still existing discriminative measures trying to restrict imports from the socialist countries through limited quotas, higher customs duties, etc., and this helps to maintain the autarkic views. Unfortunately, there are even new attempts in this direction as the last U.S. Trade Bill, the Common Market's ban on meat imports, the accusations of dumping, of market disruption, etc.

Limitation of the exports of socialist countries disturbs, at the same time, the equilibrium of foreign trade. This was especially felt in the period of the last recession in 1974–1975, when many Western firms tried to diminish their difficulties through increased export activity in the Eastern markets. In 1975, for example, imports of the socialist countries grew significantly while their exports were stagnating. In 1975 world trade decreased in real terms by 6 per cent whereas the exports of the OECD countries to the CMEA grew by 20 per cent.

I venture to state that during the recession period of 1974–1975 East-West trade played a certain positive role in improving the economic situation of some economic sectors of the developed countries. "East-West trade is not a *quantité négligeable* issue any more even for the OECD countries. The Federal Republic of Germany, e.g. exported in 1976 more to the CMEA countries than to the USA and Canada together." [1] Partly as a result of the increased export activity of the West and, at the same time, some restrictive measures introduced against imports from the East, the deficit of the CMEA countries rose considerably. But in 1976, when the economic situation seemed to turn for the better – the Western press started a campaign against the excessive indebtedness of the socialist countries. *Financial problems* thus came into the foreground – I think, therefore, it is a question which merits discussion, too.

Some monetary problems became an important factor in the development of the socialist countries since further increase of the trade and improvement of economic cooperation among the CMEA countries is hampered and slowed down by certain unsolved monetary problems about which I will make some remarks later on.

The same question arose in the Western world, too. I wrote earlier about it.*

I am convinced that monetary and financial problems became so important that their right solution is quite necessary for a sound progress in the mutual economic relations.

After these introductory remarks, I think, you will agree, it was right that the Workshop has chosen these topics for our discussions in the next days.

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I would like to comment in this paper on the following three main points:

a) monetary and financial problems in the East,

b) monetary and financial problems in the West,

c) some aspects of East-West financial relations, and finally, I will try to come to some conclusions.

Monetary and financial problems in the East

Before World War II the external economic relations of the present CMEA countries were characterized by a complete isolation from foreign trade with the Soviet Union. Economic relations among the smaller countries could not develop according to the economic possibilities either, mainly because of the political tension between the so-called "Triple Entente" and Hungary.

The common political conception characterizing today the CMEA countries does not require, I think, a more detailed explanation even from the point of view that it led to the establishment of close economic connections. As a result, the proportion of mutual foreign trade turnover of the CMEA countries within their total foreign trade increased from a minimum prior to World War II to 60 per cent until 1960 and to 63 per cent between 1961–1967, similarly to the integration process which characterized foreign trade among the members of the Common Market during the first decade of their integration development.

The general experience of the evolution of regional economic integration is that the growth of mutual foreign trade turnover has its natural economic limit and, after having

*Please allow me to quote some of my former predictions about this topic:

"Does monetary crisis mean economic crisis? The plain reply is no! Between the idea of international monetary crisis and that of an economic crisis, we cannot put a sign of equality. Yet, it would be just as wrong if we drew a rigid dividing line between the two categories. At its worst, a monetary crisis may unleash an economic crisis, or may form part of it."[2]

"The unsettled monetary situation has considerably sharpened the political, economic and social contradictions which have their roots in the nature of capitalist society. *It is, therefore, an actual possibility that the capitalist world will face an economic crisis in the 18 months ahead in 1974–75.* While such a crisis would not last as long nor be as grave as the one in the years 1929–1933, nevertheless, it would tend to become much more serious than the so-called recessions after World War II."[3]

reached it, the share of the mutual turnover in the total foreign trade does not increase any further, moreover, without a proper institutional background a setback might occur. This experience seems to be true concerning the CMEA countries, too. The proportion of mutual foreign trade among CMEA countries decreased, for example, from 63 per cent to 56 per cent between 1965 and 1975, similarly again to the trend which characterized the ratio of the foreign trade among the Common Market countries during the last 5–6 years.

If we wish to draw the lesson from this development in respect of our monetary and financial system, we can make the following observation.

As a first step to improve the economic connections among the socialist countries within the CMEA – and to realize the possibilities of the political, geographical and economic factors – bilateral foreign trade under bilateral settlements served as a proper framework.

When we reached the limit of rapid growth within this form, a *multilateral payment system was established* by the beginning of the sixties but bilateralism in foreign trade was maintained. For a time, this step bore fruits and contributed to a further dynamic growth of mutual trade. We have arrived, however, inevitably at the stage of development where – if we wish to continue our dynamic increase of mutual trade – we have to take another step toward a certain multilateralization in foreign trade as well.

Supporting this conviction let me give a concise picture on the present stage of monetary integration in the CMEA region.

The prevailing monetary system of the CMEA relies on the common currency, the transferable Rouble, introduced on January I, 1964 and issued by the then jointly founded bank, the International Bank for Economic Cooperation (hereinafter: IBEC). The creation of the transferable Rouble, a firm socialist unit of account, based on gold, was intended to fulfil the functions of a key currency within the socialist world. Payments related to the mutual trade of CMEA countries, as well as the multilateral settlement of other payments, are smoothly handled in transferable Roubles through the IBEC. Since the introduction of the system in 1964, trade rose from 22.9 billion transferable Roubles to 82.5 billion by 1976.

The transferable rouble fulfils every important function of money within the framework of commodity exchange agreements, although such trade is limited by obligatory quotas and is bilaterally balanced. These requirements, however, impose some limits on the transferable Rouble in performing its function.

If e.g. in the course of a year, a country exceeds its planned deliveries and the excess is not balanced by additional imports from its trading partner, or, if for some unforeseen reason, some country cannot fulfil its planned exports, the creditor country cannot automatically use the surplus which is usually only a fraction of total trade, about 2–3 per cent, to make purchases in a third CMEA country.

The bilateral view of foreign trade is thus opposed to the more advanced – multilateral – system of financial settlements. This situation does not allow that an optimal level of trade, most advantageous for every member country, should develop in the mutual turnover of CMEA countries.

An important step of the CMEA countries has been the elaboration of a plan of common multilateral investments during the plan-period 1976–1980. This multilateral investment program is being carried out in the most important fields of economic integration. The present monetary system, developed on the basis of mostly bilateral economic cooperation, is not flexible enough to promote multilateral economic cooperation of that character. Therefore, a further development of the monetary system should take place so that the objective aims of economic integration may not come into conflict with the prevailing conditions.

This situation could be helped by the system which would make a part of claims and debts in transferable Roubles convertible. The application of such a system would entail the advantage for the creditor country that, if it cannot obtain commodities for its claims at adequate price and in adequate quality in a predetermined time, it would receive at determined intervals convertible currency from the IBEC up to a certain percentage of its claims, for which it could buy the necessary commodities anywhere.

For the debtor country this system would provide the advantage that it could buy necessary commodities from the socialist countries also in excess of the obligatory quotas and this need not be bought entirely outside the CMEA for convertible currency. The importing country could settle its debt by above-quota deliveries to any CMEA country. If it were not in a position to do so, either for lack of adequate commodities or because no buyer can be found, it would have to pay a definite part of the deficit in convertible currency. This system would be still more advantageous for the debtor country than immediate payment in convertible currencies up to 100 per cent.

Giving up the strict bilateral attitude in foreign trade would not weaken at all the basis (that is: planning) of the economic relations of the CMEA countries, because the overwhelming part of foreign trade would be carried out under the obligatory quotas fixed at the coordinating negotiations of the plans. Multilateralism, however, would promote better utilization of the not foreseeable new opportunities for trade occuring during the plan-period and, in this way, for the further increase of turnover.

Another problem has arisen in the relationship between CMEA and the non-member countries. Among the targets of the Comprehensive Program you can find: "The common currency (i.e. transferable Rouble), with strengthening of its role can be used perspectively in settlements with third countries and can have a place among the other currencies of the international settlements which corresponds to the role and significance of the CMEA countries in the world economy."

In order to have the countries outside the CMEA participate in the system of the transferable Rouble settlements, the IBEC has worked out the adequate regulations and a "Special Fund" has been established at the International Investment Bank. Despite the creation of the necessary institutional and financial conditions, neither socialist countries outside the CMEA, nor developing countries have availed themselves up to now of this facility. This is, in my opinion, a certain criticism from the side of the non-member countries on our monetary system and makes it obvious that our presently offered terms do not ensure enough mutual advantage.

It would be also a big step forward for the CMEA countries to create their own common convertible currency. The value of the socialist convertible currency should be realistically based on the world market price of gold; as a stable measure of value it could be widely used as a reserve and as international currency. The IBEC is a suitable vehicle for issuing such a currency and the countries participating in the IBEC could guarantee its convertibility into any other currency. The bank would pay adequate interest on money deposited in this currency. Any commodity produced in any CMEA country – if intended for sale for a convertible currency – could be sold and correspondingly any import could be bought with this currency.

Partial convertibility of the transferable Rouble would promote expansion of trade and accelerate the integration process within the CMEA. The common convertible currency could help to develop trade with countries outside the CMEA, as well as relations with the international commodity and money markets.

Those are the reserves which I have mentioned earlier. They can only be mobilized if we speed up our work concerning the improvement of our monetary and financial system.

*

What is true for the CMEA is true, of course, for Hungary, too. I believe that Hungarian economic policy must set the target to develop further our monetary system. This could be done first of all through establishing the uniform exchange rate of the forint, i.e. in all of the international settlements regarding both the commercial and non-commercial transactions (which have today two different official rates) the same rates ought to be used.

The uniform exchange rate system would simplify the measurement of expenditures, incomes and profitability both at macro- and micro-economic levels, and by this the decision-making activity could be better founded and accelarated at every level of economic management.

To create a uniform rate of exchange, as a precondition an adequate system of prices and taxation is needed. Our prevailing two-tier system of exchange rates reflects the present mechanism in which a considerable part of net social income (i.e. taxation) is built into the producer prices. This makes, however, the producer price level higher than abroad. If we wish to take steps in the direction of a uniform exchange rate, more of net social income will have to be transformed from the taxes imposed on the production process into taxes levied in the sphere of consumption.

In further developing our monetary system, I consider the external convertibility of the forint as a realistically attainable later target and one fully compatible with socialist planned economy. External convertibility of the forint continues to assume central handling of the currency reserves, the state monopoly of foreign exchange and foreign trade. That means: by introducing the external convertibility of the forint the system of export and import licences would be maintained but convertibility would be secured in respect of current payments.

In respect of capital movements and the needs of the population, however, the restrictions corresponding to and depending on our foreign exchange position would be maintained. In the framework of our socialist planned economy, we cannot proceed further because a so-called "full convertibility" could introduce such spontaneous elements into our planned economy whose risks we cannot take upon ourselves.

Monetary and financial problems in the West

The situation of the Western world economy after the 1974/75 recession has not improved essentially in 1976, and so I feel it is quite possible that the outlines of a new recession will take shape by the end of 1977.*

What are the reasons that the most lasting and deepest post-World War II crisis (of 1974–75) was not followed by a real recovery? And what are the reasons for the circumstance that today we must earnestly reckon with the possibility of facing a new crisis which might be more serious than the previous one? While the 1974–75 recession started from a formerly unheard of high level of economic activity and employment, a new recession would come about under the conditions of unexploited capacities and a high level of unemployment, involving the danger of surpassing the former one in both depth and duration.

I do not wish to start a theoretical debate, i.e. to trace back the causes of these problems to the basic contradiction of social relations. Those are objective causes. However, there are subjective elements too, which put brakes on the recovery of the economy. To separate these subjective elements from the objective ones is important, for the former can be altered.

The first of these subjective causes is inflation. Nowadays, we are facing a novel type of inflation feeding on two sources:

a) on the exaggerated expenditure incurred by governments, public and private institutions,

b) on the monetary insecurity that came about after the dissolution of the monetary system.

ad a) The first source is well-known but to fight against it is also not easy. If governments that rely on small majorities or on none at all try to protect themselves against the inherent risks of this situation, they can loose the next election because restrictions require unpopular measures. Therefore, the results are not very encouraging. Nevertheless, this source of inflation can be more or less controlled.

ad b) The real problem is rooted in the circumstance of there not being any workable international monetary system. The spectacular – and uncontrollable –

*In a lecture, organised in Vienna (Donaueuropäisches Institut) on 13th May, 1976 I said: "I must state in all frankness that personally I do not believe in a rise of the Western business cycle after 1976. On the contrary, I deem it entirely possible that we may witness a new recession starting at the end of 1977. Why? Because I am convinced that there is no lasting economic recovery without a just monetary order."

increase in international liquidity, the stream of "hot money" amounting to many billions of dollars, the loss of confidence in paper money constituted the reasons why inflation has become a process that could not be brought under control. In the sixties, when the monetary system still worked satisfactorily, international currency reserves underwent a yearly increase of 2 per cent; in 1971, after the monetary system collapsed, the increase amounted to 32 per cent; in 1972–74 to 13 per cent annually, in 1975 to 8 per cent, in 1976 to 11 per cent and this latter rate of growth has been also maintained, at roughly calculated annual level, in January-April this year.

The increase in reserves occurred in dollars and other non-convertible currencies, and they rose, in a few years, from 45 billion to about 170 billion at present. The rate of inflation in the OECD countries amounted to a yearly average of 2 to 3 per cent in the sixties, while in the seventies the average became a two-digit one. It is by no means difficult to come to the conclusion that inflation and monetary system are closely interrelated.

The rise in oil prices aggravated the situation. Inflation was not the consequence of the oil crisis, but oil was "oil on the fire", Vast amounts of money flowed from the densely populated, highly developed Western industrial countries and from the so-called Fourth World – with the corresponding investment and consumption potentialities – to some sparsely populated OPEC countries.

On the other hand, in these OPEC countries preconditions must be first created for investments in production through infrastructural investments. But even so, the small population will put a brake on the increase in consumption, so that, in the last resort, global world consumption will diminish, just as will the profits of industrial enterprises. Hence, long-term funds available will decrease, their basis being precisely profits. And in cases where long-term capital is at disposal, the owners will not be inclined to place their money for 20 to 30 years, and quite understandably so; it might happen that the interest rate does not make up for the inflationary loss.

The second cause is a consequence of the above-mentioned: the stagnation of investment activity. In the United States, 14 to 15 per cent of the gross national product was spent on plant investments in 1973–74; the figures were 13–14 per cent for both 1975 and 1976. The corresponding rate in the Federal Republic of Germany was 25 per cent for 1973, 22 per cent for 1974, 21 per cent for both 1975 and 1976. A similar trend can be registered for Japan as well (36, 34, 31, 30 per cent).

All this means that insufficient money is being spent in the most developed industrial countries on technical development and the necessary structural transformation. If investments are carried out, they usually aim only at economizing on manpower.

The third reason is unemployment. Without investments augmenting production capacity and creating new jobs, it is hopeless to try to reduce unemployment to a tolerable level, and this, of course, exerts an influence on consumption: If we are looking ahead, about 7 million more Americans, some 1 1/4 million French, some 3 million Japanese, 600 thousand in the UK will be seeking jobs between now an 1891. This is a vicious circle indeed.

To sum up: the main problem, therefore, is to keep inflation down to a reasonable level. However, in my opinion, this is only possible in the framework of a new monetary system. This is why I entirely uphold my former view that there cannot and will not be a lasting economic upswing without a new universal international monetary system.

Some aspects of East-West financial relations

Among the introductory remarks of this paper, some general points have been already raised on the East-West trade contacts and their sensitive character. Evaluation of the whole issue would go beyond the limits of this paper. Let me, therefore, deal only with some financial aspects of this issue.

The foreign trade of the CMEA countries with the developed and developing countries is carried on mostly by using Western convertible currencies. This trade was practically balanced until the end of the sixties. In the seventies, expecially in 1974–76, the situation changed.

In the first half of the seventies, the CMEA countries deliberately endeavoured to intensify their investment policy and to accelerate technical development. As a result, the imports of machinery and equipments of the CMEA countries showed a yearly average growth of 13,5 per cent in 1969–1973, 16,9 per cent in 1974, 30,6 per cent in 1975, largely exceeding the rate of economic growth attained in the same years – as analyzed in a study of the Economic Commission for Europe. – Though in 1976, the increase of imports temporarily slowed down, it was still higher than in the early seventies. Though, an important part of imports in capital goods was realized in the trade among the CMEA countries, an increasing part originated from the developed Western countries. The net capital goods imports of the CMEA countries in 1960–76 represented an export volume of nearly 40 billion dollars for the Western developed countries. Two-thirds of it fell on 1974–76, the years of the economic crisis. The foreign trade deficit of the CMEA countries registered against the West was lower than the cumulative net imports of capital goods in the years 1970–1976, which means that trade deficits as registered by the CMEA countries served the purposes of accumulation and investment and not those of consumption.

The credit policy of the CMEA countries in recent years has been intended to promote the financing of their net imports for development purposes which resulted in significant borrowings, if compared to data of former years. The changes manifested themselves both in quantitative and in qualitative movements.

The foreign credit raising policy of the socialist countries – though not so much in questions on the merits of the case as in its forms of presentation – was characterized by a differentiation process. It is each country's own concrete experience in creating their systems of planning and financing which are decisive in respect of what method will enjoy priority. But priority itself of any of the methods applied cannot serve as a reason for drawing far-reaching conclusions. The most important volume of credit was taken in the form of export financing credits covered by the guarantee of state export refinance

institutions. These kinds of credits are international usance in all cases when the import of voluminous and valuable equipments from a given country is in question. It is mostly those socialist countries which can avail themselves of this possibility who buy complete factory equipments in large volumes.

In the second place – in recent years – the importance of the consortium loans might be mentioned because cash purchases in importing capital goods as well as the choice of the most advantageous price offers are made possible by them.

In case of certain countries, supplier's credit may be also important. Hungary does not use this form of credit.

Bond issues – as a fourth category – have not yet become general either. Hungarian experiences are favourable in this field.

Because of their development character I consider the debts arising out of import realized on a credit basis by the CMEA countries as self-liquidating indebtedness. The IMF estimated the gross indebtedness of the Eastern countries to 29 billion dollars by the end of 1976. According to the last report of the UN Economic Commission for Europe, *such Western credits which are repayable in products of the projects initiated on the basis of cooperation agreements* make about 12 billion dollars, and the deliveries of the products will be started in 1978.

In these cases the self-liquidating character of the credits can be formally proven. But that is not always so. I do not want to miss the opportunity to mention a Hungarian venture, of course, modest in its dimensions, in which a direct contact between foreign credit and settlement is not tied, like this, nevertheless, the result is the same. The National Bank of Hungary opened in 1976 a special credit-line, in domestic currency, with the purpose of granting preferential credits for export-oriented investments. To enlarge its resources, the Bank uses also foreign credits in this field. The criterion to obtain this credit in Hungary is that the investor shall produce within a relatively short time – 3 to 5 years – additional exports in products which are in demand and can be marketed profitably and lastingly in any market. The results so far are the following: Hungarian enterprises obtained credits to the equivalent of 900 million dollars, out of which 50 per cent serves the import of machinery. According to the commitments of the borrowers, this program will produce in the year 1980 alone about 800 million dollars of additional earnings in hard currencies.

In a sharp contrast to the indebtedness of the socialist countries, let me quote from the comments of the International Herald Tribune[4]: "In the last five years the debts of less developed countries have doubled – reaching the monumental total of 180 billion dollars." But "The real concern – said the Citybank's economists (Mr. Harold Cleveland and Mr. Bruce Brittain) – is not how high the debt of the less developed countries has mounted, *but how much of it has been used to build productive capacity that can generate income.*"

By presenting these figures, I do not want to argue whether the Eastern deficit is high or low. I only wanted to show for what purpose CMEA countries take credits, and that their debts can be compared both in size and rate of growth with those of other areas.

In the light of these facts, anxieties about the indebtedness of the CMEA countries seem to be exaggerated.

My opinion about the question of indebtedness of the CMEA countries is the following: The socialist countries endavour in the spirit of détente to develop international economic relations optimally so as to be advantageous for both parties. The socialist countries are willing to buy investment goods, machines, licences, know-how, thereby providing good business possibilities for the Western partners who are interested in exporting advanced technology. They can do so for a longer time only, however, if their exports are not restricted by artificial barriers. If there will be no progress in this field, we will be forced – unwillingly – to decrease imports or to force barter agreements in order to reestablish the equilibrium – as we did in the past.

Conclusions

Let me try to draw some conclusions and make some suggestions concerning the problem I have been writing about. I think there are two alternatives for the West:

The first alternative is the one that has been tried so far, that is, to seek the solution of economic and monetary problems on its own, and by taking the traditional road. In this case, a solution must be sought within the existing framework.

The Western world expects a new initiative first of all from its three major industrial powers, the U.S., the Federal Republic of Germany and Japan. It was generally believed that the widely anticipated business recovery in these countries could generate recovery for the whole industrialized Western world. We can remember predictions of high-placed responsible government officials of these countries about expected rates of economic growth in 1977–78. But having seen the recent figures, I am inclined to be sceptical whether a diminishing and relatively low rate of growth in the "locomotive" economies could give impetus enough for the other countries waiting for recovery. Therefore, I do not believe in the success of this alternative.

The second alternative which is being considered by many economic experts and politicians of the Western world, too, would consist in a change of the overall concept, among others a change in the attitude towards East-West trade and monetary cooperation. What could be done?

1) The U.S. Administration could suggest to the Congress to do away with the discriminatory dispositions of American trade legislation, directed against the socialist countries: to grant them the most favoured nation treatment and put an end to credit restrictions. Such a step could give great momentum to East-West trade. Integration of new markets into the world economy instead of isolation and trade restrictions could be an appreciable source of surplus demand. As it has been proved more than once, such commercial relationships represent, especially in the period of economic recession, a stabilizing factor in World Trade.*

*The Soviet newspaper Pravda wrote [5] "The elimination of the discriminating U.S. legislation would, no doubt, lead to serious increase in the level of Soviet-American trade turnover". – There are

2) In addition to the traditional export-import deals new forms and new institutional frameworks are needed. Some experiments to create new forms achieved favourable results. For example, the trading in licences and know-how widened considerably. We have information about a growing number of joint ventures, too. It is not accidental, however, that we can not list many important examples because these are only individual attempts without a general, commonly elaborated conception.

We have to think, therefore, about some institutional backgrounds again. The signing of a treaty between the Common Market and the CMEA seems to be one of these possibilities. Through establishing a comprehensive framework between the two integration regions – as proposed by the CMEA to the Common Market Commission – a qualitative progressive change in East-West economic contacts could be attained.

3) The more new forms, new contacts in production and in trade we have, the more we need stable monetary conditions. Therefore, the establishment of a new universal monetary system must be put on the agenda as a continuation of relaxation of the international political atmosphere. Previous U.S. administrations since the late sixties were interested in dissolving the prevailing monetary system and in creating a new one based on the dollar. This system, however, – a dollar-standard – was rejected even by their closest allies.

Then came the SDR. Starting from the right hypothesis that the world's current gold production cannot secure the smooth development of increasing international trade, SDR-s were created to satisfy supposed international liquidity requirements. But the SDR could not fulfil the expectations for many reasons. To discuss the weaknesses of the SDR-system needs too much place and therefore, I will not go into detail [7]. I think we all agree that the SDR did not solve the monetary problems of the West.

So a new "panacea" was found: floating. It was said: "It is virtually impossible to operate a system of fixed parities in a world of chronic inflation"* However, in my view, just the opposite holds true: it is virtually impossible to stop chronic inflation without a sound monetary system based on fixed parities. Floating is not a system but an emergency exit. But in connection with the emergency, allow me to cite an example: when the house burns one will jump out of the window to save one's life even at the danger of breaking one's leg, but following that one must put out the fire or let the house burn down, and then one has to build a new house. But to go by the window for years on end seems to be rather troublesome.

The only actual "success" in the field of Western monetary cooperation were Kingstone and Nairobi, where practically the monetary chaos was codified.

In my opinion, there are several *prerequisites for a workable international monetary system.*

estimates (quoted by [6]:"... that in this case foreign trade between the two countries could attain an annual value of 7 billion dollars, as compared to $2,5 billion in 1976".

*Quoted by Dr. Otmar *Emminger,* President of the Deutsche Bundesbank from E. M. *Bernstein* [8].

a) The creation of a universal monetary institution, including all countries wishing to participate, under the aegis of the United Nations. The institution whould be empowered within the framework of the rules to be laid down with the issue of a new international money, which would work as a key currency of the international monetary system.

b) The regulation of the gold problem, the rehabilitation of gold as a "numéraire" in the monetary system. The establishment of a rate between the world currency and gold.

c) The establishment of realistic parities between all convertible currencies and the new world currency. It would be possible, on this basis, to come back, replacing floating rates, to the system of stable currency rates with the introduction, however, of an exchange rate mechanism that would be much more flexible than the Bretton Woods system was.

To sum up: instead of the gold standard where *each country* took care that its banknotes issued should be convertible to gold and instead of the gold-exchange standard where *one country* undertook this obligation for the entire monetary system, I advocate a gold-world-currency standard where, under certain circumstances, *all participants* guarantee, through the intermediary services of a jointly founded institution, the convertibility of the world currency.

Within the framework of the new monetary system, there should also be found institutional sulutions for eliminating the bottlenecks in the international credit relations that have evolved in recent years and for satisfying the economically reasonable long-term credit demands in an organized form. This is also a precondition for a world-wide economic upswing. The situation in which the commercial banks mediate petro- and other, mostly fugitive, dollars at their own risk, cannot be permanently maintained, since many of them are approaching, or have reached the limits of risk-taking beyond which, after careful consideration, no single serious, conservative commercial bank can go. Is there any real possibility for a new world monetary system?

In the near future, there is none. The international monetary system has always been of an outstanding political importance. Every monetary agreement reflected the real economic, political and even military power relations of the given moment. This happened in Bretton Woods, too. Since then, however, the power relations have changed – the new system should reflect the new power relations. The earlier powers should give up part of their might and influence in favour of the new rich, the new powers. This is a slow process, and it cannot be expected from the governments to do so, unless they are forced by a new recession the destroying effects of wich will challenge their very existence.

Even then progress could only be made step-by-step – as the first step, perhaps regional monetary systems would be formed, such as:

I. The dollar-zone (North-, Central- and South-America)
II. The Common Market and the associated countries
III. The yen-zone
IV. The OPEC countries (Saudi-Arabia, Kuwait, Arab Emirates, Lybia, Iran and Iraq, etc.)

V. The non-oil-producing developing countries (India, Pakistan, etc.)
VI. And, last but not least, the socialist countries.

You can raise the question: *does there exist any realistic hope for a common East–West monetary system?* My answer is yes. Of course, the CMEA countries have to make also progress in their own monetary system. E.g., they must create their own common convertible currency based on gold. Then, if in the meantime the Western world will also create an international currency based on gold – at least as "numéraire" – the way is open for a link between the two systems, through a "Golden Gate".

There are two fashionable words in present-days' social sciences: *link and gap.* I want to give an example of a successful link without a gap.

One of the greatest scientific sensations of the recent years has been the joint Soviet-American space flight. The two spaceships were made as a result of different technological developments in two countries with different social systems, by experts of different political attitudes. However, the laws of physics, weightlessness, gravity, the objective laws of nature were the same for both of them. Both parties had to respect the severe, extremely exact rules of cosmonautics in order to bring the experiment to success. The experiment, as we know, was really a full success, without subordinating any of the two nations, the two technologies to the other.

Not only the physical but also the economic environment of our commodity-prone world is in many respects the same. The law of value (in Marxian terms) works even if prices are diverted from value by different principles. If we are aware of the objective laws, the linking up of the two monetary systems will become possible on the basis of full independence, equal rights and mutual interests.

We are living on the same globe. We have one world market on it, but at the same time we have two monetary systems. We have one world market, because there is no socialist wheat and capitalist coffee, there are no socialist machines and no capitalist ones. There are only good machines and bad ones. Undoubtedly, the present world economy and world market show a duplicity as a regards both their basis and appearance. World economy is based partly on the socialist, and partly on the capitalist social systems. Both systems are developing according to their own laws, but not in isolation from each other.

They are heading for an ideological confrontation on the one hand, and have established a rational economic cooperation, on the other. *But* détente *means the development of relations between countries with different social systems.* Therefore, I cannot imagine that in the long run monetary and credit problems could be excluded from the scope of a policy of détente. It is urgent. The risk of a new world-wide economic crisis can endanger even the promising results achieved until now in the course of détente and the establishment of a new universal and international monetary system can help a lot to avoid it.

Time has come for a "New Bretton Woods"!

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ВАЛЮТНО-ФИНАНСОВЫЕ ПРОБЛЕМЫ НА ВОСТОКЕ И ЗАПАДЕ

Я. ФЕКЕТЕ

Вопрос взаимоотношений между Востоком и Западом – это одна из наиболее сложных мировых проблем. В рамках этого на формирование экономических связей влияет множество факторов. Развитие экономических связей зависит, в первую очередь, от того, будет ли продолжаться политика разрядки или нет. Автор на этот вопрос со всей определенностью отвечает утвердительно и указывает, что если периоду холодной войны логически сопутствовала автаркическая экономическая политика, то экономической политике периода разрядки отвечает расширение экономических связей. Для этого, однако, необходимо и то, чтобы западные страны, в первую очередь, США, покончили с внешнеторговыми ограничениями, дискриминирующими предписаниями в отношении стран-членов СЭВ. В этом заинтересованы также и сами развитые капиталистические страны, ведь общеизвестно, что в 1974–1975 гг., то есть на самой низкой точке экономического кризиса, их экспорт в страны-члены СЭВ играл важную роль в преодолении экономических трудностей. В этот период увеличение объема импорта, лишь отчасти покрываемого экспортом, привело к быстрому росту внешнеторгового дефицита стран-членов СЭВ. Их импорт в большей части складывался из машин и оборудования, обеспечивающих технический прогресс, что означало для развитых западных стран в 1974–1976 гг. экспортные возможности в объеме приблизительно 27 миллиардов долларов. Внешнеторговый дефицит стран-членов СЭВ был меньше этого, т.е. привлечение внешних источников было направлено, в первую очередь, на развитие производства и не служило потребительским целям. В связи с этим автор останавливается на опыте функционирования в Венгрии особой формы кредитования по расширению экспортных возможностей, которая существует с начала 1976 года.

В отдельной главе рассматривается автором тема экономического и, в первую очередь, внешнеторгового сотрудничества стран-членов СЭВ. Им отмечается, что наряду с системой многосторонних расчетов, сложившейся в начале 60-х годов во внешней торговле сохранилась также и двусторонность расчетов. Ныне это уже является тормозом динамичного расширения взаимных связей. Автор ссылается на задачу, поставленную в Комплексной программе, – на необходимость дальнейшего совершенствования системы расчетов и, в рамках этого, на необходимость достижения частичной обратимости переводного рубля и создания коллективной конвертируемой валюты.

Причинами наиболее продолжительного и наиболее глубокого после второй мировой войны экономического кризиса западного мира и трудностей его преодоления – помимо объективных причин, вытекающих из общественного строя, – автор считает также и целый

ряд субъективных факторов (например, завышенные расходы правительств и учреждений; новая по своему типу инфляция, получающая импульсы от финансовой нестабильности, связанной с распадом валютной системы; застой в капитальных вложениях, направленных на создание новых рабочих мест и вытекающий из этого весьма высокий уровень безработицы).

В дальнейшем автор приходит к таким выводам, что с точки зрения западного мира решения следует искать, в первую очередь, в расширении торговли и финансового сотрудничества между Востоком и Западом, но в этом отношении предстоит сделать еще многое (например, упразднить уже отмеченную выше дискриминацию, расширить новые формы сотрудничества, дополняющие традиционную внешнеторговую деятельность). Наконец, но еще не в последнюю очередь, из политики разрядки на долгую перспективу нельзя исключить решения валютных проблем, для чего необходимо создание новой универсальной международной валютной системы, нужен новый Бреттон-Вудс.

Acta Oeconomica Vol. 19 (1), pp. 35–52 (1977)

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AN EXAMINATION OF THE BALANCE OF PAYMENTS AND RESERVES IN COUNTRIES WITH CONVERTIBLE CURRENCIES

Economic public opinion considers an active balance of payments (frequently of trade) or one at least in equilibrium as well as a relatively high level of monetary reserves as a condition of convertibility. The study examines the correctness of these views on the basis of empirical data. It establishes that the conditions markedly differ as a function of country-size, development level and role in the world economy. In the case of small countries with open economies, an active balance of payments is not a necessary condition of introducing convertibility but a relatively high level of reserves – to be secured perhaps through intensive monetary cooperation – is indispensable for taking such a step in economic policy.

Convertibility is an historical category. Its function is to assert the international acknowledgement of value produced nationally, and to enable its realization. With the development of commodity production and the change in national monetary systems, the concept of convertibility also changed.

At the time of the gold standard, this concept involved *converibility into gold,* as the link between national currencies and gold provided an automatism in international payments. When the gold-exchange standard emerged after World War II a currency was regarded convertible when it *could be exchanged* at the *official rate of exchange* for another currency, first of all, for dollars, the key-currency, *without considerable restrictions,* by means of a *financial* transaction.

The appropriate rates of exchange and the conversion itself were assured by the foreign *exchange reserves.* All that served, *first of all,* to make a currency disbursable (either *directly* so that *it was paid* in exchange for the necessary products or *indirectly,* by converting it into a currency circulating on other markets or into one accepted on any market because of its international money functions). *Secondarily,* convertibility was a guarantee that a claim acquired in a given currency was more or less of stable value, for, if it were not, one could get rid of it at any time and look after another, better medium for keeping the value. (Of course, accumulation of convertible currency did not imply accumulation of value in the traditional sense, but a right of acquiring value as use-value suting the needs of the owner of the currency.) The economy issuing convertible currency (more accurately: the economy declearing its currency convertible) has, thus, to have two kinds of guarantee for those who, in possession of a claim, turn to that economy: it has to assure convertibility into the *commodity* demanded and into *another currency.*

It would be difficult to attempt to give an eternal definition for convertibility. Beyond doubt, the myth of *indirect* convertibility into gold was formerly attached to it, and official exchange rates were generally understood as *fixed* exchange rates. Intervention on the exchange market was an important role of the foreign exchange reserves, for a control of the stable rate of exchange of the currency on the money market became possible if the issuing bank of the country concerned bought (or sold) the currency, and thus influenced the spontaneous (maybe speculative) proportions of demand and supply.

The withdrawal of gold from the international monetary system made the superstitions related to the "indirect conversion" to vanish; the operation of flexible exchange rates does not significantly interfere with actual convertibility. (There are attempts made at stabilization anyway, the interests attached to the role of exchange rates as factors in *calculation* (cost accounting) work, at least in principle, in this direction. (The real *function* of convertibility can be seen all the clearer: *it encourages joining in the international division of labour,* and thus improves the efficiency of the economies. All sorts of international settlement systems are called upon to serve this. Their maintenance, the reason of their production always relates to a certain level of economic development and is always in close relationship with the economic position of the individual countries.

More intensive participation in the international division of labour always involves that conditions of competition become sharper. Their effects are mitigated through prescription of different restrictions (administrative restrictions, commercial policy and payment restrictions). It is difficult to determine the point where the stimulating influence of world market competition already asserts itself, while the disadvantageous effects following from this can still be borne by the economy. The fact pointed out by scholars studying contemporary capitalism must be seen here, namely, that certain economic policy priorities *have precedence* over interests in an undisturbed functioning of convertibility as a level of efficiency. (Disappearance of the units ousted from the market because of competition can be considered a desirable selection *in the long run* but *in the short run,* acute socio-economic tensions might emerge if the necessary compensation possibilities are missing.)

On the basis of the above, the *conditions, advantages* and *disadvantages of convertibility* can be outlined: a possibility arises for a *more efficient* exploitation of advantages of the division of labour but, at the same time, the challenge of the world market also becomes stronger. This is worth to accept if an economy is able to meet this challenge (of course, it is difficult to tell without trying). The danger of an easier penetration of disadvantageous international phenomena (inflation, speculation) is also present. It means an additional advantage for countries if their currency is accumulated in larger quantities abroad: it facilitates an automatic granting of credit, yet, the danger of speculation is larger in the case of such currencies.

It is important to remark that convertibility is examined here as a *financial transaction.* The result of national production appearing in the national currency can, indeed, always be converted into another currency by way of foreign trade, by

commodity switches and multilateral commodity transactions. Some authors consider the latter as initiatives or terms of multilateral settlements and convertibility of currencies. The *cumbersomeness,* the *expensiveness* of these "conversions" are much beyond the "cost" of financial conversion expressed by the exchange rate. Of course, the difference is not only *quantitative* but *qualitative* as well. The *uniform exchange rate,* – a condition as well as a means of convertibility – unambiguously sets a standard for the economic units, for finding the possibilities of the international division of labour; and the liberalization of payments, the flow of capital can be realized through these possibilites. This affects the rapid structural change of the economy so intensively that it is hardly matched by any other instrument.

There can be no doubt that economies on different levels of economic development have to combine the means of economic *defence* and *opening up* in different proportions. It may be stated without exaggeration that convertibility has as many grades as many countries have introduced it so far. Consequently, economic literature distinguishes external and internal, total and partial kinds of convertibility, that are available to central banks or also to other subjects, restricted to regions and established widely, real and normal, *de jure* and *de facto* forms of convertibility. Considering these facts, the currencies of different countries may be classified as to convertibility from being strictly restricted to being entirely freely convertible and utilizable.

Lessons from an empirical examination

The financial statistics of the last thirty years enable us to measure certain interrelations, which lead to more or less generalizable conclusions. The structure and the surplus or deficit of the balance of payments and the interrelations of reserves with the concept of convertibility may yield such conclusions. A concrete empirical examination is all the more justified because, according to economic public opinion, but often to economic literature as well, the preconditions of convertibility embrace the *equilibrium* of the balance of payments, a high level of monetary reserves, the existence of "convertible commodity funds", that is, the active position of the balance of foreign trade.

The truth of these theses was to be judged in the survey. The countries of the world with convertible currency were examined as to the following question:

– *structure* of the *real side of the balance of payments,* that is, the role of the commercial and service spheres, and of transfer payments in the formation of the aggregate balance;

– the *function, volume, composition* and dynamics of the *reserves,* within this: the extent to which imports are covered by reserves, their composition with special regard to the ratio of gold and the tendency in the accumulation of the reserves before and after the *declaration* of convertibility.

The analysis was extended to every country with convertible currency presently covered by the statistics of the UNO, and the International Monetary Fund. The countries

were classified according to a number of criteria, as the date of the *declaration* of the convertibility of the currency, *population, and per capita national income.*

The method of the study involved the preparation of condensed tables containing the following data for the countries classified according to the above three main principles:

– balance of payments, within it the balances of foreign trade, services, and transfers in the year when convertibility was declared of;

– tendency of the balance of payments *five years before and after the declaration* (the *announcement*) of convertibility;

– changes in the reserves during the five years before and after the declaration.

Classifying principle: the date of declaration

Four groups were formed according to the date of declaration. The countries declaring their currency as convertible between 1946 and 1955, were included in the first group, those between 1961 and 1962 in the second group, between 1963 and 1968 in the third group, and between 1970 and 1974 in the fourth group.

– The *first wave of convertibility* affected North- and Central-America. One of its reasons was that there had been no war in these countries, the economies had *not suffered such substantial damages* as those on the other continents. The next reason is represented by the interests of the USA. The system of Bretton Woods was established in conformity with the *interests of the USA* in 1944. One of the cornerstones of the system was convertibility. The step of the USA toward convertibility demonstrated the viability of the international currency system.

The external economic relations of the countries near the USA are closely related to those of the richest country of the world. The greatest part of their foreign trade (mainly of the small countries as Honduras, Panama, etc.) was transacted with the USA. Convertibility was of a mutual interest.

– After an intermission of eight years, several states announced simultaneously the convertibility of their national currency to the International Monetary Fund. The countries did so on the same day, the 15th February in 1961, a few days later Saudi-Arabia and next year Australia followed suit. These countries, except for Peru and Saudi-Arabia, attained convertibility by the help of a multilateral clearing circle.

Discussion of the operation of the EPU is not our task now. We just emphasize the three crucial points which (according to our opinion) determined the course of development of the currencies of the West-European capitalist countries:

– the states concerned put into force complex *arrangements affecting the whole economy;*

– they introduced convertibility together, *within the scope of a multilateral clearing;*

– they enjoyed the (first of all, financial) *support* of the USA all the time.

It is a significant circumstance that with the disintegration of the EPU most of the West–European countries made their national currency convertible practically by the end of 1958; although, these countries officially declared the convertibility of their currency (according to Paragraph VIII of the Charter of the International Monetary Fund) regarding the current items of the balance of payments only two years later.*

This precaution can be explained by the failure of the UK in 1947 when it undertook, inconsiderately, convertibility (under a strong pressure by the USA).

– Jamaica, Japan, Kuwait, Nicaragua, Costa Rica, Australia, Guayana, Denmark, Norway, Bolivia, Argentina, Singapore and Malaysia belong to the third group. These states declared convertibility between 1964 and 1968. The third wave lacks a definite geographical centre. Convertibility became wide-spread on the American continent, most of the countries have now convertible national currencies. With the step taken by Denmark and Norway North- and West Europe formed a more or less closed unit with convertible currencies. This category has gained acceptance in the Far East and in Australia as well.

– The characteristic elements of the fourth group are the small "boom" states. In the case of the oil emirates, for example, it is obvious that the declaration became possible for them on the basis of their suddenly increased reserves because of the favourable trend in oil prices.

Looking at the map, an interesting feature can be observed. *Convertibility spreads as if by a chain-reaction.* In most cases, one of the neighbouring countries has already taken this step. Centres had been established and from there the "actual moment" moved from one country to the other. In America, for instance, the process spread to the South relying on the USA, similarly, in the Near East; in Europe, it spread from the West to the North (Norway, Denmark), to the East (Austria) and to the South (Spain, Portugal; though their currencies are "only" *de facto* convertible). The exceptions from the chain-reaction are, for example, South-Africa, Saudi-Arabia, Australia. But these are superior in some field of the economy: they are either developed industrial states (Japan, Austria, South-Africa in a sense) or they are rich in natural resources (Saudi-Arabia, South Africa).

The balance of payments and the reserve data mentioned in the introduction were examined on the basis of the condensed tables (Tables 1–4).

Analyzing the four groups combined, the following interrelations can be seen:

a) *The cover of imports decreases gradually.* The ratios of the group averages are 115 per cent, (without the USA, 72 per cent), *49 per cent, 33 per cent, 20 per cent,* respectively. This means that the reserves have lost in importance. Formerly, for the establishment of convertibility, relatively larger reserves were necessary relative to foreign trade turnover than nowadays.

*West Germany assured convertibility also for *items of capital flows* even before 1958. (According to common knowledge, the West-European currencies are officially convertible only since 1958.)

Table 1

Group I, countries which declared convertibility between 1946–1953

Country	Gold/reserves %	Res./Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
El Salvador	41	138	+							+−++−
Mexico	81	39	−							−−+++
USA	100	415	+						+	+++−+
Panama	0	138	−							−−++−
Guatemala	54	88	−						+	−−+++
Honduras	0	29	+						++−+	++++−
Canada	47	43	+						−+++	−+−++
Dominica	43	28	+						+0+++	−0++−

Table 2

Group II, countries which declared convertibility between 1961–62

France	63	50	+	+*		+	.−−++	+++++	−−+++	+++++
FRG	51	65	+	−		+	.++++	−++−+	+++−+	−++−+
Holland	81	38	−	+		+	.−+++	.−+++	−++++	−++++
Belgium	65	33	−	+		+	.++.+	+−++−	+−+−+	−++++
Italy	58	73	−	+		+	.++++	+−+++	+++++	+−+++
Sweden	24	25	−	+		+	.−−+−	−−−−−	+++++	+−+++
Great-Britain	68	26	−	+		−	.+++−	++−−−	+++++	−−−++
Ireland	5	47	−	+		0	.+−00	−−−−−	−+++0	+++−+
Peru	43	24	+	−	+	+	..−−+	−−+−−	+−−++	++++−
Saudi-Arabia	27	92	+						+	+++++
Austria	42	70	−	+		+	−++−−	++−−−	+++++	+++++

Table 3

Group III, countries which declared convertibility between 1963–1968

Country	Gold/reserves %	Res./Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
Jamaica	0	40	–						–	+0+–+
Japan	15	25	–						++–++	+––++
Kuwait	43	34	+						++	+++–+
Nicaragua	1	28	+	–	+	–	+––––	–––––	+0–++	++–++
Costa Rica	12	10	–	–	+	–	–––––	–––––	0–+++	–+++–
Australia	16	39	–	–	–	–	–––––	–––––	––+++	+–+–+
Guyana	0	14	–						+	++––+
Denmark	20	17	–	+		–	–+–––	–––––	–++–+	––+++
Norway	3	25	–	+		–	–––––	++–––	+++++	+++++
Bolivia	25	25	+	–	+	–	–––––	–––––	––+++	+++++
Argentina	14	65	+	–	+	–	+++++	––––+	+–+–+	–+–++
Malaysia	12	45	+						++++–	+++++

Table 4

Group IV, countries which declared convertibility between 1970–75

Ecuador	23	30	–	–	+	–	–––––	–––+	–++–+	–+++–
Bahamas	0	6	–						.––++	++. . .
South Africa	65	24	–						+–––+	––. . .

b) *The proportion of gold reserves decreases within total reserves* (although these are not so spectacularly shown by statistical data as the changes in the coverage of import). For the four groups, the average ratios of gold are: 46, 48, 13 and 29 per cent, respectively.

Leaving out the countries where there are no gold reserves at all, the proportions are more telling: *61, 48, 18 and 44 per cent,* respectively. In the *first* group (without Panama and Honduras), the smallest proportion is 41 per cent, the largest is 100 per cent. In the case of the states of the *second* group, this proportion fluctuates between 25 and 81 per cent, except for Ireland. The gold cover is over 50 per cent in the West-European states! In the *third* group, with Kuwait being an exception with its 45 per cent, the gold cover is under 25 per cent. In the *fourth* group, the high gold reserves of South Africa and the small number of countries in the sample are responsible for the relatively high value. The reserves of the other countries belonging to this group consist rather of foreign currencies than of gold.

Though with qualifications, it may be ventured that: *the diminishing role of gold after World War II can be recognized also in the falling proportion of gold within the total reserves of the different states.*

c) *Before the year of the declaration of convertibility reserves increased in practically each country.* In most cases, this is true for the previous years as well.

In the first and the second year following the declaration, reserves diminished in 19 countries, and then increased gradually again. This can be explained by the initial distrust in the national currency introduced officially to the exchange market.* The differences among the groups as to reserves were smaller than in the case of the balance of payments. There were efforts to increase the reserves continuously both before and after the declaration. Only Norway and Austria fully succeeded in this in the period examined. The U.K., Italy and Sweden increased their reserves every year before the declaration but after the changeover the reserves diminished for a short period.

Reserve-policy showed uniform tendencies in all countries. Reserves of a defined proportion and quantity were, thus, important conditions of convertibility.

d) The balances of payments could be practically compared only for the second and third groups. Marked differences were found here!

While in the second group an active balance (surplus) was characteristic at the date when convertibility was declared, in the third group passive balances (deficits) were found. These deficits were not temporary but were characteristic for a longer, 11-year period. The balances mostly showed a surplus in the second group of countries, and were absolutely not in the red over a longer period, except for Sweden and Ireland. The question arises: if these countries were *generally active* (or balanced), there must have

*Let us remember the U.K. In 1947, because of distrust (everybody wanted to exchange the pound for gold or dollars) reserves diminished so much that convertibility had to be suspended. This process was aggravated because the great supply of pounds depressed the exchange rate of the pound and for protecting it the Bank of England had to intervene, and this diminished the reserves.

been other states where the balance of payments *generally showed a deficit.* This is really so. The "counter-item" of the active balances of the countries in the second groups can be found in deficits of the countries in the third group, for instance. The balance of payments of the countries that declared convertibility in 1961–62 generally close with a surplus later as well (at the time when the countries of the third group declared convertibility); and *vice versa,* the countries of the third group also had a deficit in 1961–62. *This can be explained by the "stiffened" world economic relations.* The second group consists mainly of the West-European developed capitalist countries constituting the larger part of the world economy, while the third group is composed mainly of the less developed states (though Australia, Denmark and Norway are remarkable exceptions).

The difference between the two groups should not be overestimated, in spite of its being marked. It is sure, however, that an *active balance of payments trend is not an unconditional requisite of convertibility.* (Since 1965, no state declaring convertibility has had such balance of payments, on the contrary, Denmark, Norway, Australia, Bolivia, Costa Rica, for instance, have showed deficits.)

Classifying criterion: population

Countries can be classified into five groups according to the number of population, at the time of the declaration of convertibility. (This classification lent itself naturally, because of the large gaps between the different groups of countries, (Tables 5–9).

What are the experiences with the comparison of characteristics of the examined groups of countries?

a) *The average proportion of gold cover increases gradually;* the figures are: 11, 25, 39, 47 and 59 per cent, respectively. Small proportion is typical of small countries, *the greater the population, the higher generally the proportion of gold cover.* Correlation between the category and the proportion of gold is very close.

b) A temporary decline in reserves was noticed two years after the declaration of convertibility in one third of the countries in the first group, in four seventh of the countries in the second and third groups, in all three countries in the fourth group, and in two thirds of the states in the fifth group. *That is, the probability of declining reserves is smaller in countries with a population under two million, and it is more likely in countries with high population.*

No important differences could be found *in the formation of reserves in the long run, it is generally balanced everywhere.* The reserve-policy seems to have been a little more balanced before the declaration in the fifth group, and after the declaration in the third group.

d) In the year when convertibility was declared the balance of payments showed a deficit in the first and second groups, and a surplus in the third and fifth groups. The first and the second groups were definitely characterized by a deficit throughout the ten-year

Table 5

Group I, 0–2 million inhabitants

Country	Gold/reserves %	Res./Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
Bahamas	0	6	–						.––++	++...
Costa Rica	12	10	–	–	+	–	–––––	–––––	0–+++	–+++.
Guyana	0	14	–						+	++––+
Jamaica	0	40	–						–	+0+–+
Kuwait	43	34	+						++	+++–+
Nicaragua	1	28	+	–	+	–	+––––	–––––	+0–++	++–++
Panama	0	138	–							–++––
Salvador	41	138	+							+–++–
Honduras	0	25	+						.++–+	++++–

Table 6

Group II, 2–7 million inhabitants

Bolivia	25	25	+	–	+	–	–––––	–––––	––+++	+++++
Denmark	20	17	–	+	–	–	–+–––	–––––	–++–+	––+++
Dominica	43	28	+						+0+++	–0++–
Ecuador	23	30	–	–	+	–	–––––	––––+.	–++–+	–+++–
Guatemala	54	88	–						+	––+++
Ireland	5	47	–	+	0	0	.+–00	–––––	–+++0	+++–+
Norway	3	25	–	+		–	–––––	++–––	+++++	+++++

Table 7

Group III, 7–12 million inhabitants

Country	Gold/reserves %	Res./ Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
Austria	42	70	–	+		+	–++––	++–––	+++++	+++++
Belgium	65	33	–	+		+	.++.+	+–++–	+–+–+	–++++
Malaysia	12	45	+					-	++++–	+++++
Holland	81	38	–	+		+	.–+++	+–+––	–++++	–++++
Peru	43	24	+	–	+	+	..––+	––+––	+––++	++++–
Saudi-Arabia	27	92	+						+	+++++
Sweden	24	25	–	+		+	.––+–	–––––	+++++	+–+++
Australia	16	39	–	–	–	–	–––––	–––––	––+++	+–+–+

Table 8

Group IV, 14–26 million inhabitants

Argentina	14	65	+	–	+	–	+++++	––––+	+–+–+	–+–++
Canada	47	43	+						–++++	–+–++
Mexico	81	39	–							––+++

Table 9

Group V, over 46 million inhabitants

France	63	50	+	+	+		.––++	+++++	––+++	+++++
FRG	51	65	+	–	+		.++++	–++–+	+++–+	–++–+
Italy	58	73	–	+	+		.++++	+–+++	+++++	+–+++
Japan	15	25	–						++–++	+––++
Great-Britain	68	26	–	+	–		.+++–	++–––	+++++	–––++
USA	100	415	+						+	+++–+

period. In other words, the balance of payments of the countries with a population of less than 7 million showed a deficit in the 5 years preceding and following the declaration of convertibility. The third group contains countries with deficits and surpluses alike. *In the fifth group a surplus is dominant. Hence, the higher the population of a country, the more typical was a surplus of the balance of payments* in the years preceding and following the declaration of convertibility. (This statement is, of course, rather categorical, but the changes could be better characterized this way.)

As to the *structure* of the balance of payments in this group, it may be noticed that they are not *unambiguously characterized* by an active balance of *trade.* The balance of trade showed a surplus in France, in the FRG and in the USA, and a deficit in Italy, Japan and Great-Britain.

Classifying criterion: per capita national income

The groups of countries were formed on the basis of the data of international statistics. The greater part of the economies were classified onto the first group (15 states) with a per capita national income less than 420 dollars annually; the per capitan national income was *at the time of the declaration* between 650 dollars and 1000 dollars in the second group and over 1000 dollars in the third group. (We again remind readers that the data of the countries concerned refer to the date when convertibility was declared, and *not* to the *present.)*

The contents of Tables 10–12 led us to the following conclusions:

a) According to the data the *proportion of gold within reserves generally increases with the increase in per capita national income.* The average proportion of gold was 24 per cent in the first group, 39 per cent in the second group, and 45,3 per cent in the third group. The five small countries "without gold" were classified into the first group.

b) *The cover of imports is inversely proportional to the increase of per capita national income.* With the growth of the former indicator, the latter one diminishes. (For the sake of illustration: the import cover is 51,2 per cent for the first group, 47,5 per cent for the second, and 34,9 per cent for the third group. The average is 72,9 per cent, including the USA.)

c) According to the tables, the second and third groups had aspired more strongly to 'or they better succeeded in' increasing the reserves before the declaration than the first group had. For one or two years after the introduction of convertibility, the reserves diminished by 7/15 in the least developed countries, by 3/4 in the more developed, and by 6/10 in the most developed ones. The conclusion may be drawn that the *members of the middle group were most exposed to the decrease of the reserves,* that is, the distruct on the part of the other states, already mentioned, was directed against them.

d) In the year when convertibility was declared, the balance of payments showed a deficit in the first group, a surplus in the second group, and there was no dominant type concerning the balance of trade in the first group; deficit was typical in the third group;

Table 10

Group I, per capita national income 0–420

Country	Gold/reserves %	Res./Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
Bolivia	25	25	+	–	–	–	–––––	–––––	––+++	+++++
Dominica	42	28	+						+0+++	–0++–
Ecuador	23	30	–	–	+	–	–––––	––– +.	–++–+	–+++–
Salvador	41	138	+							+–++–
Guatemala	54	88	–						+	––+++
Guyana	0	14	–						+	++––+
Honduras	0	29	+						–++–+	++++–
Malaysia	12	45	+						+++++	+++++
Mexico	81	39	–							–++++
Nicaragua	1	28	+	–	+	–	+––––	–––––	+0–++	++–++
Panama	0	138	–							–++––
Peru	43	124	+	–	++	+	. .––+	––+––	+––++	++++–
Saudi-Arabia	27	92	+						+	+++++
Costa Rica	12	10	–	–	+	–	–––––	–––––	0–+++	–+++–
Jamaica	0	40	–						–	+0+–+

Table 11

Group II, per capita national income over $650–1000

Ireland	5	47	–	+		0	.+–00	––––	–+++0	+++–+
Italy	58	73	–	+		+	.++++	+–+++	+++++	+–+++
Japan	15	25	–						++–++	+––++
South Africa	65	24	–						+–––+	––...
Argentina	14	65	+	–	+	–	+++++	––––+	+–+–+	–+–++
Austria	42	70	–	+		+	–++––	–++––	+++++	+++++
Holland	65	33	–	+		+	.–+++	+–+++	–++++	–++++
Canada	47	43							–++++	–+–++

Table 12

Group III, per capita national income over $1000

Country	Gold/reserves %	Res./Import	Balance of for. trade	Balance of serv.	Balance of transf.	Balance of payments	The balance of payments		The sign of the change of reserves	
							before 54321	after 12345	before 54321	after 12345
Belgium	65	33	–	+		+	.++.+	+–++–	+–+–+	–++++
France	63	50	+	+		+	.––++	+++++	––+++	+++++
FRG	51	65	+	–		+	.+++	–++–+	+++––	–++–+
Great-Britain	68	26	–	+		–	.+++–	++–––	+++++	–––++
Australia	16	39	–	–	–	–	–––––	–––––	––+++	+–+–+
Norway	5	25	–	+		–	–––––	++–––	+++++	+++++
Sweden	24	25	–	+		+	.––+–	–––––	+++++	+–+++
Denmark	20	17	–	+		–	–+–––	–––––	–++–+	––+++
USA	100	415	+						+	+++–+
Kuwait	43	34	+						++	+++–+

and it was even more marked in the case of the second group. The balance of services was negative and so was the balance of transfers in the first group; in the case of the two other groups, a surplus was typical of the combined balance of services and transfers. *The balance of payments of the less developed countries almost always showed a deficit in the ten-year period.* A surplus or a deficit alike could be found in the second and third groups. (In the second group, during the five years preceding the declaration, the balance of payments *rarely* showed a deficit.)

General conclusions

On the basis of the empirical survey some remarkable conclusions may be drawn.

1. The statistical analyses show that the *conditions of convertibility definitely differ* according to the size of the countries, their development level, and the *role played in the world economy (or the role intended to be played).* The level and the structure of the reserves is considerably influenced by the role the currency concerned plays in international payments, for instance. The proportion of reserves is relatively high in the economies with key (reserve-) currencies. The currencies issued by countries of modest, small or medium-developed economic potential, playing a minor role in world payments, are not accumulated by foreign countries in large quantities, thus the possibility of an unexpected large-scale conversion is smaller. This fact diminishes the *advantages* of convertibility for such countries (the automatic crediting of the issuing country by its currency being held *abroad);* but the *disadvantages* diminish as well.

2. Convertibility spread *as if by a chain-reaction,* in several waves. Considering the date of the declaration, four typical groups of countries may be distinguished, among which there was usually a close, also geographically defined division of labour. The "maturing" of the declaration of convertibility, the arrival of the actual moment was influenced (also stimulated and, at the same time, facilitated) by the fact that *among the main economic partners there were countries with convertible currencies,* relying on which the chain-reaction could spread. Thus, a necessary precondition for convertibility, mainly for small economies, is that the country or the countries with which the economic relations of the given country are close, should have their own convertible currencies. In other words: *a partner with convertible currency is necessary among the main economic partners.*

3. It is less unambiguous – for the small and medium-developed economies – to denote an active tendency of the *balance of payments* as a precondition of convertibility.

The *balance of payments* (within this especially, the balance of foreign trade) *did not necessarily show* a surplus in the year of declaration in any waves, there were countries with a deficit or a zero balance in the groups; *this tendency has become stronger in the course* of time. More and more less developed countries contended to take part in this form of international monetary cooperation; and the balances of payments of these countries were – *necessarily* – in the red as they were *absorbing markets* of surplus of the complementary economies of the developed, "stronger" countries.

In countries with a *small population* (under 7 million inhabitants) or having a *low* development level, whose currency had been declared convertible, the balance of payments almost always showed a deficit in the ten-year period. The balance of payments was rather fluctuating in medium-developed countries; but a balanced state has been less typical of these countries in the last 8–10 years than in the economies whose currencies became convertible in the early 1960s.

Hence, the tendency of a surplus or a zero balance of payments is *not an essential condition* of convertibility. Particularly *not for a small economy nowadays* (with a currency which has no decisive importance in the world economy).

4. As far as the *structure of the balance of payments* is concerned, the surplus of the balance of *foreign trade* has been found *not* to be a *necessary* precondition of the introduction of convertibility. The equilibrium (sometimes the *surplus*) of the balance of *payments* was guaranteed by the *surplus of services and transfers* in a number of developed (for example, West-European) countries.

On the basis of the data extensive generalizations regarding the structure of the balance of payments necessary for convertibility would not be justified. As much is certain that while in the *most highly* developed (and also in the poorest) countries the balance of trade showed a surplus, the *medium-developed* countries exploited the surplus arising from services, tourism and transfers to the highest extent for restoring the equilibrium of their balance of payments.

5. The *functional* role of *reserves* may be best characterized by the ratio of reserves to imports. This *shows a relatively balanced value* (between 37 and 49 per cent) *in the case of countries with different population; but its extent* (the import cover) *diminishes as a reciprocal function of economic development level and time.* (It is lower in the economies with newly convertible currencies than in those having declared their currency convertible earlier.)

As far as the *structure* of reserves is concerned, *the proportion of gold within total reserves* has been found to be *significant only in the highly developed countries.* The later the date of the declaration, the *smaller* the proportion of gold. The role of SDR is not very significant yet, but it is *gaining in importance.*

The changes in reserves over time are characterized by the fact that before the year of the declaration of convertibility reserves increased in every country. This was typical in spite of the fact that the balance of payments showed a deficit in a large part of the countries. Obviously, *these economies maintained the level of their reserves with regular borrowings from abroad.* This is the more likely as in most countries – most typically in the *medium-developed* economies – reserves *diminished* after the year of declaration. Perhaps as a result of initial distrust, the conversion obligation had to be met, intervention for the maintenance of exchange became necessary, perhaps payments affecting the balance of payments had also to be made, following a stiffening of the market caused by *import competition.* It is to be noted that – according to the figures – the latter is not a permanent possibility; generally *this* must be solved by credit. Joining the appropriate international institutions, which guarantee more or less automatic credit possibilities is presumably very important for the small medium-developed countries.

The most important moment of the *mechanism* of convertibility was well demonstrated by the empirical data: *the formation of reserves in the case of every participant.* It could be seen that another condition was as important as the balanced reserves. Now, we shall deal with somewhat *more basic interrelations* and go beyond the merely *direct financial function* of monetary reserves. What does, indeed, the accumulation of monetary reserves amount to? It is the accomulation of realized but unspent incomes. But, accordingly, there must be free production capacities, *reserves of factors of production,* available in the economy. The financial mechanism *forces* their existence. (This statement is true even when the reserves are built up of *credits.* The reserves of the productive sphere are then *provided by the crediting country,* instead of the borrowing country.) These reserves are essential preconditions of *flexible, dynamic development.*

This is the basis of the possibility for increasing efficiency, realized by the reaction of convertible settlements on the division of labour. This makes possible that the national currencies *may be spent multilaterally,* which is the direct purpose of convertibility; a more rational organization of production can be realized in this way.

The fact that there can be countries with a permanent deficit in the balance of payments as well, throws light upon the interest relations of commodity production. Particular leading economic "great powers", but generally highly developed countries may expand their markets by undertaking a certain balance of payments surplus toward countries not very much behind them as to the *level* of development which have, in turn, a deficit. (The relatively small difference in development level is important. According to the experience of the present, capital refuses to flow into countries with a considerably lower development level.)

But *they are not indifferent* to the fact, that the partner economy should also possess a convertible currency; for – among other things – this is the guarantee of their being able to transfer the profits arising from direct or indirect crediting to their own country without restrictions – if they so wish. A gradual raising of the level of economic development is also desirable in the borrower countries, for this is the guarantee that – independently of the balances – the multilaterality of payments, can be maintained. (When the level of the partner economy is very much behind that of the more developed countries, the number of the products will diminish in whose purchase the income recipients of the developed economy may be interested, for example, however, *cheaper* a product may be relatively, if it is *definitely* below the standards set by the producers of the country, with higher productivity and turning out *significantly* more advanced products.)

This coincidence of the interests might greatly help in making convertible the currencies of the medium-developed countries. Hence, our analyses are not merely of *theoretical* importance, they may be significant not only from the aspect of disclosing the mechanism of convertibility, but may provide certain lessons for the economic monetary strategy of some countries.

ИЗУЧЕНИЕ ПЛАТЕЖНОГО БАЛАНСА И ВАЛЮТНЫХ РЕЗЕРВОВ В СТРАНАХ С ОБРАТИМОЙ ВАЛЮТОЙ

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В статье анализируется формирование платежного баланса и валютных резервов стран с конвертируемой валютой в период, предшествующий и последующий провозглашению обратимости. Авторы отмечают, что с учетом величины стран, уровня их развития, а также их роли в мировой экономике предпосылки обратимости можно считать весьма различными; конвертируемость распространяется, как цепная реакция, между странами, поддерживающими друг с другом тесные экономические связи. В разрез со взглядами, общераспространенными в среде экономистов, авторы указывают на то, что активный платежный или внешнеторговый баланс не является обязательной предпосылкой такого экономико-политического шага, предпринимаемого небольшими странами с открытой экономикой и поддерживающих с мирохозяйственным окружением тесные связи на базе международного распределения труда. Относительно высокий уровень валютных резервов, однако, является непременным условием.

С точки зрения теории денег и экономической политики примечателен тот факт, что по мере следующих друг за другом волн распространения обратимости сокращается отношение величины валютных резервов к объему импорта. Внутри же самых резервов уменьшается также и роль золота. В отношении структуры платежного баланса небольших стран со средним уровнем развития в статье указывается, что для перехода к обратимости валюты и ее функционирования очень важны неторговые статьи баланса, а также международное валютное сотрудничество.

Acta Oeconomica Vol. 19 (1), pp. 53–66 (1977)

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МЕЖДУНАРОДНОЕ РАЗДЕЛЕНИЕ ТРУДА И СОТРУДНИЧЕСТВО СТРАН СЭВ В ЭКОНОМИЧЕСКОМ РАЗВИТИИ

Последнее десятилетие свидетельствует о растущем включении стран СЭВ в процесс всемирного разделения труда. В статье рассматривается развитие взаимного сотрудничества стран-членов СЭВ и их сотрудничества с развитыми капиталистическими странами и странами „третьего мира". Большое внимание уделяется перспективам и нынешним проблемам расширения торговли Восток–Запад.

Современное положение стран СЭВ в международном экономическом сотрудничестве

Курс на активное включение в международное разделение труда является для стран-членов СЭВ одним из важнейших элементов долгосрочных программ их национального развития. Одна из особенностей нашего времени заключается в растущем использовании международного разделения труда для развития каждой страны, независимо от ее богатства и достигнутого ею экономического уровня. Страны СЭВ, равно как и другие государства, стремятся использовать преимущества, которые дают внешнеэкономические связи, в целях мобилизации дополнительных возможностей для успешного решения хозяйственных задач и выигрыша времени, для повышения эффективности производства и ускорения прогресса науки и техники.

Социалистический рынок превратился в самый динамичный сектор мировой торговли. Более половины оборотов этого рынка приходится и на взаимную торговлю социалистических стран. Только за период 1971–1975 гг. физический объем этой торговли более чем удвоился. Среднегодовые темпы его роста за последние пятнадцать лет постоянно увеличивались и в семидесятых годах составили 12,9 процента против 9,3 в 1961–1965 гг. и 8,2 процентов – в 1966–1970 гг.

Стимулирующее влияние хозяйственных связей на экономический рост стран СЭВ иллюстрируется размером доли их взаимных торговых оборотов в национальном доходе, которая на протяжении последних десятилетий неуклонно возрастала и в 1975 г. превысила 10 процентов. Отношение оборота торговли со странами-партнерами по СЭВ к национальному доходу СССР, например, повысилось с 5 в 1970 г. до 7,2 процентов в 1975 г., что свидетельствует о постоянном углублении международного социалистического разделения труда. Для последних лет характерно значительное опережение среднегодовых темпов роста взаимного товарооборота над темпами роста национального дохода и промышленного произ-

водства. Для первой пятилетки семидесятых годов коэффициенты опережения роста торговли составляли в сравнении с национальным доходом 1,95 и промышленным производством – 1,6 процентов в то время, как для предыдущих двух пятилетий эти показатели составляли 1,12–1,52 и 0,98–1,11 процентов, соответственно. При сложившихся темпах ожидается, что к 1990 г. доля взаимной социалистической торговли в совокупном национальном доходе стран СЭВ достигнет 20 процентов.

Расширение социалистического хозяйственного сотрудничества сопровождалось высокими и устойчивыми темпами роста народного хозяйства социалистических стран. Совокупный национальный доход стран-членов СЭВ увеличился за период с 1950 по 1975 гг. более чем в 7 раз. Еще более быстрыми темпами развивалась социалистическая промышленность. Это развитие сопровождалось подтягиванием ранее отсталых стран до уровня более развитых, значительным увеличением удельного веса промышленности в национальном доходе социалистических стран.

Страны СЭВ стали крупнейшими мировыми производителями электроэнергии, угля, стали, нефти, природного газа, пиломатериалов, металлорежущих станков, средств железнодорожного транспорта, тракторов, цемента, хлопчатобумажных тканей, минеральных удобрений, молока, мяса, масла, сахара и т.д.

Главной особенностью экономического развития социалистических стран в семидесятые годы было то, что с 1971 г. хозяйственные и научно-технические взаимоотношения стран-членов СЭВ базируются на принятой ими долговременной программе социалистического разделения труда. Эта комплексная программа поднимает социалистическое сотрудничество стран СЭВ на новую ступень, она подводит солидную и стабильную базу под развитие международного рынка стран СЭВ.

Все большее значение во внешнеэкономических связях социалистических стран приобретают кооперирование и специализация производства. Эта форма экономического сотрудничества получила широкое распространение в автомобильной промышленности стран СЭВ, производстве электронно-вычислительных машин, некоторых видов станочного оборудования, дорожно-строительных, сельскохозяйственных машин.

В 1976 г. странами-членами СЭВ начаты работы по претворению в жизнь первого в практике СЭВ согласованного плана многосторонних интеграционных мероприятий, принятого ими на 1976–1980 гг. Это – новый крупный шаг в развитии экономического сотрудничества между братскими странами. Кроме того, продолжались работы по совместному строительству многих промышленных объектов.

Следующий этап в этом сотрудничестве – разработка и выполнение долгосрочных целевых программ. Их цель – общими усилиями обеспечить быстро растущие потребности в энергии, топливе, основных видах сырья, полнее удовлетворить спрос на промышленные и продовольственные товары народного потребления, поднять уровень машиностроения, ускорить развитие транспорта. Новая пер-

спективная программа предусматривает совместное освоение природных ресурсов для общей пользы, совместное строительство крупных промышленных комплексов, спланированную на многие годы вперед кооперацию между предприятиями и целыми отраслями промышленности социалистических стран.

В СССР, например, уже сейчас успешно осуществляются такие совместные стройки, как газопровод Оренбург – Западная граница СССР. Строятся крупнейшие по объему производства Усть-Илимский целлюлозный и Киембаевский асбестовый горно-обогатительный комбинаты и другие объекты.

Таким образом, социалистическая экономическая интеграция, основанная на международном социалистическом разделении труда, представляет собой один из важнейших факторов в содействии сбалансированному экономическому росту и сближению экономических уровней социалистических стран. Вместе с тем, социалистическое разделение труда способствует эффективному включению каждой из социалистических стран в общемировые хозяйственные отношения, усиливает их позиции как участников системы всемирного разделения труда.

В семидесятых годах быстро развивающимся направлянием торговли стран социалистического содружества были развитые капиталистические страны. Обший объем товарооборота между странами СЭВ и государствами Запада превысил в 1976 г. 60 млрд. долларов, увеличившись по сравнению с 1970 г. более чем в четыре раза. С учетом роста мировых цен в этот период, среднегодовые темпы увеличения физического объема их взаимного товарооборота составили в 70-е годы около 15 процентов. Социалистические страны в растущих масштабах приобретают на Западе машины и оборудование, патенты и лицензии для тех отраслей современной промышленности, в развитии которых западные государства достигли более высокого технического уровня: химии и нефтехимии, отдельных отраслей машиностроения, электронно-вычислительной техники, производства средств транспорта, целлюлозно-бумажной, легкой и пищевой промышленности. Машины и оборудование составляют примерно 1/3 импорта социалистических стран из стран Запада.

Экономическое сотрудничество с Западом помогает также решать некоторые сырьевые и продовольственные проблемы социалистических стран. Практике известны закупки социалистическими странами на Западе значительных количеств пшеницы. Рост численности населения в социалистических странах в сочетании с улучшением и диверсификацией пищевого рациона увеличивает потребность в импорте фруктов и других тропических товаров. Быстрое расширение животноводства порождает спрос на импорт коромовых зерновых культур.

Рост жизненного уровня в странах социализма вызвал в последние годы увеличение импорта промышленных товаров широкого потребления.

Для западных государств расширение экономического сотрудничества с социалистическими странами имеет также определенные выгоды. Расширяющийся экспорт на Восток становится важным фактором увеличения занятости и наращивания мощностей. По некоторым оценкам западных экономистов современный

объем торговли Восток–Запад обеспечивает работу по меньшей мере 2 млн. человек в индустриальных капиталистических странах.

Поскольку рынок социалистических стран предъявляет спрос на технологически передовое оборудование, и далеко не все западные экспортеры в состоянии сейчас выдержать конкуренцию на этом рынке, для некоторых важных отраслей и крупных промышленных объединений Франции, ФРГ, Италии экспорт в страны СЭВ стал в последние годы важным стимулом развития и поисков новых технических решений.

Западные державы заинтересованы в расширении поставок сырья и топлива из социалистических стран. Нефть и нефтепродукты, газ, химическое сырье, цветные и черные металлы, хром и марганец, лес и пиломатериалы, алмазы, асбест и другие виды сырья из социалистических стран занимают существенное место в международной торговле этими товарами. В условиях современного энергетического и сырьевого дефицита роль социалистических стран как перспективных поставщиков этих товаров становится особенно заметной.

Высокие темпы развития торговли стран СЭВ с развитыми капиталистическими странами объясняются, однако, не столько большими масштабами сотрудничества, сколько происходящим ныне процессом нормализации международных экономических отношений между странами с различными социальными системами.

Страны СЭВ занимают в настоящее время в товарообороте несоциалистического мира лишь около 3,5 процента, в то время как совокупный объем их промышленной продукции по отношению к промышленному производству несоциалистических стран составляет более половины.

Объяснением этому служат определенные исторические и политические причины. Как известно, до середины шестидесятых годов страны СЭВ находились практически в состоянии экономической блокады со стороны западных государств, применявших дискриминационные режимы, ограничения и запреты по отношению к социалистическим странам практически во всех областях внешнеэкономических связей – торговле, промышленном кооперировании, валютно-кредитном сотрудничестве.

Лишь в шестидесятых годах под влиянием глубоких прогрессивных сдвигов в международной политической обстановке и благодаря повороту во взаимоотношениях между двумя системами от конфронтаций к сотрудничеству, стало возможным столь необходимое ныне для экономического роста всех стран использование преимуществ международной производственной специализации. Изменению климата сотрудничества содействовали также кризисные явления, с которыми столкнулось в эти годы мировое капиталистическое хозяйство.

Таким образом, сравнительно быстрый рост внешнеэкономических связей стран СЭВ – это прежде всего результат ликвидации искусственных барьеров в международном экономическом сотрудничестве, использование возможностей, лежащих на поверхности. Главная задача мировой экономической мысли в этой

области, по нашему мнению, заключается в том, чтобы сохранить эти высокие темпы в будущем, подводя под них в качестве базы крупномасштабные долгосрочные программы экономического сотрудничества, реализующие глубинные возможности всех стран независимо от их социального устройства.

Успешно за последнее десятилетие развивались экономические связи социалистических стран и с развивающимися государствами. В 1976 г. их взаимный торговый оборот приблизился к 14 млрд. руб., по сравнению с 5 млрд. в 1970 г. В среднегодовом исчислении их расширение происходило за последние десять лет темпом, равным 14 процентам. Развивающиеся страны заняли прочное место в обороте СССР, где их удельный вес достигает 11,5, а в обороте некоторых других социалистических стран он составляет до 20 процентов. Внешнеэкономические позиции стран СЭВ особенно прочны в тех развивающихся странах, с которыми их связывают традиционные дружеские отношения. К числу таких стран прежде всего относятся Афганистан, Алжир, Индия, Ирак, Сирия, НДРЙ и другие.

При оценке воздействия социалистических стран на развитие экономических структур государств „третьего мира" необходимо принимать во внимание не только прямой коммерческий эффект, получаемый от расширения сбытовых возможностей развивающихся национальных экономик, но и косвенный, проявляющийся в ликвидации монопольного положения развитых капиталистических стран на этих рынках, и общем оздоровлении хозяйственной конъюнктуры. Появление альтернативных вариантов решения экспортной проблемы для стран Африки, Азии, Латинской Америки создает новую обстановку на их рынках, делающую невозможным применение прежних экономически несправедливых методов. Применение странами СЭВ по отношению к развивающимся странам принципа международного социалистического разделения труда и демонстрационный эффект международных экономических отношений нового типа способствует изменению положению этих государств в системе всемирного разделения труда.

Особенностью современных экономических отношений социалистических стран с развивающимися является широкое распространение принципиально новых форм сотрудничества, призванных обеспечить быстрый хозяйственный рост и достижение полной экономической независимости.

Наиболее характерная особенность новых экономических отношений социалистических стран с государствами развивающегося мира – увеличивающаяся роль промышленного кооперирования, т.е. распространение хозяйственных связей их сферы товарного обмена в сферу производства. Этот новый элемент придает экономическому сотрудничеству более стабильный характер, сокращая неблагоприятное влияние внешних конъюнктурных факторов. Кроме того, экономические связи приобретают планово управляемый долгосрочный характер.

Промышленное кооперирование между социалистическими и развивающимися странами носит специфический характер потому, что оно включает в себя широкий комплекс аспектов сотрудничества: научно-техническое содействие, помощь в подготовке кадров, предоставление льготных и долгосрочных кредитов.

Оно направлено главным образом на развитие экспортных отраслей производства с тем, чтобы способствовать укреплению положения развивающихся стран на мировом рынке.

Другой специфической особенностью экономической политики стран социалистического содружества в их хозяйственных связях с развивающимися странами является содействие в комплексном освоении этими странами их природных ресурсов. Однобокость развития и специализация в монокультурах, оставленные освободившимся государствам в наследство эпохой колониализма, затрудняют в ряде случаев переход от экстенсивного роста к интенсивному развитию хозяйства. В связи с этим освоение всех потенциальных природных возможностей и специфических преимуществ национальных экономик представляет собой ключевой этап в экономическом и социальном подъеме развивающихся стран.

В соответствии с подсчетами советских экономистов, реализация странами СЭВ заключенных за период 1960 г. соглашений, увеличивает совокупный потенциал соответствующих развивающихся государств в производстве стали – приблизительно в 7,5 раза, в области нефтепереработки – вдвое, в выработке электроэнергии – более чем на 30 процентов. Прирост площадей, охватываемых ирригационными сооружениями составит 3 млн. га, увеличение добычи нефти – 60 млн. тонн, около 30 млрд. кубических метров газа.

Пути дальнейшего углубления международного разделения труда

В отличие от внутрисоциалистического международного сотрудничества, базирующегося на межнациональной производственной кооперации, во взаимоотношениях стран СЭВ с развитыми капиталистическими странами преобладает ориентация на внешнеторговый обмен бартерного характера. В этой области накоплен уже значительный опыт, сформировались традиционные товарные потоки, и торговые обороты с каждым годом расширяются, содействуя в возрастающей мере экономическому росту стран-участниц этого товарообмена.

Однако на современном уровне этих торговых связей можно было бы уже ставить вопрос об одновременном активном развитии промышленного кооперирования, подводящего под товарообмен более богатую возможностями базу. Речь идет об инвестиционном долгосрочном сотрудничестве в области сооружения крупных промышленных объектов как на территории социалистических стран, так и в заинтересованных развивающихся странах.

Каковы же особенности такого сотрудничества во взаимоотношениях стран СЭВ с промышленно развитыми странами Запада?

Плановый характер инвестиционной политики социалистических стран и система государственных гарантий, обеспечивающих обязательное выполнение всех договорных условий – главные преимущества социалистических стран как

партнеров по такого рода сотрудничеству. Динамика развития сотрудничества в реализации крупномасштабных комплексных программ и промышленных проектов за последние годы хорошо иллюстрируют взаимовыгодность этой сравнительно новой формы сотрудничества между Востоком и Западом. Если в 1973 г. Советский Союз имел только три таких соглашения, то к началу 1976 г. их число достигло уже 34. Эти соглашения предусматривают сооружение более 50 промышленных комплексов, общей стоимостью в несколько десятков млрд. рублей. В условиях неустойчивой экономической конъюнктуры долгосрочные крупномасштабные сделки западных фирм с социалистическими странами становятся, по признанию самих же западных экономистов, одним из основных стабилизирующих факторов в рыночном национальном хозяйстве их стран.

Практике промышленного сотрудничества Восток–Запад уже известен ряд проектов, превосходящих по своим масштабам все имевшиеся когда-либо ранее подобные сделки. Среди них следует отметить гигантский трансъевропейский газопровод из СССР в Западную Европу протяженностью в 5 тыс. км и мощностью в 30 млрд. куб. м природного газа в год, в строительстве и финансировании которого приняли участие крупнейшие фирмы ФРГ, Италии, Франции и Австрии; строительство и модернизацию автомобильных заводов в СССР и ряде стран СЭВ с участием итальянских, французских и западногерманских компаний; участие Франции в изготовлении оборудования для совместно сооружаемого странами СЭВ Усть-Илимского целлюлозного комбината; техническое и финансовое содействие ряда западных компаний в освоении богатейшего месторождения медной руды и развитии нефтеперерабатывающей промышленности Польши и др.

Названные проекты характеризуются двумя важнейшими особенностями: во-первых, большими масштабами операций, где стоимость создаваемых объектов и комплексов достигает сотен миллионов, а в некоторых случаях и свыше миллиарда долларов, и, во-вторых, продолжительными сроками соглашений, регулирующих отношения между западными фирмами и социалистическими государствами на сроки от 10 до 20 и более лет. Финансирование этих проектов производится на кредитно-компенсационной основе – основном принципе, на котором базируется в свою очередь и содействие социалистических стран росту развивающегося мира.

Хорошим примером может служить практика инвестиционного сотрудничества Советского Союза с Японией. Так, соглашение о строительстве угледобывающих предприятий в южных районах Якутии предусматривает поставку в Советский Союз из Японии машин и оборудования на сумму 450 млн. долларов. Значительная доля добываемого на этих предприятиях угля будет в течение сроков и по ценам, предусмотренным условиями соглашения, поставляться в Японию, в том числе и в счет оплаты кредитов.

Другие соглашения с японскими фирмами касаются разведки и добычи нефти или газа на шельфе острова Сахалин и поставок этих товаров в Японию.

Советской стороне будет предоставлен долгосрочный банковский кредит Экспортно-импортного банка Японии и других японских банков. Министерство внешней торговли СССР гарантирует ежегодную поставку нефти с момента начала ее довычи в объеме 50 процентов от годовой добычи в течение срока погашения кредита и ежегодную продажу нефти в объеме 50 процентов от годовой добычи в течение 10 лет после погашения задолженности. Зафиксированы также принципы определения цен на нефть и газ.

Перечисление примеров можно было бы продолжить, упомянув подобные же сделки, заключенные Советским Союзом с итальянскими фирмами на сооружение в СССР химических заводов, и некоторые другие. В общей сложности по заключенным до сих пор компенсационным соглашениям западных стран в СССР поступает комплексное оборудование для более чем 50 строящихся в СССР промышленных объектов. И, хотя в общем объеме капитальных вложений Советского Союза в настоящее время подобные сделки занимают около 3–5 процентов, их перспективные возможности, видимо, очень велики.

Заключенные крупномасштабные инвестиционные соглашения в основном относятся к добывающей промышленности. Но наряду с расширением добычи топлива и производства сырья в социалистических странах имеются безграничные возможности для промышленной кооперации в области обрабатывающей промышленности. Перспективные экономические программы Советского Союза, например, предусматривают большие капиталовложения в строительство магистральных газопроводов и в связи с этим открывают широкое поле возможностей для инвестиционного сотрудничества. На ближайшее пятилетие предусмотрена постройка новых линий газопровода протяженностью в 36 тыс. км. Это означает, кроме того, наличие значительного спроса на трубы, особенно большого диаметра, трубопрокатное оборудование, строительную технику.

Другой крупнейшей областью привлечения капиталовложений будет производство металлопроката, объем продукции которого должен быть увеличен в соответствии с планом в ближайшем пятилетии в 1,5–2 раза. Постройка новых производственных мощностей и модернизация имеющихся может выть областью, где участие западных фирм, специализирующихся в производстве прокатного оборудования и сооружении предприятий, возможно и желательно. В последнее время в наших планах все больший упор делается на ускорение развития машиностроения, особенно на создание мощностей по производству оборудования для атомных электростанций, химической промышленности, металлургии, легкой и пищевой промышленности, строительства, отраслей общего машиностроения. Этим машиностроительным производствам, очевидно, будет отдаваться предпочтение в развитии промышленного и в том числе инвестиционного сотрудничества с западными фирмами.

Большие возможности в развертывании крупномасштабного промышленного кооперирования заключены в области сотрудничетва стран-членов СЭВ с развивающимися государствами. Перспективная программа социалистических

государств в этой области была подробно изложена в Совместном заявлении стран СЭВ на IV Сессии ЮНКТАД (Найроби, 1976 г.). Последовательно выступая в поддержку справедливых требований развивающихся стран в отношении перестройки международных экономических отношений, страны СЭВ заявляют о своей солидарности со странами „третьего мира" в вопросах борьбы против унаследованных от прошлого элементов неравноправия и дискриминации, столь характерных еще для капиталистической мировой торговли.

В комплексе затронутых в документе проблем особое место уделяется вопросам долгосрочного экономического сотрудничества. В нем, в частности, было указано, что социалистические страны разделяют мнение о необходимости интегрированного и перспективного подхода к решению главных промышленных проблем развивающихся государств, т.е. принятия комплекса взаимосвязанных мер, охватывающих производство, переработку и торговлю сырьевыми товарами. С этой целью социалистические страны выражают готовность расширять практику заключения долгосрочных соглашений в области торговли, экономического и технического сотрудничества на срок, охватывающий два-три пятилетних плановых периода; продолжать концентрировать усилия на развитии производительных сил и, прежде всего, промышленности.

В промышленном сотрудничестве с развивающимися странами государства-члены СЭВ обязуются и впредь широко применять практику предоставления кредитов по линии национальных банков и Международного инвестиционного банка СЭВ на условиях погашения их поставками продукции совместно сооружаемых предприятий. Осуществление изложенной в Совместном заявлении программы возведет международное разделение труда на новую, более высокую ступень, поможет сформировать устойчивую взаимовыгодную систему торговых и экономических связей, промышленного, научного и технического кооперирования, будет содействовать развитию эффективной взаимодополняемой структуры в странах социалистического содружества и государствах „третьего мира".

Наряду с двусторонними экономическими отношениями, где в качестве одного из партнеров выступают страны СЭВ, а другого – развивающиеся страны, весьма перспективной, на наш взгляд, формой сотрудничества является трехсторонняя промышленная кооперация, охватывающая предприятия стран СЭВ, развивающиеся страны и фирмы западных промышленно развитых стран. Прогрессирующие связи в области торговли и промышленного кооперирования между социалистическими и развитыми капиталистическими странами создают принципиально новые условия для вовлечения в это сотрудничество и третьей стороны – развивающихся стран. Это трехстороннее сотрудничество, как выяснилось из практики и в ходе международных консультаций, может формироваться по-разному: путем заключения развивающейся страной единого контракта с лидером консорциума, несущим ответственность за всех остальных участников соглашения, или же путем подписания контракта с каждым из двух партнеров в отдельности.

Основой трехсторонних соглашений служит тройная экономическая взаимодополняемость. Естественные ресурсы, промышленное оборудование и квалифицированный инженерно-технический состав, имеющий опыт и отработанную технологию строительства, – вот слагаемые этой кооперации. И инициатива в подобного рода сотрудничестве может принадлежать каждой из этих трех сторон.

Первый опыт трехстороннего промышленного сотрудничества уже показал свои положительные результаты, и можно назвать несколько примеров, когда прирост экспорта участвующих в таких соглашениях развивающихся стран был финальным эффектом. Среди них соглашение о сотрудничестве в производстве автомобилей между Италлией, Польшей, СССР, Югославией и Египтом; контракт о совместном производстве химических удобрений, заключенный между Польшей, Марокко и ФРГ, и некоторые другие.

Партнеры по таким соглашениям из числа социалистических стран, как известно, с готовностью принимают от развивающихся государств долгосрочные компенсационные поставки продукции создаваемых объектов в оплату за предоставленные кредиты, не нанося ущерба их финансовому положению. Узким местом в этой новой форме сотрудничества является лишь сдержанность западных фирм в принятии тех же форм погашения кредитов. Однако, по мере приобретения большего опыта, западные кооперанты, следует полагать, постепенно решат проблему реализации товаров, поступающих в оплату за кредиты, расширив для этих целей соответствующие службы.

Факторы, препятствующие реализации преимуществ международного разделения труда

СССР и другие социалистические государства неизменно базируют свою внешнеэкономическую политику по отношению к государствам иной социальной системы на принципах равноправного международного сотрудничества. Однако со стороны ряда торговых партнеров стран СЭВ, – „а главным образом США и ЕЭС, – все еще практикуются торгово-дискриминационные режимы, наносящие огромный экономический ущерб и странам, их применяющим, и социалистическим государствам, против которых они направлены.

Дискриминационное законодательство США, лишающее СССР и ряд других социалистических стран режима наибольшего благоприятствования (РНБ), подорвало возможности развития нормальных торговых отношений между США и большинством стран СЭВ. Оно имело серьезные экономические последствия для обеих сторон. Страны СЭВ понесли ущерб вследствие переплаты по дискриминационным тарифам; сокращения валютных поступлений; консервации невыгодной им структуры экспорта; увеличения дисбаланса в торговле с США и т.д. Немалый убыток в результате этого понесли американские фирмы. Сужение экспортных возможностей социалистических стран естественно приводит к сни-

жению объема закупок в США, сводя их лишь к узкой номенклатуре неконкурирующих товаров.

Потенциальные возможности современного товарооборота между СССР и США только в области промышленной продукции оцениваются советскими экспертами в 10 млрд. долл., в то время как теперь этот оборот составляет 2,2 млрд. долл.

Анализ данных о советском экспорте в США в 1976 г. показывает, что из 20 ведущих товаров, на которые приходилось 90 процентов его общего объема, 8 облагались пошлинами, которые превышали тарифы РНБ в 1,5–5,7 раза; удельный вес товаров, облагаемых повышенными пошлинами, в суммарном экспорте указанных 20 товаров составил 43,7 процента. Размер переплаты пошлин составляет ежегодно несколько миллионов долларов.

Другие страны СЭВ, не пользующиеся РНБ, ежегодно теряют от переплаты таможенных пошлин примерно 16–20 млн. долларов, что составляет 12–14 процентов объема их экспорта и в 1,5 раза превышает объем экспорта в США такой страны, как ГДР. Следует отметить, что Венгрия и Чехословакия, не получившие РНБ являются, как и США, членами ГАТТ, и их тарифная дискриминация прямым нарушением такого соглашения.

Тарифная дискриминация негативно влияет на динамику импорта США из стран СЭВ, не пользующихся РНБ, и сдерживает рост товарообмена с ними. Так, за два года, предшествующих введению в действие Закона о торговле 1973 г., импорт США из СССР, Болгарии, Венгрии, ГДР и Чехословакии, вместе взятых, возрос в 3,3 раза, а за два года после принятия Закона он сократился примерно на треть. Характерно, что за этот же период импорт США из Польши и Румынии, пользующихся РНБ, возрос на 30 процентов. Исходя из этого, ущерб, связанный с потерей рынка для стран СЭВ, не пользующихся РНБ, в результате таможенной дискриминации, может быть оценен примерно в 300 млн. долларов, что соответствует и данным американских экспертов. По оценкам советских компетентных органов, при условии предоставления РНБ экспорт СССР в США мог бы возрасти минимум в три раза [1], а по мнению венгерских экономистов, товарооборот между Венгрией и США мог бы увеличиться при этом же условии в 3–4 раза в течение четырех лет [2].

В американской печати можно часто встретить утверждение о бесполезности предоставления режима наибольшего благоприятствования Советскому Союзу ввиду неразвитости структуры советского экспорта. В то же время существует огромная разница в уровнях пошлин на машины и оборудование, ввозимые в США из СССР и капиталистических стран. Если рассмотреть те товары советского производства, которые находят большой спрос в развитых капиталистических странах, но не поставляются в США, то становится ясно, что помехой для советского экспорта в США является не узость предложений, а запретительно высокий уровень таможенного обложения. Так, пошлины на советские товары превышают льготные ставки для киноаппаратов, проекторов и звукозаписывающей и воспро-

изводящей аппаратуры в 3–4 раза, измерительной аппаратуры – в 5–7 раз, легковых автомобилей в 3 раза, электрооборудования – в 7–9 раз, теле- и радиоаппаратуры – в 5–7 раз, бульдозеров – в 8 раз, для группы машин и оборудования в целом (без транспортного и электрооборудования) примерно в 7–8 раз. Все эти товары, продаваемые странами СЭВ в Западную Европу, Японию, Канаду, практически не поступают на американский рынок.

Как известно, в соответствии с Законом о продлении полномочий Экспортно-импортного банка США с поправкой Э. Стивенсона, принятым одновременно с Законом о торговле, кредитование экспорта в Советский Союз ограничено суммой в 300 млн. долл. на 4 года и поставлено в зависимость от определенных политических условий. Эта мера, сдерживая рост товарооборота в целом, привела к срыву ряда намеченных ранее крупномасштабных проектов сотрудничества. По некоторым подчетам, только за 1975 г. и 1976 г. американскими фирмами были потеряны в СССР заказы на общую сумму от полутора до двух млрд. долларов, которые переданы другим странам.

Для последних лет характерно существенное замедление процесса либерализации импорта из стран социалистического содружества и в другом районе мирового рынка – Европейском экономическом сообществе (ЕЭС).

Ряд стран ЕЭС при заключении пятилетних двусторонних торговых соглашений со странами СЭВ в 1970–1971 гг. взяли на себя обязательство завершить процесс либерализации импорта к концу 1974 г. В частности, в отношении Советского Союза такое обязательство было взято правительствами Италии, Франции, странами Бенилюкс. Эти обязательства не выполнены. Среди стран ЕЭС Италия, например, в 1976 г. по-прежнему сохраняет наибольшее количество импортных контингентов в отношении товаров Советского Союза и других стран СЭВ.

Согласно официальным данным, опубликованным Комиссией КЭС, общее количество товаров стран социалистического содружества, облагаемых импортными квотами, составило в 1975 г. 329 позиций. В 1976 г. либерализацией было затронуто всего лишь 10–12 позиций, и, судя по всему, никаких серьезных изменений не произойдет в этой области и в 1977 г. По оценкам специалистов стран СЭВ, реальная „либерализация" касается лишь около половины объема социалистического экспорта.

Общий рынок применяет весьма высокий уровень тарифных ставок на целый ряд перспективных статей экспорта стран СЭВ, в частности – машины, оборудование, готовые изделия в целом.

Общая структура единого таможенного тарифа ЕЭС также ограничивает развитие торговли между странами ЕЭС и СЭВ, сдерживает улучшение экспортной структуры социалистических стран, повышение в ней доли готовых изделий.

Неоправданно велики также и компенсационные сборы, применяемые ЕЭС против социалистического сельскохозяйственного экспорта. В среднем их размер

в 4–5 раз превышает размеры таможенных пошлин и наиболее значительно затрагивает интересы Болгарии, Венгрии, Польши, в экспорте которых в страны Общего рынка удельный вес продовольственных товаров достигает 30–45 процентов.

Страны СЭВ не могут также согласиться с введенным в действие в ЕЭС с 1975 г. Законом о так называемой единой торговой политике. Этот Закон ставит под жесткий контроль двусторонние торговые и финансовые отношения стран ЕЭС, с одной стороны, и государств-членов СЭВ – с другой. Одним из ограничений, накладываемым этим Законом, стало требование об обязательном лицензировании импорта из социалистических стран, в то время как на импорт из стран-членов ГАТТ и ОЭСР эти требования не распространяются.

Считаясь с необходимостью контроля со стороны Комиссии Сообщества, страны СЭВ тем не менее выступают за сочетание двусторонних торговых соглашений с многосторонними. Как известно, Секретариат СЭВ в последние годы выступает с рядом последовательных инициативных предложений, направленных на установление договорно-правового регулирования отношений между СЭВ и ЕЭС на справедливых взаимоприемлемых условиях.

Опыт сотрудничества между странами СЭВ и ЕЭС свидетельствует о том, что производственные структуры того и другого интеграционного комплекса носят во многом взаимодополняющий характер и заключают в себе большие возможности в области общеевропейского экономического сотрудничества, охватывающего все направления современного справедливого и взаимовыгодного разделения труда.

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Как показала практика последних десятилетий, реализация преимуществ международного разделения труда возможна лишь при условии существования благоприятной политической атмосферы во взаимоотношениях между странами и региональными группировками различных социально-политических систем. Политическая враждебность и военная подозрительность несовместимы с требованиями активного и стабильного участия всех государств в международном обмене. И социалистическими странами-членами СЭВ пройден большой и трудный путь борьбы за смягчение политической напряженности и нормализации условий мирового экономического сотрудничества. Их усилия получили всеобщее мировое признание в ряде международных документов, последним и наиболее значительным из которых был Заключительный акт хельсинкских соглашений, подписанный в 1975 г. руководителями 35 социалистических и капиталистических государств. Одно из центральных мест в этом документе отводится призыву к сокращению и постепенному устранению всякого рода дискриминационных ограничений и препятствий на пути развития мировой торговли.

Социалистические страны убеждены в том, что расширение международного сотрудничества в области торговли и других секторах экономической деятельности независимо от различий в социально-экономических системах способствует укреплению мира, безопасности во всем мире и содействует экономическому и социальному прогрессу народов.

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INTERNATIONAL DIVISION OF LABOUR AND COOPERATION BETWEEN THE CMEA COUNTRIES IN ECONOMIC DEVELOPMENT

B. S. FOMIN

Active participation in the international division of labour is one of the key elements in the long-term development programs of the CMEA countries. The author presents with the aid of statistical data to what extent the role of foreign trade has grown in the economic development of the Soviet Union and the other CMEA countries. Within it the factors are identified which have made economic cooperation with the advanced Western countries dynamic and the role of socialist countries in the economic development of the "third world" is pointed out.

Discussing the perspectives of East-West trade the author stresses the role and growing importance of lasting investment cooperation in bringing about major industrial projects. In advancing economic cooperation with the developing countries the author believes that it would be a perspectivic form, promising great possibilities, to establish a treble cooperation between the enterprises of the industrially developed Western countries, the CMEA countries and the developing countries; he also reviews the existing initial experience.

From among the factors hindering the utilization of the advantages of the international division of labour the author treats in detail the remnants of trade dicriminations applied against the socialist countries, as the refusal by the U. S. to grant the most-favoured-nation treatment, or the protectionistic regulations of the EEC. Elimination of these obstacles might disclose large reserves for mutually beneficial economic cooperation.

Acta Oeconomica Vol. 19 (1), pp. 67–76 (1977)

A. KÖVES

THE IMPACT OF WESTERN TRADE RESTRICTIONS ON EAST–WEST TRADE AFTER WORLD WAR II

Continuing an earlier study of his, published in Vol 17, No. 2., the author analyzes the effects of the Western economic warfare on East-West trade, how it supported the maintenance of external economic policies developed in the thirties.

Before World War II, beyond the factors earlier analyzed [1], the trends in the international situation also prevented a revision of the existing foreign economic policy. After the end of the war, however, the questions of foreign economic policy that had been dropped after 1931 became topical again. This was greatly facilitated by the economic ties established between the Allies during the war years. The lend-lease shipments from the United States to the Soviet Union in the amount of about $10.8 billion[2] represented a significant contribution to the common victory. These shipments were not restricted to military materials and equipment but also served to aid the continuous operation of the Soviet industry – within it, of the heavy industry in the first place –, the reconstruction of destroyed factories, and they also helped to supply the population with consumer goods. According to the data of *Baykov* [3] the shipments effected up to July lst, 1945 included almost $3 billion worth of industrial materials and products, and $1.6 billion worth of agricultural products.

According to Baykov, about 30–40 per cent of the American lend-lease shipments consisted of goods that served to maintain industrial production at pre-war level, to help reconstruction, as well as to supply the population with consumer goods. With the directly military shipments substracted from the amount of lend-lease shipments, we get, according to the estimation of Baykov, an amount surpassing the highest import figures of the year 1930–31 [4]. These proportions themselves raised the question whether the Soviet Union would maintain this level of imports also in the post-war years, whether it would increase or reduce it.

There are many indications that before the development trends of international politics became unambiguous, the Soviet Union had not rejected the possibility of maintaining intensive economic relations with its former Western allies, especially with the United States. The participation of the Soviet Union in the preparatory negotiations about the post-war international monetary system was perhaps not so characteristic as the suggestion that the United States would provide a substantial amount of credit to the Soviet Union. According to Western sources, at the end of the war, the Soviet Union made inquiries about the possibilities of obtaining a loan of $6 billion (according to these

sources, in January, 1945 Molotov specified the requested terms of this loan: repayment in 30 years, with an interest rate of 2.25 per cent). [5] The president of the American Export-Import Bank, Leo T. Crowley announced in July, 1945 that in 1946, the Bank would provide a credit of about $700–1000 million to the Soviet Union. As the contemporary author noted, this plan, however, failed to be realized, partly because of the political situation, partly because the question of lend-lease debts could not be settled completely. [6]* Soviet deputy Minister of foreign trade, N. *Smelyakov* wrote that in the first post-war year the Soviet Union was ready to place orders worth $5 billion in the United States.[9]

However, as regards the Marshall Plan, participation in which was formally offered to the Soviet Union as well, in 1947, after the declaration of the Truman doctrine, the Soviet Union had no other choice but to reject the plan. Otherwise it would have had to give up its basic international political positions and ideas. Besides, as Alec *Nove* wrote, it had no other alternative as the Marshall Plan could scarcely have been accepted by the U.S. Congress if it had not been presented by the government as a measure to combat communism. [10]

The essence, goals and main consequences of Western economic warfare

With the announcement of the policy of containment the tendencies of trade restrictions against the Soviet Union and its allies became established, and by the time the cold war reached its climax in the years of the Korean war, the Western system of prohibitions and restrictions had become universal as well. From among the prohibitions and discriminatory restrictions afflicting exports, credit and imports, the most characteristic and among the hindrances to trade the most basic one, was the so-called strategic embargo. According to certain Western economists, the policy of embargoes used limited and feasible means to achieve objectives that were also limited and feasible as well (this is the view of Peter *Wiles,* for instance), that is, the policy only aimed at preventing that advanced weapons, military equipment and technology should get into the hands of the potential enemy – and this the policy did achieve. [11] In fact, however, by the time the so-called Battle Act came into force practically all capital goods produced in the West had been placed under some form of restriction. The law threatened the countries which failed to apply the embargo to the Soviet Union and its allies with the withdrawal of all

*The 1942 agreement on American-Soviet lend-lease shipments did not contain provisions for the terms of payment; it declared, instead, that the parties have to agree on this point later, after the war. (This provision was similar to those in the lend-lease agreements concluded between the United States and other countries.) [7] After a number of unsuccessful negotiations, settlement was reached only a quarter of a century later, in 1972. However, even then it failed to be "complete", for the 1972 agreement made the repayment of debts subject to the introduction of the Most Favoured Nation treatment in Soviet-American trade. [8] As this is yet to be realized because of the behaviour of the Congress, the repayment of lend-lease debts has remained suspended.

military, economic and financial aid. At that time the reprisal could hit 61 countries receiving U.S. aid. [12] Yet from the aspect of the socialist countries, the very essence of trade with the West was the import of machinery, equipment, and raw-materials. Consequently, the embargo, especially in the form it had taken by 1950–1952, aimed at depriving East-West trade from its very meaning.

The Battle Act (in full: the Mutual Defence Assistance Control Act of 1951) ordered a complete ban on the export of articles of primary strategic significance to the socialist countries. They regarded as such the export of goods which in any quantity would contribute significantly to Soviet war potential. This was, however, widely interpreted and was applied not only to shipment of arms, ammunition, and implements of war, atomic energy material, petroleum, but also to any item (machinery, equipments) designed for the production or development of arms, ammunition and implements of war or used for that purpose even if not specifically designed therefor (e.g. car factory equipments which may be converted to the manufacture of military equipment). The ban was also applied to products representing significant technological advance of "strategic value", as well as to goods whose shortage could, in the opinion of those having devised the embargo rules, would represent an important obstacle in the maintenance or increase of the military potential in the "Soviet block".

Articles of primary strategic significance included, among others, metal working machinery, chemical and petroleum equipment, vehicles, electronic and precision instruments, metals, minerals and their manufactures, chemicals, petroleum products, rubber and rubber products. The Battle Act set quantitative rectrictions on the export of articles of so-called secondary strategic importance (whose "strategic value" was largely determined by the quantity sold).

As early as in November, 1949, fifteen countries (the members of NATO, with the exception of Iceland, and Japan) formed a so-called consultative group for the coordination of the export control. The still existing operative organ of this group is the Coordinating Committee (Cocom), whose task is to draw up the coordinated lists of bans and restrictions and to implement the decisions of the consultative group. As a result of this concerted activity, by January, 1952 the restrictions in most of NATO countries were as broad as those called for in the Battle Act. [13] In his "case-study" on Western economic warfare, *Adler-Karlsson* concludes that at the time when the embargo lists were the largest, they affected between 30 and some 70 per cent of all internationally traded goods, "with 50 per cent as a likely average". [14]

Export limitations were always justified by military-strategic reasons in the West, but, by the nature of the matter, it is very difficult, and possible only on political grounds, to distinguish the export fostering the military potential of a country from that "merely" contributing to its economic growth. The fact that these two aspects were intended to be combined is very well borne out by the 1962 (!) amendment to the 1949 Export Control Act, according to wich it is the purpuse of the Act to prevent any significant contribution to the military as well as the economic potential of the "communist" countries. [15] According to the apposite remark of Franklyn *Holzman,*

since no nation is likely to seek trade which does not provide it with military or economic benefits, this amendment gave the President the power to ban the export of any – or all – commodity to the socialist countries. [16]*

The purpose of the embargo can, of course, be understood only in the context of the political problematics of the climax of the cold war. Holzman regarded it as a "misconception" of the embargo that it could have achieved its purpose only of the short-run probability of war were high. For a longer term, he writes, a different economic strategy is called for. "The better long-run strategy against a potential enemy is to make him as dependent upon you as possible". [18]

However, in the period of the climax of the cold war, in the years of the Korean war, the danger of a world war was imminent. In that situation, the U.S. Congress and administration regarded the embargo as an important means of maintaining military and economic supremacy and, following from the nature of the measures, the question did not arise at all whether they should be maintained for a longer or shorter period. Besides, in the atmosphere of cold war incendiarism, the Western system of restrictions was not constructed according to concepts based on sound reasoning only; as Adler-Karlsson remarked with some sarcasm, the effect of anti-communist emotions, the "Fingerspitzengefühl", also played a remarkable role. [19]**

The embargo, of course, failed to achieve its basic purpose: the "containment" and "roll-back" of the Soviet Union and the other socialist countries. What is more, it was counter-productive for the United States from the aspect of international politics: For, one of the main objectives of the West in the period of the cold war was to prevent consolidation of the system of alliances of the Soviet Union. As a consequence of the embargo, however, Soviet foreign trade turned more markedly toward the socialist countries. As Oleg *Bogomolov* stated, "in a sense, the West's cold-war policy, trade discrimination and credit blockade has acted as a catalyst of integration processes within the CMEA framework." [21] For the Soviet Union, the trade with the other CMEA countries also substituted for the former economic ties with the developed capitalist states. It had to buy goods in CMEA countries – or the bulk of those goods – which it had imported from capitalist countries before and which it would have continued to purchase there, had East-West trade remained unrestricted. Of course, especially machinery, in general, investment goods are in question. The Soviet Union paid for these imported goods with products (raw-materials) that could have formed a commodity basis for exports to

*The well-known American expert on war production and defence, Bernard M. *Baruch* based his suggestion of a complete ban on exports to the socialist countries in fact on this reasoning; Dr. *Adenauer* at one stage considered wheat as a strategic item. [17]

**As a later American article wrote: "On the surface, the objective of the U.S. controls was to protect or advence the security of the United States. But even a passing familiarity with these controls suggested that other standards also were being applied. At times, the U.S. bureaucracy seemed to be screening all transactions by one simple criterion: How would an ignorant, though well-meaning, patriotic congressman react? Accordingly, exports were prohibited and imports discouraged even when the effect on U.S. security seemed remote." [20]

the capitalist countries, had there been no cold war. Obviously, as the technological-economic standard of the CMEA countries was inferior to that of the developed capitalist ones, they proved to be imperfect substitutes from the aspect of Soviet economic growth. Still, the American embargo policy, although it put an additional burden on the Soviet economy, failed to bring about the results the founders of the American policy had expected. According to *Adler-Karlsson,* although it hindered the growth of the consumption sector, "it cannot even be proved that it has hurt the Soviet military sectors at all." [22] This opinion is shared by *Wilczynski* as well. [23] The development of nuclear and thermonuclear weapons, then the success in space technology rapidly did away with the whole concept of a global strategy based upon the maintenance of American supremacy.

However, as a result of the international tensions, the Soviet Union and the other socialist countries had no other choice but to work out an economic concept that would rely only marginally on trade with capitalist countries, on Western technology, and which would take into account the quantifiable and non-quantifiable effects of economic ties with the West in setting the basic aims and finding the means for the development of the economy, in the solution of the problems of growth to a minor extent only. Thus, the compelling force of the international situation strengthened the foreign economic policy formulated as early as at the beginning of the 1930s under the new circumstances as well (but already in the dimensions of the CMEA).

This period (1952) saw the publication of Stalin's work "Economic problems of socialism in the USSR", in which he expounded the theory of the emergence of two, opposed, parallel world markets, and, among others, pointed out that the industry of the socialist countries developed extremely rapidly as a result of cooperation based on mutual assistance, and, thus, ". . . it will soon come to pass that these countries will not only be in no need of imports from capitalist countries, but will themselves feel the necessity of finding an outside market for their surplus products."[24]

The embargo mostly hit – as we have seen – the trade in most advanced technology and techniques. It restricted and reduced East-West economic contacts to the lowest level and thus prevented, throughout a long period, the establishment of such relations between the two systems that could have fostered solution of the main problems and central tasks of economoc development.

Impact of the embargo on trade

Table 1 illustrates with the example of Soviet foreign trade how the cold war and its arsenal used by the West affected trade figures. Like the whole of the East-West trade, Soviet-Western trade decreased from 1948 in absolute terms as well and reached the 1948

*Imre Vajda wrote that "this theory intended to guide the socialist countries toward 'a kind of strange autarky': autarky in covering needs, but not in selling the products; although, future exports are desirable, they would be effected without imports or, perhaps, against unnecessary imports." [25]

Table 1
Soviet foreign trade

Year	Export			Import
	Total	of which: developed capitalist countries	Share of developed capitalist countries percent	Total
	1	2	2/1	1
1945	301.8	209.1	35.5	259.7
1946	588.3			692.0
1947	693.7	240.4	34.7	670.3
1948	1177.3	419.8	35.7	1101.6
1949	1302.5	250.7	19.2	1340.3
1950	1615.2	235.9	14.6	1310.3
1951	2061.7	305.7	14.8	1791.7
1952	2510.9	346.7	13.8	2255.5
1953	2653.0	347.6	13.1	2492.1
1954	2900.8	426.3	14.7	2863.6
1955	3084.0	502.5	16.3	2754.5
1956	3253.5	552.9	17.0	3251.4
1957	3943.3	642.7	16.3	3544.0
1958	3867.8	632.2	16.3	3914.6
1959	4896.7	799.1	16.3	4565.9
1960	5005.5	913.3	18.2	5065.6

Note: The figures do not contain the lend-lease shipments. No data are available for the groups of countries for 1945.
Source: Внешняя торговля СССР 1918–1966. Москва, 1967. Внешторгиздат

level again only in 1952; the share of developed capitalist countries in Soviet foreign trade reached its lowest ebb by 1953 (It halved in five years. Elimination of the diverting effect of the embargo on trade took much more time: the share of developed capitalist countries reached the 1947–1948 level again only by the mid-1970s.).

Analysis of the geographical structure of trade in commodities leads to further conclusions. For instance, Finland had a special position in Soviet-Western economic relations: partly because, according to the peace treaty, Finland had to effect reparation shipments in a value of $300 million (at 1938 prices), partly because from 1950 on a long-term contract regulated the exchange of commodities between the two countries. For this reason, besides Great Britain, Finland was the most significant Western partner of the Soviet Union and there were even years, when the Soviet-Finnish trade turnover

(million 1961 Roubles)

Import		Total turnover		
From which: developed capitalist countries	Share of developed capitalist countries percent	Total	of which: developed capitalist countries	Share of developed capitalist countries percent
2	2/1	1	2	2/1
		561.5		
281.9	40.7	1280.3	491.0	38.3
218.7	32.6	1364.0	459.1	33.7
259.2	23.5	2278.9	679.0	30.0
315.1	23.5	2642.8	565.8	21.4
204.3	15.6	2925.5	440.2	15.0
271.1	15.1	3853.4	576.8	15.0
387.8	17.2	4766.4	734.5	15.4
399.8	16.0	5145.1	747.4	14.5
527.6	18.4	5764.4	953.9	16.5
401.8	14.6	5838.5	904.3	15.5
540.3	16.6	6504.9	1093.2	16.8
628.4	17.7	7487.3	1271.1	17.0
591.3	15.1	7782.4	1223.5	15.7
709.4	15.5	9462.6	1508.5	15.9
1004.0	19.8	10071.1	1917.3	19.0

alone accounted for one third of all Soviet trade with Western countries. For instance, in 1953 developed capitalist countries, excluding Finland, had a share of only 9 per cent in all Soviet foreign trade. A part of Soviet-Finnish trade substituted for the turnover that would have been transacted with other countries had there been no restrictions applied by the West. Finland was, then, one of the channels for bypassing the embargo.

Of the other capitalist countries, Austria, Italy, Sweden and the Netherlands played a more considerable role in the trade with the Soviet Union during the cold-war years. With the exception of Great Britain, the bigger Western countries had no trade whatsoever with the Soviet Union. In 1952, for instance, the combined trade of the United States, France, Japan and West Germany with the USSR only reached 34 million roubles. Of this amount Soviet exports to the United Sates accounted for 15.8 million roubles (10 million of this was export of fur). [26] In 1945 90 per cent of all machine and equipment imports to the Soviet Union came from the United States, in 1947 68 per cent. However, from 1949 till 1955 the import machinery from the USA was practically nil. [27]

Changes in the system of restrictions

The strategic restrictions could be upheld in their complete form only for a short time: no sooner had the comprehensive system of prohibitions and limitations been formed than its disintegration began. One of the reason was that the interests of West European countries differed from those of the United States. At the beginning of the cold war, they had been forced to cooperate fully with the USA in effecting the embargo, as the Battle Act threatened them with extremely serious sanctions. While the economic and military aid provided by the US to Western Europe was $ 19.5 billion between 1949 and 1953, the East-West trade within Europe represented only a fraction of the total foreign trade turnover of the West-European countries. [28] Still, these countries were considerably more interested in Eastern trade than the United States, not only because of their trade traditions but particularly because their accumulated trade deficit with the United States urged them to step up their exports to other countries as well; the embargo deprived whole industrial branches of their markets. The West-European political objectives were also opposed to strict embargo. For this reason, already from 1954 on, the European members of NATO, first of all Britain, exploited the easing of the tension and the fact that American-West-European relations were not limited exclusively to the provision of American aid, and began to press for easing up the restrictions. In that year, and later in 1957 and 1958, the COCOM lists were substantially reduced.

From the late 1950s on the American system of restrictions and the restrictive policy itself entered a period of continuous change, although, these changes were not without regressions and their purposes and means were not unambiguous, either. The reasons of the inconsistencies can be found in the changes in the international situation and in the American home policy as well. The spirit of Camp David, under which the question of the abolishment of some of the trade obstacles was raised, lasted only till the U-2 case. After it, the United States achieved, against the opposition of tis allies, the reextension of the COCOM lists, but they were again revised in the 1960s several times. At the beginning of 1964, the common COCOM lists contained only 10 per cent of the internationally traded goods, although, the American list was considerably longer. [29]

It was President *Kennedy* who authorized for the first time the sale of a significant quantity of wheat to the Soviet Union in the autumn of 1963. At that time, Vice-President *Johnson* called this decision the greatest foreign policy mistake of the administration. Later, as president, he reconsidered this view and himself presented a draft on East-West economic relations in May, 1966, which suggested a more flexible, though selective trade policy towards the socialist countries. If it had been enacted, the president would have received the right to conclude trade agreements with certain socialist countries on the basis of providing mutually most favoured nation treatment. However, the draft was rejected by Congress.

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At the end of the 1960s and in the early 1970s, the so far most efficient extra-economic means found for the coordination of the foreign economic policy of Western countries, the restriction of "strategic" exports, was far from playing such an important role in influencing East-West trade as in the first ten years of its existence. Other direct limitations of East-West trade were eased as well. But the expectations according to wich the remaining administrative obstancles of trade would be rapidly removed have not come true. As is known, according to the 1974 resolutions of Congress, U.S. credit and tariff discriminations against the Soviet Union and most of the other CMEA countries remain in force. During 1975–1976, the political atmosphere of East-West trade generally deteriorated and this palpably renders difficult the solution of problems in economic relations. Thus, improvement of political relations and elimination of trade restrictions remain important tasks in promoting East-West trade.

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ВЛИЯНИЕ ЗАПАДНЫХ ОГРАНИЧЕНИЙ НА ТОРГОВЛЮ МЕЖДУ ВОСТОКОМ И ЗАПАДОМ ПОСЛЕ ВТОРОЙ МИРОВОЙ ВОЙНЫ

А. КЁВЕШ

В годы второй мировой войны между союзниками сложились значительные экономические связи. Благодаря этому после войны вновь актуальным стал вопрос о том, как должна развиваться в дальнейшем торговля между социалистическими и капиталистическими странами. Пока направления международного политического развития не наметились со всей определенностью, с советской стороны не отвергалась возможность сохранения впредь интенсивных экономических связей с бывшими союзниками и, в первую очередь, с США. Однако в годы холодной войны на Западе сложилась политика всеохватывающих торговых ограничений в отношении СССР и его союзников, которая, по существу, лишила смысла всей торговли между Востоком и Западом. Одним из последствий этого явилось то, что – в противовес политики эмбарго – укрепилась союзная система социалистических стран и быстрыми темпами стала развиваться торговля между странами-членами СЭВ. Другое последствие состояло в том, что Советский Союз и прочие социалистические страны вынуждены были разработать такую концепцию экономического развития, в которой роль торговли с капиталистическими странами в решении проблем экономического роста могла приниматься во внимание лишь маргинально. В новых условиях такое воздействие международного положения лишь утвердило – теперь уже в рамках СЭВ – внешнеторговую политику, сложившуюся в тридцатых годах в СССР.

Acta Oeconomica Vol. 19 (1), pp 77–90 (1977)

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STABILIZATION AND EMPLOYMENT PROBLEMS IN THE FEDERAL REPUBLIC OF GERMANY

The public debate in Germany since the recession-period of 1974/75 is dominated by programms to stimulate the economy and in particular, to reduce unemployment. This essay tries to explain the factores which led to the economic down-swing and argues that neither Keynesian policies nor an active labour-market-policy will help the German economy to recover its dynamism once again.

There has been a considerable shift in the last three years in the politico-economic situation in the Federal Republic of Germany. Whereas in the 50's and 60's one had largely become acclimatised to the status of full employment and in some cases over-employment and the main object of attention was the balance of payments and the question how inflationary disturbances from abroad could be counteracted, a new situation has developed since 1974. A relatively heavy recession has led by German standards to high unemployment. But at the same time, the efforts to ensure monetary stability were not so successful as in the recession before last, which occurred in 1966/67. At the time, the price level remained practically stable for a period of almost three years. This is not the case in the last business cycle. The price index for the cost of living has, indeed, fallen from 7 percent (1974) to less than 4 percent in the first half of 1977. But the aim to restore price level stability, which, for instance, Switzerland has recently succeeded in attaining once more, is, even according to optimistic observes, still far from being in sight. Hence, the Federal Government, in its annual economic report for the year 1977, expresses the hope in it target projections that the price rise rate will remain under 4 percent, whereby it adds the proviso that this can only happen if the rise in costs does not again accelerate. [1]

Even if official comments are fond of stressing that Federal citizens no longer entertain any fears of an expected inflation – which may possibly be true in the sense that at the moment most people do not reckon with a new acceleration of inflation – nevertheless, the official resignation in government circles with regard to this main macro-economic target cannot be ignored.

The lack of monetary stability since 1975 is combined, however, with high unemployment. In spite of a reduction of the total number of employees by almost a

million and in spite of the return of about 600,000 foreign workers to their homelands in Southern Europe and in spite of an up-swing in economic activity in the last 18 months, the unemployment figure still exceeds the million mark, and it is not regarded as very likely that this situation will change in the long or in the short-term.

In the late summer of 1977, a deep sense of disillusionment spread over the German public. The hope that the economic up-swing which set in at the end of 1975 would gather momentum now scarcely exists in view of the economic results to date and the cautious prognoses of official circles and of prominent German economic research institutes. Public debate is dominated by programmes to stimulate the economy and in particular to reduce unemployment. If one compares the present subjects of discussion in Germany with arguments abroad, one thing stands out. Germany is now facing the same politico-economic problems which elsewhere have long since been playing an important role. However, many elements of the foreign arguments are not met with in Germany. Neither is any stress laid on the doctrine of the "social contract" as preached in Great Britain, nor are there any serious adherents of price and wage controls, so often practised abroad and which occassionally actually reach the stage of a price stop (Sweden, August 1977).

For a more profound understanding of the present economic situation, it is necessary to review shortly the main reasons which led to the recession in the middle of 1974 and the economic situation which is now prevailing.

I. German stability policy under the regime of flexible currency rates

The transition to flexible currency rates in the spring of 1973 enabled the Bundesbank to win back the freedom for its monetary policy which had been lost under the regime of fixed currency rates. The German domestic economy at the time of the transition to floating exchange rates found itself in a, since 1968, persistent inflationary development, substantial at that time even by international standards. During the last few years, this fact has often been forgotten. But even in countries with high inflation rates such as Great Britain and Italy, accelerated inflation, leading finally to annual rates of more than 25 percent, first set in at the beginning of 1973.

After the transition to flexible exchange rates, the Bundesbank, without any backing from governmental economic policy, decided to kepp a thight rein on money supply policy – because of the threat of further inflationary price rises. The growth of the money supply (M_1) decelerated rapidly from 12 percent in the first quarter of 1974 to 8,4 percent, 1,4 percent and 0,2 percent in the subsequent three quarters, each figure measured against the corresponding period of the previous year. No other country, except the Netherlands, applied the monetary brake so strongly.

But this change, of course, adopted by the Bundesbank was not sufficiently appreciated by the German public. The majority of those involved in the economic process continued to assume that the process of inflation would carry on in the diredtion it had taken and, in fact, would even accelerate. Various reasons are regarded as being

responsible for this attitude, for instance, apart from the intrinsic dynamism of inflatory processes, the "full employment guarantee" proclaimed by the government, which went far beyond the obligations of the Stability and Growth Law of 1967. The same trend was encouraged by pronouncements from political circles which supported expectations of inflation, and two figure percentages in wage settlements in public service, which clearly indicated that the contracting parties were including a hefty rate of inflation in their calculations. The prevailing politico-economic climate was often portrayed in such terms that a continuation of the inflationary money policy had to be reckoned with. In consequence, the trade unions based their wage claims on rising inflation rates, and the enterpreneurial side showed considerable indulgence in wage bargainings as it was assumed that higer wage costs could without difficulty be passed on to prices.

The effects of the new monetary policy began to be felt at the beginning of 1974, at a time when the German trade unions were still assuming that the inflation rates could reach the 10 percent mark. The incipient downtrend of domestic demand to which was added the oil price shock thus stood in convlict with expectations in the economy. An economic crisis couod no longer be prevented. The industries ran into marketing difficulties, stocks started piling up, short-time and finally, redundancies became unavoidable. The GNP in real terms showed a declining trend and fell in 1975 by 3,2 percent.

The question whether this development could have been avoided has often been discussed. Recently, Herbert *Giersch* [2] took the view that this might very well have been possible if the proposal, much favoured by himself, had been taken up, namely, the introduction of indexation. Under this system flexible inflation components are included in wage contracts so that no unexpected real wage rate increases can occur. In the German case, according to Giersch, an unasked for real wage rate increase ensues for those workers who have not lost their jobs. As the trade unions in the wage settlements of 1974 had reckoned with an inflation rate of 10 percent, which did not materialise, those workers who had not lost their jobs received an unexpected real wage increase, calculated on the difference between the expected and the actual inflation rate (in the German case 10 percent minus, 7 percent.

In the special German case, there was also the additional factor that the trade unions, because of the "oil shock" and the resultant worsening of the terms of trade, should have only claimed a 2 percent real wage increase instead of the usual 4 percent. But the unplanned real wage increase which occured in this way could not be absorbed by profits, which, after a min-boom in the year 1973, had not risen sharply. Hence, due to the lack of wage flexibility and excessive real wage increases, the recession was unavoidable.

The recession which set in, the second half of 1974, can thus be seen as a collision between the monetary policy which lacked any state backing and the autonomous wage policy whith was pursued by the trade unions and the employers' associations.

In the further course of events, an important consequence was drawn from this development. The Bundesbank decided for the first time in December, 1974 to announce in advance targets for monetary growth and proclaimed that it would let the money supply increase by 8 percent in the year 1975. The same announcements were made for

the two following years. To what extent the Bundesbank is thereby intending to be guided by monetarist recommendations remains to be seen. The practical application of the targets for monetary growth has proved to be anything but simple and the question as to how far political pragmatic aspects are as always mixed up with the monetary policy, is a controversial one.

Anyway it is a matter of record that the Bundesbank has several times in the last three years overshot its monetary targets by one or two percentage points.

The new up-swing in the German economy began in the second half of 1975. The real GNP in 1976 exceeded the level of the years 1973/74 by a slight margin. The first estimates of the further development for 1977 at first indicated a rise of the GNP of 5%, but in the meantime, they have been revised downwards by official government quarters. Hence, the impression in the public mind is becoming more and more firmly established that the up-swing will continue to flatten out and the best that can be hoped for is a mini-boom.

Wage policy has changed significantly as a result of these new overall economic figures. Measured against the high wage increase rates in 1974, the final wage settlement figures of the years 1975 and 1976 were modest. In some cases, final wages figures were only slightly above inflation rates, i.e. real wage rate decreases occurred.

The basic conflict between state economic policy and autonomous wage policy cannot, however, be in any way regarded as settled. Evidence of this is provided alone by the disputes between trade unions and government at the beginning of 1977, which were concerned with the question whether trade union wage claims and the wage settlements reached were endangering the government's macro-economic targets. The trade unions refused to accept any responsibility for these targets and vigorously rejected the accusation that their wage policy could endanger full employment. They countered these reproaches with the demand that, in order to eliminate unemployment, new workplaces must directly be found by the government and the employers. It was, however, pointed out to the unions that conditions could, indeed, be created whereby it would be possible for all those willing to work to find a job, but that such a policy, combined with a free social and economic order, postulates on their part that successes on the part of the economic policy-makers in expanding employment should not be rendered invalid by excessive wage rate increases.

If one tries to draw up an interim balance, then at the moment there arises the uneasy dilemma that neither price level stability has been recovered nor has unemployment been eliminated. The obvious Keynesian recipe of restoring full employment by demand management, however, finds little support in Germany. For one thing, the experiences of other countries, which have time and again given proof of the failure of such a policy, act as a deterrent, and for another thing, in the concrete German situation, there are two obstacles which cannot be overlooked; firstly, the still existing "inflation plinth" (Inflationssockel), and secondly, an appreciable imbalance in the budgets of public authorities.

The stabilization policy has, indeed, managed to reduce the inflation rate by almost a half in the last two years, and in some months actually to push it down to a level of 3,8 percent (in relation to the normal cost of living index). Thereby, however, the starting point required, namely, price level stability, is still far from being reached. Only this would permit the implementation of the simple Keynesian recipes without the risk of new inflation.

In this context, it is important to point out that price level development refutes the often vaunted thesis of price rigidity which would be produced by privately administered prices. It can, for example, clearly be seen that – leaving aside the question of state controlled prices – market determined prices are definitely flexible. If, in the case of price level analysis, the course of price development throughout the year is used as a besic of calculation instead of the usual coparisons wiht the previous year, and if in each case three monthly or six monthly averages are computer forecast, the German example shows that prices react much more strongly in inflation than is expressed by the normal method of calculation instead of the usual comparisons with the previous year, and if in each case, appreciably steeper in depression periods than can be read from the usual indicators. If one concentrates one's attention only on the market determined consumer prices, these rose at times (Spring 1974) at a rate of 9,1 percent, conversely, however, by September 1975 they lay under the 4 percent margin. Even more apparent is the price flexibility in the case of industrial producers' prices, which in the same period showed a rise of about 18 percent, whereas a good year later a low of 2 percent was reached.

In spite of this sizeable price flexibility and the by no means inconsiderable successes in stabilization, the overall economic situation nevertheless conttinues to be unstable. Hence, economic policy cannot proceed from the textbook situation, according to which nothing is easier than to find the way out of a recession – provided that the price level is stable, the production capacity is not fully utilised and labour is available in adequate quantities. If this text-book situation obtains, then in fact all that is needed is an expansion of total demand in order to let the economy by stable prices take up the slack in its capacity and reduce unemployment. But on the slippery slope of a still unaverted danger of inflation, any expansion of the total demand threatens to be rapidly converted into a new inflatory impulse without producing the wished for effect of increasing employment.

In the meanwhile, this view is shared by all the leading governments of the world. Thus, at the London economic summit conference in the spring of 1977, a communiqué was issuaed which expressly rejected the opinion that a demand expansion could serve under present day conditions as a remedial measure for the Western industrial nations.

But the second important aspect is the situation of the public authorities' budgets in Germany. They are marked by an appreciable excess of expenditure over revenues; the cash deficits of central, regional and local authorities, including social security funds, amounted to DM 1,1 billion for 1973, DM 25,7 billion for 1974, DM 70,8 billion for 1975 and DM 52 billion for 1976. If one uses the nominal GNP as a base, this gives for 1975 a financing deficit of 5,8 percent of the GNP, and for 1976 about 4 percent of the GNP.

How far additional governmental demand has helped to aggravate the inflation or to prevent a further economic slowdown can not be discussed here. According to largely unanimous opinion, the financing deficits act at the moment as a serious encumberment for the capital market. The interest rates were here, indeed, extremely low in the summer of 1977. But in the case of a stronger economic recovery, the additional private demand for capital would overlap with public demand for the same, insofar as public authorities' budgets do not succeed in sonsolidating themselves. But if public and private demand for capital come into collision and drive the interest rate upwards again, this could, it is generally feared, have a negative influence on the revival.

The serious imbalance of public authorities' budgets has, however, still another side effect. The unexpectedly low tax receipts have already brought individual municipalities to the verge of ruin, and force all other public authorities' budgets to economize. The result of this is that public authority investments, whose expansion at the moment is desirable from the point of view of the general economic situation, have become the special victims of the government's economy measures. Thus, in the least 3 years state investment placing has been stagnating while at the same time private gross investment placing declined in 1974 and 1975, and in 1976 only slightly exceeded the level of 1973.

II. Employment policy perspectives

There is a wide consensus of opinion that the present economic difficulties are conditioned by the fact that an additional structural unemployment is being imposed on the normal cyclical unemployment. In practice, however, it is extremely difficult to differentiate exactly between these two manifestations of underemployment which are so important for theoretical analysis. In every recession both these elements of unemployment are coming forward, and in retrospect it is very difficult to say whether the fall in demand, which occurs first only in individual sectors, is structurally or cyclically conditioned.

The advocates of the opinion that in Germany there exists a structural unemployment on a considerable scale side by side with the cyclical unemployment hence, try to put forward additional arguments to substantiate their view. Their usual method of procedure is to reckon a production potential of the whole economy as a norm and then to compare this with the economy's real capacity utilisation as an "actual amount". The difference between these two amounts can then be defined as cyclical unemployment. The estimate of the number of workers, who can again be employed as a result of new economic recovery, depends in the case of this procedure to a major extent, on how high the "production potential" of the economy is assessed.

The weakness of this procedure is based, however, not only on the establishment of the "productive capacity" of the economy as a whole, which cannot be objectively confirmed; in addition, the work force potential on which the calculations in question are based is in itself, not an objective amount. Public discussion is orientated almost

exclusively towards the unemployment quota, which is give as a percentage of the non-employed vis-à-vis the employed. Those, however, who are counted as unemployed in this calculation, are not determined according to economic aspects but in the first instance according to their entitlement to draw unenployment pay. In individual cases, this can mean that employees who in reality wish to retire from working life continue for a time to enjoy the benefits of social insurance, whereas, for example, school and university leavers who cannot claim unemployment pay are not classified as unemployed.

But much more serious for the calculation of the work force potencial is the question how foreign workers are to be considered when calculating "genuine" unemployment. In 1974, the Federal Government ordered a stop to recruitment of foreign workers, which was motivated less by labour market policy considerations, but was mainly based on the argument that the difficulties of social and political integration could no longer be adequately mastered. Since that date, the number of foreign workers (without family members) has sunk from 2.5 m to 1.9 m. If this decline were to continue further, then a part of the unemployment problem could be solved by German applicants taking over the jobs as they become vacant. However, this is regarded as scarcely probable and also to some extent as not desirable for the reason that if the unemployment problem is now more or less adequately solved, it is reckoned that in the middle of the 1980's new bottlenecks will again occur, particularly in those sectors in which foreign workers are employed, to-day. The general supposition is that German workers, provided that they are actually prepared in large numbers to take over jobs now occupied by foreign workers (mainly in the public utilities sector), will again leave them in the mid-eighties, as from then on it is calculated there will again be a scarcity of Germans on the labour market due to the rapidly falling birthrate.

If one follows the argument put forward here, then in the calculation of the work force potential under the aspect of full employment, there must be added to the present German work force of about 22 millions an extra approximately 8 percent of foreign workers. Thus, full employment would only then be achieved if an adequate number of jobs were again made available for those in search of work, both German and foreign.

Taking these arguments as a premise and assuming various growth rates, the proportionate degree of both, the cyclical and structural unemployment of today can be assessed. With a full utilisation of the present production potential of the whole economy about one million additional employed persons could again find a job according to the estimates of the German Institute for Economic Research (DIW). This would mean that allowing for a frictional unemployment of 1 1/2 percent on an average and taking into account the high birthrate years in the Fifties and Sixties, a further approximate million workers must be defined as structurally unemployed. Or expressed in growth percentages of the real GNP, the economy would by 1980 have to achieve 6 percent and subsequently 4 percent growth rates in order to arrive on the path of full employment-growth.

Obviously, these calculations are highly speculative. However, at the moment a high measure of trust is placed in them, and there is intensive discussion on the subject of whether Germany is facing a phase of long-term unemployment.

If one tries to systematize the sometimes heated arguments on the questions of producing remedial measures for this situation, there emerge three different schools of thought. The representatives of the first are in favour of a redistribution of the available workplaces, the adherents of the second recommend an active labour market policy, and the advocates of the third place the highest priority on reducing unemployment by encouraging investment. A fourth possible attitude, which occasionally finds favour in other European countries, namely, the recommendation of protectionist measures, with the help of which a "beggar-my-neighbour" policy is to be adopted, finds no serious supporters in Germany. Possibly, the consciousness of the foreign trade interdependence of the German economy is so wide-spread that inexpedient measures of this sort, which anyway have been thouroughly discredited as a result of experiences in the 1930's, have at the moment no chance of being taken seriously by the public.

1) The representatives of the argument that the appropriate employment policy lies in the redistribution of work are, probably without knowing it, resorting to ideas which, under the motto "job-creating measures" and "relief works", had already been tried out in the 1920's with negative success. The political appeal of these proposals cannot be denied. They demand a lowering of the pensionable age so that jobs are made free for young people, an extension of holiday periods, a shorter working week and the abolishment of overtime. A „post-industrial leisure time society" is in a manner of speaking on the doorstep. Its entry apparently is only being prevented by that small group of economists who continue to preach full employment, monetary stability and economic growth. To put it a little more seriously: the advocates of this labour market policy proceed from the economically untenable assumption that employment potential is a given physical quantity and that it can be divided into different portions according to labour demand. But supply and demand for labour are in reality dynamic factors whose reciprocal shifts are guided by the wage rate. Furthermore, the idea of a redistribution of the "amount of work" assumes that jobs and workers are highly substitutable, which in reality is not the case.*

And let it be mentioned, in passing, that this proposal does not conform with the principles of a social market economy and a liberal state because, as a consequence, the observance of the "division of labour supply rules" would have to be rigidly and accurately controlled to the point of a strict limitation of immigrant labour. But even so a dirigisme of the labour market of this sort would still be insufficient. And as employment opportunities could be reduced still further as a result of an inflationary wage policy, a retrenchment of the right to conduct wage settlements autonomously would be unavoidable.

2) The advocates of an active labour market policy share the basic attitude in that they all propose measures of various sorts for increasing employment. There are, however, very marked differences between the individual proposals, and the central aspect, naemly that employment policy should be directed towards monetary stability, is in some cases

*See also [3]

overlooked. In particular, influential associations of public employees demand that the number of persons employed in public service should be raised by 300,000. In this context, it is an open question which public needs are to be satisfied by the new persons to be employed. Of course, in the public sector it is always possible to employ persons in the sense of giving them a job to do; but the important thing is whether their work is also economically useful. It is in this sector, however, that quite considerable problems crop up. As is well-known, consumers do not express their preferences in regard to public goods and services, so that it is not possible to ascertain whether public job-creation leads to the production of economically useful goods. The problem is still further complicated by the fact that the public sector is not subjected to the rules of the market. Hence, there is a greater possibility for the inefficient use of labour.

Apart from the risk of misallocation of resources, doubts must also be expressed whether a more than 10 percent increase in the number of public employees does actually promote business expansion. Even if one assumes that the additional integration of employees into the economy effects a saving in unemployment insurance, it must not be overlooked that the new replacements burden the economy as a whole with a considerable cost load. Here must be taken into account not only the higher wage costs and the "invisible" perquisites of public employees, so difficult to quantify, in the form of sickness benefits and favourable pension rates, which are non-contributary and for which legal reserves are provided, but also the direct and indirect job costs, for which, however, no reliable estimates are available. – A further set of proposals envisages direct subsidies for the creation of jobs. Under this principle, financial aid is forthcoming after confirmation that a job has been created and occupied, or it can be given as a subsidy to the firms for the so-called recruiting costs. As is well-known, firms in casses of new appointments incur considerable costs in that they have to advertise the positions, process the applications, interview the applicants and make allowances for periods of vocational adjustment. Hence, the lowering of the "appointment costs threshold" is regarded as a desirable politico-economic measure, which furthermore has the additional advantage of being anti-inflationary, in effect, as there is a possibility that it could be entirely financed by savings in unemployment insurance.

There is something to be said for this argument. Subsidies for the creation of new jobs tend to benefit the more dynamic firms. Furthermore, they avoid a typical mistake of job-creation measures. The latter attempt as a rule to keep unprofitable enterprises in the market by aids from public funds. In this way, they contribute to the misallocation of resources, and often result in heavy loads being placed on public budgets – this has often been proved, particularly in the case of state-run companies.

Of course, the administrative implementation of providing stimuli for the creation of new jobs is not going to be easy. Only in a static conception of the economic process can one in a satisfactorily clear-cut fashion speak of "workplaces" as a given quantity. But the actual economic cycle, as Schumpeter has so aptly explained, is characterized by processes of "creative destruction" – or as one perhaps might more exactly describe it: "creative transformation" – which produce not only a constant upheaval of demand and

production structures but also of job structures. Hence, subsidies for the creation of new jobs or the appointment of new personnel certainly benefit the dynamic adjustment processes, but there is also the question of whether they do not at the same time have problematic indirect repercussions on existing workplaces. How, for instance, in a firm, can the production transfer from one job to another be managed in a system of state subsidised jobs? The firms frequently try in this way to protect their own employees against the consequences of dynamic adjustments. Will they then have to dispense with state subsidies as a price for their certainly praiseworthy policy? If this is not to be the case, how strict must public control be in firms in order that the public budget is not excessively burdened by payments for job subsidies? –

A further package of measures lays the main stress on reducing the rigidity of the labour market and thus encourages the mobility of workers and improves the possibilities of adjustment to new market situations. In public discussion, however, proposals in this direction frequently trigger off bitter reactions and very quickly one hears of the undermining of social progress. It is true, of course, that behind these arguments a sore point of the social security system is concealed. Examples are continually being quoted from which it emerges that the demands of unemployed persons when applying for a position to be taken over are exaggeratedly inflated. Conversely, because of the existing laws on protection against dismissal, it often proves to be difficult to dismiss the less productive employees in firms and replace them by more highly qualified personnel.

The economic effects of this lack-lustre attitude to mobility and flexibility are obvious. Suitable applicants cannot find a job, and those whose rights of protection against dismissal – which depend on length of service with the firm in question – enjoy a lower priority than those of the "old timers" are exposed to a greater risk of dismissal, even in cases where their work performance is better. The total economic costs in the form of inefficiency resulting from reluctance for mobility and flexibility cannot be quantitatively assessed but are quite possibly not inconsiderable.

Observes of the labour market situation thus speak of a division of the labour market into a primary and a secondary sector. Whereas in the primary sector job risk is small because of the limited possibilities of dismissal, the secondary sector serves as a sort of labour market "buffer". And those mainly affected, according to reporrts, are women and juveniles, who account for a higher than average percentage of the unemployed.

The argument sketched above is derived from studies that have been made, particularly in the USA, in connection with unemployment among ethnic minorities and the effect of laws of protection against dismissal. The effect of these laws must necessarily be selective as it is not possible in a dynamic economy to grant all persons a uniform protection against dismissal. The stress of competition is thus shifted – exactly as in markets for goods – by necessity from the monopolistic to the competitive sectors and here , in addition, depresses wages. Hence, an appropriate cyclical policy is possibly not the limitation of the concerns' capacity for adjustment in the competitive process but the shifting of protection against dismissal onto the public budgets. This, of course, would only be achieved through an extensive restructuring of the present socio-legal system.

3) As everyone knows investments play a central role in the process of economic growth. Hence, one often hears the demand from the German public that the investment activity, particularly of private firms, should be encouraged by the government as a stimulus to further business expansion. For this reason the Federal Government is considering the policy of raising the percentage rates for depreciation (by the diminishing balance method) in order to give an impulse to investment.

These considerations lead to the basic problem of the effects of investment on employment. Here again an old and well-known economic problem crops up, which possibly under the influence of Keynesianism has been too long neglected. For investments are not only capable of creatin employment, they also, as a general rule, raise labour productivity and, above all, by process innovation in the production sector, help to set workers free. It is this second aspect in particular, namely the productivity increasing and labour saving effect of innovations, that has recently attracted the attention of the German public. Under the slogan that jobs are "rationalized away" by investments and hence, employment problems are aggravated, some critics have demanded the trying out of forms of investment steering and of dirigisme in investment expenditure.

From the economic point of view, there is a difference between investment deeping and investment widening. Whereas the former leads to increasing total output of a given labour force by increasing the productivity of that force or to achieving the same output with a smaller labour force, the effect of the latter is that the labour force is increased without, however, a corresponding increase in productiviy, i.e. an investment wich increases production but not productivity.

The difference between these two types of investment is of a theoretical nature, and in economic reality it is often almost impossible to make a clear distinction between them. In a dynamic economy, investments normally also lead to increased productivity. The same machine is seldom installed after a gap of several years, for technical progress and business competition compel industrial firms constantly to keep a sharp lookout for improved investment goods, without, as experience has shown, this policy leading direct to unemployment. Nevertheless, it cannot be denied that spectacular cases do exist where investment deepening has led to labour saving. The revolutionizing of offices by computerization or the automation of rolling mills in steelworks are everywhere well-known examples of the possibilities of labour saving by modern large scale investment.

In view of this, it seems legitimate to ask whether it would not perhaps be necessary to discourage investment deepening and to encourage investment widening, which increases the number of workplaces. Should one be in favour of such a policy, then there are several factors to be taken into account.

The term, "investment deepening", defines in the first instance only the motivation which the entrepreneur in question has in mind when he decides to improve existing production capacity or to supersede it. The economic effects of his action can, however, be quite different from what he intended. The effect in the first instance of every new investment – and this includes every investment deepening – is, when the potential output of the economy as a whole is not up to full capacity, the emergence in the

supplying capital goods industry of a demand which creates there incomes and also jobs. The secondary effect of higher incomes, however, can be seen in the increasing demand for goods in other industries. If one examines the effects on employment of an investment deepening, one sees that the labour saving which occurs in one place is offset by the job-creation effects in the supplying industries. It would be very difficult to draw up a balance between the two quantities, but this very simple argument confirms that a consideration of individual investment deepening can be very misleading; what is labour saving in the case of a single concern need not be so for the economy as a whole.

There are some empirical observations to be added to these more theoretical aspects. For the period 1970–73 it could be observed in the Federal Republic of Germany that in the firms in which rationalization played a major role, additional workers were employed. This can easily be explained by an increased demand for the products of the firms in question. Furthermore, it could be observed that investment deepening, insofar as it can be statistically assessed at all, is, unlike widening investment, largely independent of the business cycle; i.e. it had a stabilizing effect on employment.

But apart from this, there are other aspects to consider. Any obstancle of any sort to investment deepening would have immediate repercussions on the international competitive ability of an economy which relies so heavily on interdependence in foreign trade. This could trigger off a partial decline in foreign demand for German products, and this in its turn would have a negative effect on the employment situation in the industries concern industries concerned. But conversely in international trade, investment deepening always leads to a stimulation of employment when it succeeds by process on product innovations – and this is after all what investment deepening is all about – to improve sales chances on international markets.

Finally, consideration should also be given to the fact that investment deepening is the precondition for the raising of the standard of living. The growth of real wages is only possible within that scale in which economic productivity rises.

When one in addition considers the competitive and the social welfare policy aspects, then it is hardly surprising that warnings are constantly being uttered against any state control measures in this sector. Hence, in its discussion in investment deepening from the aspects of employment and growth, the Advisory Council to the Federal Ministry of Economics arrives at the overall verdict that "Investment deepening in a dynamic economy is not only unavoidable but necessary and desirable" and that "the hampering or prevention of investment deepening by dirigiste measures, investment controls (including investment registration offices) or prohibitions against rationalization should be categorically rejected." The Advisory Council concludes its comments with the observation that state economic policy must anyway in individual cases very carefully consider how its decisions affect the relationship of the factor prices of labour and capital. The sharp rise of additional wage costs, which has occurred as a result of the socio-political legislation of the last few years, has undoubtedly had repercussions on the possibilities of employment. Likewise naturally higher percentage rates of depreciation also lower, the risk of investing capital. Thus, economic state policy should not forget that

its measures help to influence the relation of the prices of capital and labour. In the economic calculation of the firms, this aspect plays not a decisive but anyway an important role in the question whether an investment deepening is to be made or not.

4) In a survey of the economic and, in particular, of the employment policy of Germany, the question finally arises of whether and to what extent do the proposed measures look like being of practical value in mastering the present difficulties. The suitable measures include all the means for improving the efficiency of the labour market, particularly measures which help to make it less rigid in its adjustment to supply and demand. But it should not be overlooked that labour market measures of this sort do not suffice by themselves to boost the economic up-swing. They can at best serve in a supporting and ancillary function. The main problem of the present day German economic situation – the recovery of economic dynamism – lies, as is continually stressed, for the most part not in the economic sector but in the general intellectual and political climate. The principles of a market economy are often the subject of heated discussion in public debates; other models, like that of a labour-managed socialist economy of the Yugoslav type, enjoy great esteem in wide circles, and the introduction of co-determination between employers, on one side and unions and employees, on the other, in the supervisory boards of the major German concerns, is an institutional measure whose overall economic repercussions have still to be observed.

It would, therefore, be naive to assume that under the present conditions higher percentages of depreciation for the firms and a raising of consumer demand by lowering of taxation would suffice as measures to stabilize the up-swing.

If, however, the German economy is to recover its dynamism once again, then the many pessimistic prognoses which are today being published with reference to the future employment situation will soon be so much waste paper. For it was the German example of the 50's and 60's which show that a market economy whose dynamic potential is encouraged by a skilful policy can cope with employment problems which exceed by far our present unemployment problem.

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ПРОБЛЕМЫ СТАБИЛИЗАЦИИ И ЗАНЯТОСТИ В ФЕДЕРАТИВНОЙ РЕСПУБЛИКЕ ГЕРМАНИИ

К. ВАТРИН

С осени 1976 г. в федеративной Республике Германии значительно изменилось состояние проблем экономической политики. Для 50–60-х гг. была характерна полная занятость и отчасти – чрезмерная занятость, и основное внимание официальной экономической политики прежде всего было направлено на то, как предотвратить в рамках твердого валютного курса влияние зарубежной инфляции. Между тем, последствием рецессии 1974–1975 гг. явилось совсем новое положение. В центре внимания находится уже не полная занятость и ее обратное воздействие на экономический процесс, а длительная безработица, определяемая, согласно официальной статистике, в 1 миллион безработных. К этому числу надо добавить еще 600 000 человек, составляющих так называемый скрытый резерв; это – занятые поиском работы лица, которых уже не учитывает статистика безработицы, так как по разным причинам они или отказались от пособия по безработице или уже не имеют права на соответствующее пособие.

Вопреки оптимистическим надеждам федерального правительства и несмотря на многочисленные программы конъюнктурной политики до сих пор не удалось достичь значительного сокращения доли безработных. Конкретная картина безработицы в ФРГ весьма противоречива. И сейчас имеется нехватка квалифицированных рабочих, и отдельные наблюдатели полагают, что безработица отчасти является следствием существующей системы пособий по безработице (высоким уровнем этих пособий), которая скорее мешает, чем стимулирует поиск работы; другие же указывают на то, что у тех, кто длительное время занят поиском работы (они составляют ровно четвертую часть всех безработных) доходы меньше, чем пособие по социальному страхованию.

В статье раскрываются условия рецессии 1974–1975 гг., а также причины, по которым многие меры федерального правительства не имели достаточного успеха. Далее в статье рассматриваются различные предложения по сокращению безработицы, в основном предложение о дальнейшем сокращении рабочего времени, прежде всего с учетом их предполагаемых экономических последствий. В заключение констатируется, что восстановление динамизма экономики уже сейчас представляет серьезную проблему для экономической политики ФРГ.

Acta Oeconomica Vol. 19 (1), pp. 91–97 (1977)

REVIEWS

T. BÁCSKAI – K. NAGY

THE FOURTH WORKSHOP ON EAST-WEST EUROPEAN ECONOMIC INTERACTION AND COMMENTS FROM THE PRESS

In order to promote the exchange of views on the further development of the economic and financial relations between East and West a three-day session organized by the Vienna Institute for Comparative Economic Studies and the Institute for World Economics of the Hungarian Academy of Sciences took place in Budapest between 17–19 October, 1977. As monetary and financial problems are of outstanding importance in both parts of the world, some 50 representatives of various socialist and Western countries – bankers, economists, businessmen, etc. – came to Budapest to discuss these topics and, if not to answer the problems, at least to come a step closer to their future solution, or – as Dr. M. *Timár,* president of the National Bank of Hungary put it in his opening remarks – "to produce by joint efforts a new intellectual product which will contribute to the smoother and more extensive flow of goods and services in Europe and even outside it."

This sort of conference or workshop – as it was called by its organizers – was not the first one in its, kind, as in October, 1975 in Vienna, in June, 1976 in Tbilisi and finally, in April, 1977 in Baden similar sessions had already been held.

On behalf of the Institute for World Economics of the Hungarian Academy of Sciences, director Dr. J. *Bognár* underlined the extraordinary responsibility of the workshop and of similar joint working committees aiming at "clearing up problems influencing vigorously the economic development of tomorrow in a world and time, when the greatest problems confronting mankind are directly and indirectly of an economic character."

The conference in Budapest was based on eleven studies sent to the participants in advance, reflecting the major concerns of experts, in connection with the further healthy development of East-West relations.

A question of interest was the emergence of the CMEA monetary system and why CMEA countries, with the exception of Romania, have not joined either the International Monetary Fund or the World Bank yet – a possibility suggested by Mr. L. J. *Brainard* vice-president of the Bankers Trust Co., USA, and other participants of the conference. In connection with this Dr. B. *Fomin,* a fellow of the Institute of Economics of the World

Socialist System of the USSR Academy of Sciences, reminded the participants that it had been the Soviet Union which, after World War II, had drawn up a proposal for a new international monetary system which had been refused at that time. In the Cold War period socialist countries could not afford to provide vitally important information inevitable for joining the IMF. As regards the present, socialist countries cannot accept the conditions of an international institution where the equal rights of participants cannot be secured. (Dr. *Young* and Dr. *Bácskai* emphasized the changes in voting relationships within IMF.) All this led to the foundation of an autonomous socialist monetary and financial system whose advantages and difficulties were discussed in detail during the sessions.

The monetary system of CMEA countries is based on the transferable Rouble introduced in 1964. In the course of the discussion representatives of socialist countries pointed out that the wide-range use of the transferable Rouble wich functions as an intra-CMEA clearing-type unit of account was limited by the fact that settlements are carried out in the framework of practically bilateral agreements. Polish experts expressed the view that unless the share of goods exempt from bilateral commodity quotas were increased, an efficient use of the transferable Rouble would not be possible.

M. S, *Lyubsky,* a research worker of the Soviet Academy of Sciences explained that the unsatisfactory use of multilateral settlements in intra-CMEA relations was rooted deeply and must not be regarded only as a consequence of an unsatisfactory level of financial relations: it was related to an insufficient coordination of plans, etc. as well. He pointed out that one could not simply declare multilateralism, as it should stem from the improvement of the mechanism of cooperation between CMEA countries. The existence of a collective currency of CMEA requires a commodity back-up achieved through the expansion of a multilaterally planned commodity supply and this implies the implementation of multilateralism in planning as well. At this point, the opinions of participants differed greatly. Polish experts – as already mentioned – suggested the increase of non-quota trade which was not involved by the Soviet propositions. Others drew the attention to the fact that the introduction of such multilateralism in planning would be possible only by establishing a supranational central planning organ, the idea of which perhaps would not be welcome by all members of CMEA.

The possibility of a partial convertibility of the transferable Rouble was raised by Mr. *Fekete,* deputy president of the National Bank of Hungary and Mr. Lyubsky as well though it was emphasized that this sort of convertibility would differ from the Western one.

Some Western participants seemed to be somewhat sceptic as far as the efficient use of the transferable Rouble was concerned. Professor F. *Machlup,* from Princeton University, USA, said that the real task was to make first the transferable Rouble transferable at all, while Prof. F. *Holzman* from Tufts University, USA, expressed the view that unless bilateral settlements were eliminated the role of the transferable Rouble could not be increased. On the other hand, even a partial convertibility did not correspond to the system of central planning. In his view, it was not the question of convertibility that

was of vital importance for the socialist countries but the problems still unsolved in intra-CMEA trade.

In general, participants agreed that at present the transferable Rouble should be considered as a regional unit of clearing account the use of which might be extended later to developing countries, whereas in relation to the Western developed countries settlements would be carried out in the foreseeable future only in convertible currencies.

As a further step towards the improvement of the monetary system of the socialist countries, Mr. Fekete raised the idea of establishing a common convertible currency of CMEA countries, the value of which would be based on the world market price of gold (for details see Mr. Fekete's paper published in the present issue). This topic was of great interest, especially as regards the role of gold not only in the socialist monetary system but in the formation of a new international monetary system as well.

At this point participants greatly differed in opinion. On behalf of the Soviet Union – a country of remarkable *gold reserves* – Dr. Fomin shared the above-mentioned idea that a new international monetary system should be based on gold, otherwise it would not be able to overcome the difficulties caused by chronic imbalances, floating and the problems of international liquidity. At the same time others, like G. G. *Matyukhin* from the Institute of World Economy and International Relations of the Academy of Sciences of the Soviet Union, and Dr. T. Bácskai, managing director of the National Bank of Hungary, expressed their view that no significant role could be attributed to gold any longer. Dr. Matyukhin argued that, as none of the functions of gold summed up in Marxist literature could be fulfilled any longer, and the present tendencies – first the introduction of the two-tier gold price system in 1968, the suspension of the conversion of the dollar into gold on behalf of the USA later in 1971, and, finally, the abandonment of the official gold price and the gold auctions launched by the International Monetary Fund in 1975 – did not suggest a probable rehabilitation of gold at all, mainly due to the recognition that monetary gold was not able to meet the requirements of modern capitalism any more. And as far as the gold value of the transferable Rouble was concerned, Mr. Matyukhin pointed out that its actual purchasing power had nothing to do with gold but rather with mutually fixed prices within the framework of intra-CMEA trade. And what is more, a further development of the monetary system of socialist countries aimed at the improvement of the functioning of the transferable Rouble and not at a return to gold standard.

Dr. T. Bácskai drew attention to the fact that the gold standard could not have been perfect even at the moment of its introduction, manifested in the fact that at a time when difficulties arose the guaranteed conversion into gold was immediatelly stopped by the banks because their gold reserves proved to be insufficient to meet the suddenly increased demand. Another aspect was that a return to gold standard was in the interest only of countries having large gold reserves at their disposal, whose number is rather small, and in case of other countries, there was no point in supporting such an idea.

Profesor Machlup reminded those supporting the rehabilitation of gold that the rapid changes in gold-price taken place recently did not reconcile with the "world

money" function of gold. Dr. Fomin tried to refuse this argument by saying that the fluctuation in gold price was only a consequence of IMF and Federal Reserve Board interventions.

Besides, talking of the prospects of gold and, through this, of the current problems of the international monetary system, the IMF reform proposals, etc., the problem of soaring inflation was raised as well. The views were again greatly different. Most experts were of the opinion that inflation was closely related to the present stage of capitalism and the only way to manage it was provided by the policy of "managed floating" and, what is more, in a world of constant changes, there was no use or, to put it in another way, no pospect in returning to fixed rates of exchange as proposed by others.

Nonetheless, it became clear as well that the realization of IMF reform proposals would take quite a long time yet, as, under the circumstances of high and from country to country varying rates of inflation, the chance of coordinating economic and monetary policies of Western countries and of establishing a relatively stable system of rates of exchange seemed to be rather modest. And the fulfilling of the so-called surveillance function on behalf of the International Monetary Fund with respect to exchange rate policies of the various countries again seemed to be quite a difficult task to carry out.

When talking about future prospects of East-West relations, one of the favourite topics is the so-called indebtedness problem. This is why several authors were concerned with this question like J. *Fekete,* Dr. E. *Kemenes,* senior research worker of the Institute for World Economics of the Hungarian Academy of Sciences or L. J. *Brainard.* Mr. Brainard underlined in his paper the importance of several facts: CMEA countries are regarded as a good risk because of their central economic management, their political and economic stability and their ability to facilitate an adjustment process. When judging a country's creditworthiness, the main point is to analyze the level of debt relative to ability to pay. Carrying out such an analysis, Mr. Brainard came to the conclusion that the present level of indebtedness of the socialist countries with respect to their export earnings showed no reason for concern. Other figures given in Mr. Brainard's paper proved the same fact: e.g. the total value of capital goods imports of CMEA countries in 1970–75, surpassed the increase of their net foreign debt (including CMEA banks), providing a ratio of 0,9, which means that an approximately 10 per cent share of capital goods imports had to be financed through export receipts. Taking into consideration, the large amount of grain purchases, the requirements of large-scale development programs launched in the framework of the Five-Year Plans or the adverse effects of recession and slow recovery in the West, etc., this seems to be a respectable performance. These figures only underline the so-called self-liquidating character of investments financed with the help of credits, as pointed out in J. Fekete's lecture as well.

In connection with managing debt servicing by the socialist countries and the results of their marked efforts towards a balanced trade with the West, Dr. Brainard drow attention to a highly important aspect – accepted in the first place by Western bankers –namely, that the solution of these problems depended to a great extent on the attitude of the West. Export prospects of CMEA countries deteriorated a great deal because of the

slackening Western demand due to slow economic growth, to protectionistic measures taken on behalf of Western governments and to an increasing competition of developing countries. And, of course, it is rather strange that creditor countries should limit the possibilities of their debtors to pay.

If no change will be shown in the Western attitude, socialist countries will have no other choice than to restrict their imports and to stick to counter-purchase agreements disliked by the West. Of course, this is a rather sophisticated problem – as Professor A. *Lamfalussy* from BIS pointed out – because in a world of slow economic growth and general instability all countries endeavour to increase their exports and limit their imports. Dr. F. *Levcik,* deputy director of the Vienna Institute for Comparative Economic Studies expressed his concern as regards the idea of achieving a rapid decline in foreign trade deficits of the socialist countries, as this could not be carried out without having unfavourable impacts on the expansion of the total volume of East-West trade turnover. That is why, in his opinion, an improvement in the balance position of CMEA countries should be reached slowly, step by step, so as to avoid a drop in turnover. Taken as whole, Dr. Levčik expected the total debt of socialist countries to continue growing in the late 70-ies and this view was shared by several participants of the conference as well, like Professor N. *Kloten,* president of Landeszentralbank in Baden-Württemberg. However, Professor Kloten added, there was a faint possibility to achieve a remarkable improvement in the balance position of CMEA countries by 1980 and that would require a two-digit per cent increase in their exports to the West and a 3–4 per cent growth in their imports from there each year. Of course, this assumed favourable market conditions in the West and strong measures taken on behalf of socialist countries. Dr. E. Kemenes drew attention in his paper, distributed at the very conference, to the considerable improvement of the foreign trade balances of CMEA countries attained in 1976 manifesting the ability of government policies to react promptly to the requirements of changing conditions.

In general, both socialist and Western experts agreed that the use of credits in financing foreign trade transactions should be regarded nowadays as a common practice. When analyzing Western credit policies – Mr. H. *Haschek,* general manager of the Österreichische Kontrollbank A. G. (Austria), emphasized that a marked change was shown in financial relations between East and West at the point when socialist countries first appeared in the international capital markets. But – as referred to in Mr. B. Fomin's and Mr. Brainard's paper –when credits are used for financing imports closely related to export expanding activities on one hand, and financial resources are centrally controlled which allows a flexible restructuring on the other, there cannot be any danger of default or of any rescheduling of CMEA debt – a statement accepted by other participants of the conference as well.

It seems to be of interest to point out that Western papers dealing with the topic in question always come to the same conclusion, as shown, e.g. in Handelsblatt (November 21/22, 1977) referring to the lecture of Mr. *Kissner,* director of the International Department of Commerzbank who emphasized that CMEA countries were still good risks

and especially the Soviet Union and Czechoslovakia might continue borrowing without causing any concern.

"Finanz und Wirtschaft" (Nov. 23. 1977) underlined, referring to the Workshop on East-West relations, that neither industrial manager nor bankers saw any reasons for concern as regards borrowings of socialist countries since the amount of debt relative to the economic power of CMEA countries showed nothing to worry about, especially, when considering that credits taken financed – in most cases – imports of investment goods contributing to the improvement of export capacities in the various countries. Similar views were expressed in the French daily, "Le Monde" (Nov. 8., 1977) or "neue Zürcher Zeitung" (November 9, 1977), and in the Austrian daily "Die Presse" (November 2, 1977).

Concerning the management of debt service commitments of socialist countries, in the course of the discussions the so-called "umbrella theory problem" was raised by Mr. *Lavigne* from the Centre of International Economy of the Socialist Countries (France) but it was rejected by S. *Raczkowsky,* from the Institute for Economic Research of the Planning Board, (Poland) with the argument that each CMEA country implemented an economic policy for which it took responsibility.

Summing up the results achieved at the conference – taken as a whole – it has to be emphasized that they are to be considered as an important contribution to understanding the conditions for the further development of East-West relations. This was the opinion of both socialist and Western participants. Participants agreed that nowadays one of the main tasks was the institutionalizing of East-West economic interdependence. A possibly efficient means for managing it would be – as proposed by N. *Scott,* director of the trade and technology division of the UN Economic Comission for Europe – the foundation of a European Cooperation Fund, an idea to be discussed by the next ECE minsterial meeting. The fund in question should be used to finance various development projects concerning the exploitation of natural resources, the implementation of advanced technology, etc. As a further step, an East-West European Bank and an East-West European leasing company should be attached to it. Though, the idea is of interest, its actual realization would take some time, yet. That is why, in order to promote financing of East-West trade, first the operation of banks and representative offices of socialist countries established in the West should be made a great deal more efficient, mainly by increasing the amount of disposable funds of these institutions as suggested by K. *Glazewski* from the Vienna Centro-Internationale Handelsbank AG.

And finally, the clash of interests emerging between Western bankers and industrial managers became manifest in the course of discussions as well. While all participants agreed that imports from the West would continue to have great importance for the socialist countries, but their policy choices were largely dependent on the results of their efforts to boost exports and, on the other hand, the Western countries were further on interested in extending their exports to the East, still only Western bankers recognized the necessity of a considerable change in the attitude of the West, i.e. the elimination of various trade barriers. The cause of their goodwill is, of course, easy to be understood, as

they are seeking – in order to take advantage of the present high level of international liquidity – for new, more efficient forms for financing East-West trade. Simultaneously, industrial managers who are much more concerned with the problems of insatisfactory domestic demand, the underutilization of capacities, the high rate of unemployment, etc., aim at selling their own products and not at making it easy for others and so they do not advocate the idea of pulling down different discriminative trade barriers imposed on products of socialist countries.

Reflecting on these problems "Le Monde" (Nov. 8, 1977) emphasized that Western countries should realize that it was in their own interest to end the various discriminative tariff barriers and quantitative restrictions against pruducts from the East.

As a general statement, it may be pointed out that the prospects of the further development of Est-West interdependence are closely related to the political climate between the two blocks, to the furher improvement of the conditions of détente which seems to be one of the most important preconditions for the expansion of East-West trade turnover, a fact which was underlined in all Western papers when writing about the conference. Articles stressed that détente has never played such an outstanding role in the future of East-West relations as it does now and will do in the coming years.

The conferences with its friendly atmosphere contributed much to the climate of mutual understanding of the sophisticated questions on the agenda of the all-European discussions.

Acta Oeconomica Vol. 19 (1), pp. 99–112 (1977)

BOOK REVIEWS

DONÁTH, F.: *Reform és forradalom* (Agrarian reform and revolution.) Budapest, 1977. Akadémiai Kiadó. 282 p.

Eight years after the publication of a monography on the democratic land reform of 1945, in his new book, the author gives a comprehensive picture of Hungarian agricultural development after the Liberation, first of all that of the radical transformation of the social and economic organization of agriculture. As he writes in the introduction, his book had been written originally for foreign readers, but later on he found – in my opinion with good reason – that it might be useful also for Hungarian readers interested in economic and social problems.

Agriculture is, in a certain sense, a public concern in Hungary. Everybody is interested in the yield prospects, in the fluctuating prices of products and in the peculiarities of the way of life in the villages, even those whose profession has nothing to do with agriculture. Although almost everybody has some information on the important changes in agriculture, yet this rarely gives such a comprehensive picture as would reveal that the social transformation in the Hungarian villages as well as the revolution of the economy and the social relations have brought about greater and even more important changes against the past than has industrialization or urbanization. A positive feature of the book is that changes in agriculture are embedded in the general economic and political situation of the country and also in international processes. In this way a properly documented answer can be obtained to the question whether in Hungary the only possible way has been chosen for the socialist transformation of agriculture or not.

The book consists of four main parts which follow the periods of economic history and agrarian development in the last more than three decades. *Part One* deals with the situation of Hungarian agriculture before the Liberation: the conditions of farming, the backward social and technical standard of pre-war agriculture, its stagnation and the extraordinarily heavy damages caused by the war. The natural conditions of farming are mentioned only very briefly and perhaps they are not so favourable in reality as shown in a few sentences by the author. It is well-known, that conditions for agriculture are favourable in Hungary; nevertheless, the rather extensive areas of soil requiring amelioration and the capricious distribution of precipitation are rather disadvantageous features. Fields lagging behind those achieved in Western Europe are due not only to agrotechniques but also to the climate guarantees higher yields almost alone (and chemical fertilizers to be utilized effectively in larger quantities).

Part Two presents the democratic land reform of 1945 and deals with the period when Hungarian agriculture was characterized by small-peasant holdings for a short time. The description of this first agrarian revolution is exciting and also imposing. This really democratic people's movement could achieve enormous results within a short period, thus proving how full-fledged the people can arrange their own business if they are trusted and given adequate possibilities. The chapter shows why the land reform was a political necessity despite the fact that small-peasant farms had already become anachronistic by the middle of the present century. Two main conceptions of land reform are reviewed: one was that of the

Independent Small-holders' Party which would have served the development of capitalist agriculture. The other one was developed by the Hungarian Communist Party and the National Peasants' Party and this was realized in the Land Reform Bill.

The land reform was implemented within an extraordinarily short time, much more rapidly than if it had been delegated to any state office. Realization was urged by the necessity to begin agricultural work; besides, no state apparatus or land office existed in the spring of 1945. Hundreds of thousands gathered in the committees of claimants for land and the land reform was accomplished rather precisely and justly.

It is a wide-spread opinion in Hungary that the democratic land reform accomplished, as a matter of fact, a task of the bourgeois revolution: it eliminated feudal survivals. It is disputed also by *Donáth* that the land reform afflicted rich peasants, too. However, it is a fact that the land reform definitely had some anti-capitalist features, too. Although, the bill did not affect the holdings of rich peasants, in practice some of them were divided; the land reform extended to capitalist leases, capitalist enterprises, that is, also to the land of the bourgeoisie. "Land belongs to those who cultivate it" was not only a mobilizing slogan, but in directed also the work of the land claims committees. In the final part of the chapter, the author states that land reform was not accompanied by an agrarian reform. In the Hungarian agriculture that had became a sea of small farms, the modernization programme of peasant farms and the spreading of simple forms of cooperation did not begin, but soon the development of cooperative large-scale farms took place.

Part Three presents the period when cooperative large-scale farms were organized (1949–1961), which was full of serious economic problems, political tensions and debates. It is no easy task to give a summary and a sound evaluation of this period.

In the introduction of the chapter Marx's, Engels' and Lenin's concepts on the socialist agriculture are summarized. The most comprehensive one was Lenin's plan on cooperatives that based the change-over of the peasantry to cooperative large-scale farming on the principle of gradualness, conviction, social assistance and the examples provided by the state farms, respectively. It is well-known that the practice of collectivization deviated from these principles in several respects. The reasons for it can be found presumably in external circumstances: in the case of the Soviet Union in izolation and permanent threats by the hostile surroundings, while in the people's democracies in the threats of the cold war. At the beginning of the building of socialism a certain impatience could be observed, too, we wanted to transform the class stucture of society into one having socialist character too rapidly.

The book presents the socio-economic structure of socialist agriculture in Hungary and reviews the various forms of farming. We are given a picture of the rapidly changing events in the second half of the 1950s. In 1956 60 per cent of cooperatives dissolved, but the remaining 40 per cent already indicated that, despite all the difficulties, this form of farming had already begun to take root in Hungarian agriculture. In 1957 the number and area of cooperatives began to increase again, although the completion of large-scale reorganization seemed to lie still in the very distant future at that time. From 1958–1959 onward external factors urged collectivization again, first of all the fact that in the neighbouring socialist countries the socialist transformation of society had accelerated and large-scale reorganization had been completed. The inner development of agriculture itself would not have urged transformation yet, the small farms still had reserves for increasing production. Besides, even the existing cooperatives were small and poorly equipped, thus their strengthening would have been necessary. Naturally, to raise such questions as: "What would have happened, if . . .", is of little value. It is a fact that the solution for the socialist transformation of agriculture applied until now is not the only possible way, but no other way has been found as yet, moreover, no experience is available about the results of gradualness and slow transition. It is well-known that in the Polish and Yugoslav agricultures this solution is being sought after, but it must be added that the results achieved by them up to now are not yet convincing.

At the end of the 1950s and in the early 1960s the completion of agricultural reorga-

nization differed from the collectivization carried out a decade before in several relevant features. The previous violent measures were not repeated, no economic pressure was exercised on the agriculture, but reconciliation with the former rich peasants' class was proclaimed. More elastic statutes of cooperatives were adopted and the reorganization was accompanied by considerable state support. It should be obvious that the decision of the peasantry was strongly influenced by the memory of collectivization ten years before and by the knowledge of collectivization completed in the neighbouring countries, too. Practically, this collectivization initiated from above was realized more rapidly than had been imagined by the leadership. It can be considered as an important achievement of collectivization that the level of agricultural production did not fall in the years of reorganization, either and no disturbances in supply were experienced, although this required considerable material sacrifices.

Part Four of the book examines the development of up-to-date cooperative farming from 1962 until now. This part can also be divided into two periods: the development of the conditions of large-scale farming can be dated to 1962–1967 while large-scale farming itself began to develop after 1968 – owing partly to the establishment of technical conditions and the introduction of the new system of economic control and management.

Naturally, the balance of production factors was upset again after the completion of mass collectivization. In the 1960s development tended towards up-to-date independent big farms though many difficulties were encountered. Elimination of dogmatic views concerning household plots and share-farming much contributed to a better utilization of the labour force of the peasantry. Large-scale frameworks could be filled with large-scale technology only gradually. Agriculture was allocated considerable investments, but this served mostly only to replace the small-scale implements. Between 1958 and 1965 almost 9/10 of all agricultural investments served this purpose. However, investments were not complete (so-called complementary investments were omitted) and their geographical distribution did not follow that of production.

Realization of the enterprise independence of cooperatives encountered several difficulties. For the maintenance of the level of production state subsidies and credits had to be resorted to and, in return for them, the state – mainly the district organs – interfered with farming even in detail matters.

It is worth pointing out that the important agricultural investments following collectivization were not financed at the expense of other sectors, but costs were mostly met by the peasantry. The taxing away of incomes was maintained and even became heavier in the 1960s, the gap between prices of agricultural and industrial products widened and the income of cooperatives was not enough even to replace the means of production used up. In this period producer prices in agriculture were about 30 per cent lower than prices which would have corresponded to socially necessary inputs.

The 1968 reform of the system of economic control and management introduced not only regulators of a new character, but also changed the relationship between state and cooperatives. The book reviews in detail the changes which have transformed this relationship and allowed independent cooperative farming. The economic reform released enormous amounts of energy, initially in the leadership of cooperatives, but later on also in the members. In consequence, agricultural production increased extraordinarily. In the 1950s and 1960s Hungarian agriculture developed only slowly also by international comparison. In the first half of the 1960s gross output increased by a yearly 1.2 per cent and in the second half of the 1960s by 2.8 per cent, while between 1971 and 1974 the yearly average growth rate already amounted to 5.5 per cent.

In the closing part of the book the author outlines the new features of Hungarian development in recent years and some questions of further development. The reviewer joins the author in his doubts why the territorial concentration of farms had to be increased to such an extent and why such extensive farms were developed whose specialization, labour supply and supply with fixed assets do not enable an advantageous utilization of economies of scale. The premature territorial concentration of cooperatives has again upset the harmony of production factors in Hungary and it is obvious

that considerable efforts should be made until fixed assets and labour can be adapted to the area.

One of the most important new phenomena of agriculture in Hungary is the increasing agricultural-industrial integration that may be presumably conceived as the introduction of the third agrarian revolution following the Liberation. Its evolution will take a longer period, too, and transform the whole organization of agricultural work while eliminating social differences between agriculture and industry.

GY. ENYEDI

ANDICS, J.: *A technikai haladás társadalmi problémái a gazdasági szervezetekben* (Social problems of technical progress in economic organizations.) Budapest, 1977. Akadémiai Kiadó. 258 p.

Nowadays social sciences are increasingly expected to supply answers to the social problems of the unprecedented technical progress. The close connection between the achievements of technical sciences and production steadily raises the productivity of labour and all this allows a considerable reduction of working time. As a result of the development of communication techniques space is narrowed down, radio and television bring the world into the homes of people. In consequence of all this the way of life of both society as a whole and of its particular strata changes together with the contents and forms of utilizing leisure time that should serve also for the development of personality. The scientific-technological revolution is going on so to say in the entire society and its basic criterion is that it produces a radical change in the relationship between the scientific-technological achievements and society. It seems as if the author of the present book wished to answer challenges of such and similar character.

The book is divided into two main parts and 11 chapters. The first, more extensive part is entitled *"Technological progress and manual work"*. In the first chapter (Some methodological problems of the examination of social consequences of technological progress) the author explains what criteria may be used to single out the level of technical development. He states that "... the degree of technical complexity cannot be the criterion of judging technical development". After criticizing the concepts of measurement of several authors he comes to the conclusion that: "Thus, we try to present various types of technical development on the basis of an analysis concerning the relationship between technical development and the contents of the concrete work performed, i.e. the activity-structure of the worker." In the following he explains that this method can be applied not only to the evaluation of technical equipments, but also to that of the procedures of work organization used. This approach starting from the contents of actual work is, in all probability, one of the best acceptable procedures, since it enables a many-sided revealing of the relationship between machine and worker.

In the second chapter (Characteristic features of the activity of manual workers at various levels of technical development) the author discusses the following types of technical development level: I. Non-mechanized production: 1. Pure manual work: a) handicraft work; b) simple manual work. 2. Assembly-like production procedures. II. Mechanized production: 3. One-function individual equipments requiring permanent manual intervention. 4. Individual equipments with permanent human intervention through coupling and operating devices. 5. Multiple-function individual equipments not requiring permanent human intervention. 6. Equipment systems with handling and controlling activity not requiring permanent human intervention. III. Automated production. 7. Partially automated individual equipments. 8. Partially automated equipment systems.

In this chapter the author tries to assert the application of the method already presented in the first one. Unfortunately, the attractively looking typology causes disappointment for the reader, since the stages of development are deduced not from an analysis of the contents of actual work, but from their abstraction. Since the presentation of man-machine relationship is very rough-and-ready, no reassuring or clear picture can be obtained of the individual processes, and their characteristics are also

mixed. It is not clear, for example, on the basis of what criteria the author distinguishes between machine, equipment and device, respectively. Nor can it be always determined, what aspects of work and business organization participated in the division.

In the third chapter (Ways of technical development in various fields of industrial production) the author explains that development cannot be approached by concentrating on one or another industry, because the new equipments can be utilized more and more generally. Therefore, the above-mentioned types of development are discussed according to partial processes of manufacturing as follows: 1. preconditioning, 2. transformation of materials, 3. processing, 4. assembling, 5. packing, 6. transporting working processes. It must be noted that although a division neglecting particularities of the individual industries is very attractive, it has several pitfalls, too. Let us just think of such processing activities as machine-tool production or shoe manufacturing. Despite the similarities they are partial processes of manufacturing that can hardly be compared.

After having outlined the objective development trends of production, the author draws attention in the following four chapters to the fact that technical progress is going on at a pace deviating by industries and enterprises within a framework provided by economic possibilities. This is so not only at present, but also in the nearest future, which, again, involves several sources of conflicts. Even automation or mechanization themselves are full of various contradictions wich are further aggravated by problems arising within the enterprises.

In these chapters the author draws attention to several tasks facing us already at present and waiting for solution. Thus, for example, training and education should be transformed in a way to become easily adaptable to technical development and be less specialized. Several interesting proposals are submitted in these chapters, e.g. that psychologists should display their activity not only in labour management, but "... take part in planning already in the process of technical development and so to say forecast the extent of psychophysiological damage to be expected with the new equipments". Nevertheless, we feel this part sill rather weak, sometimes even one-sided. Without intending to belittle the importance of the author's undertaking, we only indicate that despite his good starting point, he did not succeed in revealing the concrete work and its contents in a complex way.

We should like to note that the presentation of particular activity-structures through the spectacles of a single science, namely, sociology, cannot be successful, even if the author did not strive after completeness. Obviously, also the author felt so and precisely on this account, he dealt with the physical and nervous strain of workers as well as with damage resulting from working conditions in a special subchapter within Chapter 7 discussing the changes in the social situation of workers. International and Hungarian literature proved in a great number of publications dealing exactly with the problems related to the development of new machine-man-environment systems that a multidisciplinary – or complex – character of this approach is justified, especially if the social issues of technical development are revealed from the aspect of the contents of concrete work. Of course, it is also true that the sociological foundation of these papers does not even approach that of the book under review.

Therefore, the need necessarily arises – and this is proven even by the deficiencies of the otherwise excellent book – to explore this subject through systems-approach ergonomy, which deals with more than only damage suffered by man. (p. 140) It must not be forgotten, however, that several attempts have already been made in this direction – and will, obviously, be made also in the future. The first part of the author's work is an important stage on the road towards this goal.

The second part of the book, entitled *"Technical progress and the administrative and control apparatus in economic organizations"*, includes the social issues of technical progress in administration and management. The author observes in the introduction that changes are necessary also in this sphere and if there is sometimes a time lag, this is to be explained by the fact that development in this field takes another course than in manual productive work. Since the share of mental work may be very

deviating in particular administrative apparatuses, labour and working time should be released first of all by the mechanization of routine work. At the same time, however, the staff in organizations is steadily increasing, especially in the development and research sections. It is another particularity of this development that, as against the viewpoints of economic efficiency enforced with the mechanization of manual work, efficiency can only be an indirect objective with this kind of activity.

On the basis of all this the author starts in this part of his study not from an analysis of concrete work, but from the organization primarily determining the apparatus of administration and its development.

He points out that in administration vertical cooperation shifts more and more towards a horizontal one and this is further increased by mechanization. According to the author a new period in the development of administration is beginning nowadays with the development of structures of manifold organizational influencing where the weight of different horizontal relations and together with it also the mechanization of tasks are an ever increasing necessity. According to his argument – as a result of this development – the role of specialized knowledge will become more and more important and individual decisions as well as horizontal cooperation will be replaced by collective decisions. However, this development is not going on without hitches. New jobs appear with greater prestige, while other cease or their role diminishes. Therefore, the term of office will be no decisive factor in promotion any more, while the importance of specialized knowledge may disproportionately increase for a while.

Naturally, the author only indicates the conflicts and their forms, but even so, it can be stated that in this part he managed to recognize the looming future problems.

The book gives a topical answer to the questions raised at the beginning of the present review. Social problems of technological progress are reviewed against an adequate international background and the attention of interested readers is drawn also to its specific Hungarian features. A special merit is that despite the serious subject the book has a readable style which, however, does not impair the scientific standard of the work.

GY. KISS

JOHANSEN, L.: *Lectures on macroeconomic planning. Part 1. General aspects.* North Holland Publishing Co. Amsterdam – New York – Oxford, 1977. 355 p.

The book of the Professor at Oslo University is a compendium of his university lectures on planning. It is, thus, a text-book, and the reader is not expected to have too much economic or mathematical knowledge. Understanding is facilitated by ingenious figures.

It is naturally not a customary popular science publication. The simplification is only formal, the problems of planning are exposed by the author in a highly diversified manner.

The first question raised is about the type of planning to be discussed. The answer is given in the Preface. Johansen knows best the planning in his country, Norway, that provides the basis. (Let us note that among the advanced capitalist countries Norway is a pioneer in planning.)

Though Johansen admits that he sometimes had doubts whether it was reasonable to treat planning in the advanced capitalist countries, in the socialist countries and in the third world countries together, still he decided to present them together. "The reason for trying to do so rather than concentrating on one pure and tidy type of a system is that any planning system in practice employs a wide range of different methods and approaches in spite of the fact that one could in most cases point to one form or approach as the basic one." (p. V)

Chapter 1 is the Introduction. The history of planning, the causes of the sweep of planning in the 20th century, the theoretical highlights, and the various definitions of planning are exposed in only 50 pages.

However, having enumerated the causes and possibilities of the development of planning in the 20th century, Johansen warns the reader of the existence of counter-tendencies too, such as the differences between national states, the frequent changes of political power and the

difficulties in the distribution of the yields of planning.

Chapter 2 is titled "A Decision-theoretic Scheme of Planning and Related Concepts". In the subsection "The Basic Scheme", the following elements are presented: the possible decisions, the exogenous factors, and the states. From among the possible decisions the optimum decision maximizes the preference function.

The subsections on team theory and game theory, which lift the assumptions of the completely centralized structure of the basic scheme, are very interesting. In a team the individual decision-makers, having in part different informations, work for a common purpose. In the model of game theory, autonomous purposes are substituted for the common purposes, and the influence of the former on the team is studied.

Once again I should like to stress Johansen's caution. In his book the instruments of mathematics do not become ends on their own. The author is aware of the confines of these mathematical instrument, and clearly describes them in his book. At the same time, by means of these mathematical instruments, he is able to describe reality more clearly than the representatives of the conventional theory of planning.

Johansen treats the identity of and the difference between forecasting and planning in several passages. This review will only cover the paradox of forecasts (pp. 134–5): till 1975 the Norwegian Government had not published forecasts on inflation for fear that such forecasts might themselves contribute to inflation. In 1975, this practice was ended, and the expected rate of inflation, namely, 11 per cent, was forecast. The justification was that so many forecasts had already been published by other organizations for other purposes that there was no sense in keeping it back. The forecast, interestingly, proved to be quite accurate, but the managers protested. They claimed that the measure of the government had made their position difficult in wage negotiations.

Johansen scrutinizes the decision theoretical works of R. *Frisch* and J. *Tinbergen*, the separation of the objective and the subjective factors.

Subsection 2.6 is noteworthy, in which the idea of strategy as interpreted in game theory is exposed very clearly. (Strategy is a dynamic rule of decision-making which yields an action at any point of time on basis of information gathered up to that point, considering also the previous alternatives of events.)

In Chapter 3 "Various Ways of Simplifying the Planning Problem and the Planning Schemes in Practice", the author distinguishes the qualitative and the quantitative aspects of planning and points out that planning is usually engaged with the latter aspect.

In the subsection titled "Aggregation", Johansen explains in a very simple way when aggregation is necessary and when it is permissible. He makes the very significant remark that the conditions of perfect aggregation which are never realized are not of much practical value, although, the theoreticians of economics usually formulate such conditions.

In the part "Planning in Stages" a highly revealing example is given for the iterative solution of a planning problem, where the macro-problem is solved in the first, and the micro-problem in the second stage.

This leads to the subsection "Splitting the Problem in Separate Parts", where again the simplest problems are exposed but in a very clear way. The fact that Johansen does not cover the partitioning (decomposition) algorithms of *Dantzig-Wolfe* and of *Kornai-Lipták*, resp., (only given in the reference) shows that the book is of introductory type.

The author emphasizes the relationship between the long-term and the short-term plans, and their relative independence. He advocates rolling (or sliding) planning, but does not fail to note the hazards of this method which he assumes to be identical with insufficient discipline in planning.

Dealing with international planning, he differentiates several stages according to the different countries' degrees of independence. In this section he utilizes the game theory ideas introduced in earlier parts.

Chapter 3 is concluded with the subsection on the consistency of plans. Johansen holds that in socialist countries there is less concern for opti-

mization of plans, they are only expected to be consistent. One of the reasons is the great detail in planning which is such a tremendous task that planners have no time and energy left for optimization.

In Chapter 4 "General Observations on the Use of Mathematically Formulated Models in Economic Planning" subsequent to a brief review of historical aspects, the author raises the question: planning with or without models? Johansen, a mathematical economist, prefers planning with models, and points out its enormous advantages, as, for example, the growing amount of information that can be processed, standardization and acceleration of planning, and, finally, the possibility of an optimal plan. At the same time, he stresses also the disadvantages, e.g. the complaint of French planners that the model subjugated them. Quoting J. *Kornai* he emphasizes the advantages of the models in controlling and improving the consistency of the governmental traditional plan.

At the end of the book interesting ideas can be read about the relation between econometric methodology and the planning models, as well as about the confrontation of the model with reality. Special attention is due to his observation concerning the difference between measuring the accuracy of forecasting and that of planning.

Instead of a summary I refer to what has been written at the beginning of this review. I hope that Johansen's book will enhance cooperation between theoretical and practical economists working in planning.

A. S.

BETHLEN, S. (Hrg.): *Osthandel in der Krise.* Günter Olzog Verlag. (Berichte und Studien der Hanns-Seidel-Stiftung e.V., München–Wien, 1976. Band 10/256 S.

Der Ost-West-Handel, und darunter auch sein wichtigster Bestandteil, der Handel der Bundesrepublik mit den sozialistischen Ländern Europas, weist in den letzten Jahren neue Züge auf. Sie zu erforschen, sowie die Möglichkeiten der Weiterentwicklung aufzuzeigen bildet in zahlreichen Ländern ein hochinteressantes Gebiet der wissenschaftlichen Arbeit vieler Institute. Das vom Graf Bethlen herausgegebene Buch schildert diesen Prozeß bis zur Mitte der siebziger Jahre aus der Sicht der Bundesrepublik. Im Sammelband befinden sich Einzelstudien über sämtliche sozialistische Länder, und einige Aufsätze, die allgemeine Themen behandeln oder eine Art Schlußfolgerungen bieten.

Die einleitende Arbeit von Prof. W. *Gumpel* beschreibt die wirtschaftliche Entwicklung der sozialistischen Länder, und sieht die Probleme der zukünftigen Gestaltung der Ost-West-Beziehungen in der Modernisierung der Wirtschaft der RGW-Länder, in der Beseitigung des technologischen Rückstandes und in der Lösung der Roh- und Brennstoffrage. Diese Grundelemente werden durch Agrar- und Infrastruktur-problem ergänzt. Die Einflüsse, die von den westlichen Wirtschaften aus den Ost-West-Handel mitbestimmen, sind leider nicht untersucht worden.

Die Länderstudien beleuchten einige spezifische Züge der Wirtschaftsbeziehungen der BRD mit den einzelnen sozialistischen Ländern. Prof. K. *Thalheim* hebt die offenen Handelsgrenzen zur DDR hervor, und zitiert Angaben, nach denen die DDR sich schon Ende der 60er Jahre durch das Fehlen von Zöllen und die Sonderstellung des innerdeutschen Handels jährlich 350–500 Mill. DM finanziellen Vorteil verbuchen konnte. Prof. W. *Gumpel* vertritt die Ansicht, dass die sowjetischen Lieferungen für die Wirtschaft der BRD komplementären Charakters sind, und – gegenüber einigen Meinungen – keine wesentliche Abhängigkeit einiger Wirtschaftszweige der BRD verursachen. Die Polen- und die CSSR-Studie befasst sich hauptsächlich mit Kredit – und Reparationsfragen, während T. von *Mikecz's* Arbeit über den „Gegenwärtigen Stand der wirtschaftlichen Beziehungen der Bundesrepublik Deutschland zu Ungarn" sich vorwiegend ungarischer Meinungen bedient, und es kaum erlaubt die eigenen Ansichten des Autors kennenzulernen. (Nur die Spezialisierungstendenzen und eine wage Formulierung eventueller ungarischer Technologieverkäufe sind als persönliche Meinung des Verfassers zu nennen.)

Die Reihe der Länderstudien wird durch eine nicht gegliederte Rumänienstudie, eine Arbeit über Bulgarien, in der die Großprojekte der 60er

Jahre hervorgehoben werden, sowie einen umfangreicheren Aufsatz über Jugoslawien abgeschlossen. Der letztere von Prof. S. *Stankovič* befasst sich vorwiegend mit politischen Fragen. Im Wirtschaftsteil unterstreicht der Verfasser, daß das jugoslawische Handelsdefizit durch das Geld, das die jugoslawischen Gastarbeiter aus der BRD jährlich nach Hause schicken, für mehr als kompensiert gilt.

Mit Anerkennung aller Schwierigkeiten wäre es wahrscheinlich besser gewesen, wenn die Verfasser die Länderstudien nach einheitlichen Prinzipien gegliedert hätten. In einigen Aufsätzen fehlen die wirtschaftlichen Motive der Zusammenarbeit, und fast überall ist der Mangel an Strukturanalysen auffallend. Der ganze Band gibt den Kredit- und Reparationsfragen den Vorrang (ein gesondertes Kapitel befasst sich ausschließlich mit diesem Thema), und unterstellt die wirtschaftliche Untersuchung politischer Faktoren. Das führt auch dann zu einseitigen Beurteilungen, wenn die Aussage „das Ostgeschäft ist eindeutig ein politisches Geschäft" (S. 253) in dieser Form richtig wäre. Den Realprozessen der sozialistischen Volkswirtschaften, den sich ändernden Warenstrukturen des Exports wird wenig Aufmerksamkeit geschenkt.

Damit steht aber auch die Behauptung, der Osthandel befinde sich in einer Krise, auf tönernen Füßen. Der abschließende Aufsatz des Herausgebers, – Graf *Bethlen* – der diesen Titel trägt, und gleichzeitig den Buchtitel gibt, scheint von den vorausgegangenen Einzelstudien nicht, bzw. nicht genügend bewiesen zu sein. Der Handel zwischen der BRD und der DDR läßt sich mindestens in dem bisherigen Umfang aufrechterhalten, wenn nicht ausbauen (S. 63–64), von der wirtschaftlichen Zusammenarbeit mit der Sowjetunion erfährt der Leser keinen Hinweis auf eine Verlangsamung, und gar nichts von der „Krise". Was Polen betrifft, weiß auch der Verfasser nicht, wie die Zukunft der wirtschaftlichen Beziehungen zu beurteilen wäre: „Vom rein ökonomischen Standpunkt her gesehen, spricht einiges für die Erweiterung der wirtschaftlichen Beziehungen" (S. 93), stellt er fest, um etwas später eine mögliche Abnahme des Außenhandelsumsatzes (S. 95) zu deklarieren. Wenn bei diesen drei sozialistischen Ländern, die den Hauptteil der Handelsbeziehungen zur BRD vertreten, eine Ausbreitung des Handels durchaus möglicht ist, versteht man nicht, wie der Osthandel der BRD in der Krise stecken könne. Auch dann nicht, wenn die kleineren mittel – und osteuropäischen sozialistischen Länder – nach den Verfassern – ungünstigere Bedingungen zur Erweiterung der Wirtschaftsbeziehungen haben. In der CSSR wirke die gespannte Wirtschaftslage und die zögernde Kooperationsbereitschaft ungünstig, in Ungarn dürfte die wieder verstärkte staatliche Planung der Weiterentwicklung enge Grenzen setzen, in Rumänien die hohe Verschuldung des Landes, während in Jugoslawien die ungeeignete Exportstruktur, die aber nicht historisch, sondern vom Wirtschaftssystem her gegeben sei. (Über die bulgarischen Perspektiven sagt der Autor nichts.)

Die Weiterentwicklung der wirtschaftlichen Beziehungen der BRD zu den sozialistischen Ländern kann man ohne die bereits eingetretene und erhoffte Veränderung der Exportstruktur der letzteren und der sich wandelnden Importstruktur der BRD kaum realistisch einschätzen. Darüber findet man jedoch sehr wenig im Buch, und auch das im abschließenden Kapitel. Dort heißt es, Rohstoffe und Halbwaren dominierten immer noch, und als Beispiel wird die Sowjetunion genannt. In Wirklichkeit aber hatten die Fertigwaren am Gesamtexport Jugoslawiens in die BRD 1975 einen Anteil von fast 80%. Die entsprechenden Zahlen für die anderen Länder in demselben Jahr waren wie folgt: DDR etwa 65%, Ungarn 55%, Rumänien 52%, CSSR 49%. Alle Verfasser unterlassen es, die rasche Entwicklung der Fertigwarenexporte der sozialistischen Länder in die BRD und ihre Ursachen aufzuzeigen. Statt dessen spricht man von der Ridigität der Exportstruktur, und dazu wird – wahrscheinlich als schlechtestes Beispiel – Ungarn herangezogen. Natürlich, hat sich das Tempo der Umgestaltung der Exporte verlangsamt, die Ursachen liegen aber nicht in der verstärkten Integration im RGW-Bereich, und vorzüglich nicht in den Autarkieberstrebungen, zu denen die Sowjetunion „ihre Satelliten zwingt" (S. 238). Um eine plausible Erklärung zu finden, hätte man die Produktionsstruktur und das Lenkungssystem der einzelnen sozialistischen Länder, sowie die weltwirtschaftlichen Bedingungen, und nicht zuletzt die

Importbeschränkungen sowohl der EG als auch der BRD untersuchen sollen.

Schon eine eingehendere Untersuchung der Veränderung der Exportstruktur der sozialistischen Länder in die BRD hätte das von den Verfassern vertretene Bild wesentlich modifiziert, und nicht zu Aussagen geführt, die nicht standhalten. Dann hätte man nicht die ungarische und polnische Entwicklung als ungünstig herausgestellt, sondern vielmehr die der DDR und der CSSR, die eben in den letzten 5–6 Jahren eine eindeutig negative Spezialisierung (Halbwaren statt Maschinen) aufweisen. Wahrscheinlich wäre es dann auch möglich gewesen die Möglichkeiten der Verbesserung der Exportstruktur anders zu beurteilen, und es wäre nicht zur Behauptung gekommen, in der Zukunft sei mit Importbeschränkungen der sozialistischen Länder zu rechnen. Schließlich hätte die Darstellung der protektionistischen westlichen Maßnahmen (harter Kern, Landwirtschaft, usw.), sowie die Betonung der wirtschaftlichen Interessen der BRD am Osthandel ein realistischeres, ausgewogeneres Bild vermitteln können.

Die einseitige Behandlung möchte dem Leser weismachen, im Osthandel handle es sich um ein Wolfahrtsgeschenk der BRD, das nicht auf wirtschaftliche, sondern auf politische, ideologische und humanitäre Überlegungen zurückgeführt werden könne. Darin liegt eine der größten Schwächen des Buchs.

Die politischen Töne überschatten jede einzelne Aussage. Gleichzeitig sind die Verfasser – umsonst – bestrebt, die Korrelation zwischen „Ostpolitik" und erweiterten Wirtschaftsbeziehungen mit den sozialistischen Ländern zu leugnen. Die Ausweitung des Handels mit Polen lasse sich demgemäss nicht mit den deutsch-polnischen Verträgen, sondern mit einem „Kurswechsel Moskaus" erklären, und der Belebung des gesamten Osthandels lägen die „ehrgeizigen Pläne der Ostblockstaaten" zugrunde. In der Wirklichkeit war es eben umgekehrt: die veränderte Politik der BRD hinsitchlich der sozialistischen Länder hat den „Kurswechsel" ermöglicht und die „ehrgeizigen Pläne" erarbeiten lassen.

Einen zentralen Platz nehmen die Frage der Verschuldung und die Probleme der BRD-Kredite ein. Nach Ansicht der Verfasser haben die Kredite den sozialistischen Ländern einseitige Vorteile gewährt, die Verschuldung des Bundes vertieft, und nicht die Erwartungen erfüllt, das Warenangebot der sozialistischen Länder nach der Westen zu verbessern. (In der Tat haben sie zur Verbesserung der Exportstruktur beigetragen, auch wenn eine raschere Verbesserung ebenfalls vorstellbar gewesen wäre. Man soll jedoch nicht außer acht lassen, daß zwischen Kreditvergabe und verbesserter Exportstruktur eine bestimmte – und gar nicht kurze – Zeitspanne liegt, nicht nur im Falle der sozialistischen Staaten, sondern ganz allgemein, bei allen Ländern.) Die Gründe der Verschuldung sehen mehrere Verfasser auch darin, daß den sozialistischen Staaten sehr günstige Kredite dargeboten wurden (was die Kreditaufnahmen auf dem Euromarkt nicht erklärt). Der Band prognostiziert das Erreichen des Verschuldungsgrades, wo keine Kredite mehr gegeben werden, und kann deshalb den weiteren Zufluß westlicher Gelder in die sozialistischen Wirtschaften nicht begründen. Aus dieser Haltung kommt logischerweise die Feststellung, die BRD könne damit nicht mehr rechnen, die gegebenen Kredite zurückzubekommen, und sei dazu gezwungen, minderwertige Waren als Form der Kredittilgung in Kauf zu nehmen.

Die Einseitigkeit der Beurteilung kommt auch darin zum Ausdruck, daß das vermittelte Bild Sowjetunion-, bzw. DDR-zentrisch ausgerichtet ist. Die Verfasser wollen (oder können) die unterschiedlichen wirtschaftlichen Bedingungen, weltwirtschaftlichen Verflechtungen der sozialistischen Länder einfach nicht anerkennen. In allem suchen sie die Begründung in Moskau (sowohl in der Verschlechterung der Exportstruktur der CSSR, als auch in den verminderten Lieferungen der DDR und anderer sozialistischen Länder nach dem Westen, usw.). Was die sozialischen Wirtschaftsmechanismen und ihre Reform betrifft, wird das „DDR-Modell" als allgemeingültiges behandelt (!), was zweifellos das Nicht-Kennen (oder Nicht-Kennen-Wollen?) des wirtschaftlichen Lenkungssystems der einzelnen sozialistischen Staaten bezeugt.

Dieser fatalistischen Auffassung liegt der Schluß nahe – und er wird auch vertreten – die Lage in der sozialistischen Ländern könne nur durch Reformen verbessert werden, die „notgedrungen systemsprengend wirken würden" (S.

243). Wahrscheinlich würden sich die Verfasser den bekannten Dependenztheorien nicht anschließen (sie sagen aus, die innere wirtschaftliche Entwicklung sei nicht möglich, solange die kapitalistische Weltwirtschaft ihre verzerrende Wirkung auf die betreffende Volkswirtschaft ausübt, man also nichts machen kann), doch vertreten sie dieselbe Meinung.

So sehr ein Sammelband über die Wirtschaftsbeziehungen der BRD zu den sozialistischen Ländern zu begrüßen ist, muß man diesem Buch beträchtliche Vorbehalte entgegenbringen. Neben den bereits aufgezeigten Grundsatzfragen gibt es eine Reihe weiterer sachlicher Irrtümer, wie z.B. das angebliche Fehlen der Fünfjahrespläne (S. 116), die einseitige Einstellung der Ölpreiserhöhungen (S. 240), die Verwischung verschiedener Zeitphasen (S. 244), und nicht zuletzt die Schlußfolgerungen aus Viertel- und Halbjahresdaten auf die längerfristige Entwicklung (S. 239). Der Wortgebrauch, der vielleicht noch in der CSU-eigenen Stiftung, die das Buch betraut hat, üblich ist, besitzt in der Periode der Entspannung und der vermehrten Wirtschaftskontakte keine überzeugende, sondern immer mehr eine abstoßende Kraft („Satelliten der Sowjetunion", „Menschen hinter dem Eisernen Vorhang" oder „die sog. DDR").

Es gibt Verfasser, die den sozialistischen Ländern gegenüber dieser Auffassung sind, es gibt aber auch andere Meinungen, sogar nicht von einer Minderheit der Sachverständigen ausgedrückt, auch in der BRD, sowohl in anderen westlichen Ländern (die unterschiedliche Haltung der einzelnen kapitalistischen Länder gegenüber den sozialistischen Staaten wird mit großem Bedauern festgestellt), die darauf bedacht sind, die Beziehungen aufgrund der gegenseitigen Vorteile weiterzuentwickeln, und den Osthandel nicht als ein karitatives Geben des Westens hinzustellen. Sie sind es gleichzeitig, die auch die aufgetauchten Probleme untersuchen, verschiedene Lösungsvarianten ausarbeiten, und ein *realistisches* Bild (in dem auch die Schwierigkeiten nicht verschwiegen werden) bieten.

A. INOTAI

CORNELSEN, D. – MACHOWSKI, H. – SCHENK, K.–E. (Herausgeber): *Perspektiven und Probleme wirtschaftlicher Zusammenarbeit von Ost- und Westeuropa.* Berlin, 1976. Duncker und Humbolt. 204 S. (Deutsches Institut für Wirtschaftsforschung, Sonderheft 114 – 1976)

Der Band enthält die Vorträge des in West-Berlin im November 1975 unter ähnlichem Titel abgehaltenen internationalen wissenschaftlichen Symposiums. Die Struktur des Buches entspricht den an der Veranstaltung erörterten vier Problemenkreisen. Innerhalb des Themenkreises *„Makroeffekte industrieller Kooperation zwischen unterschiedlichen Wirtschaftssystemen"* gibt A. *Rába,* stellvertretender Direktor des ungarischen Konjuktur- und Marktforschungsinstituten in seiner Studie: *Die Rolle der Ost-West-Kooperation in der Wirtschaftsplanung sozialistischer Länder* eine kurze historische Übersicht über die Gestaltung der Wirtschaftsbeziehungen zwischen Ost und West, indem er auf die wichtige Rolle des historisch-politischen Faktors bei der unzulänglichen Entwicklung der Ost-West-Wirtschaftsbeziehungen hinweist. Er stellt fest, daß auch in den sozialistischen Ländern bis zum Beginn der siebziger Jahre die notwendigen Bedingungen für eine höhere Stufe der wirtschaftlichen Zusammenarbeit reif wurden. Indem er sich mit jenen Hypothesen auseinandersetzt, nach denen die volkswirtschaftliche Planung in den sozialistischen Ländern den Ost-West-Handel hemme, betont er, daß eben diese Planung die Stabilität der Beziehungen sichert. Auch die ungarische Wirtschaftspolitik orientiert sich eindeutig auf eine dynamische Entwicklung des Handels mit dem Westen, die auf gegenseitigen Vorteilen beruht. A. *Schüller,* Professor an der Kölner Universität, untersucht in seiner Studie die Wechselwirkungen, die zwischen Ost-West-Kooperation und Wettbewerb in westlichen Marktwirtschaften bestehen. Er weist darauf hin, daß es im Interesse der sozialistischen Länder stehe stabil planbare Außenwirtschaftsbeziehungen mit dem Westen auszugestalten, weil dies zur Sicherung ihrer binnenwirtschaftlichen Stabilität und der entwickelten westlichen Technologie

beitrage. Seiner Ansicht nach aber scheine das Bestreben der sozialistischen Länder, die westlichen Unternehmen in die „kooperativen internationalen Wirtschaftsbeziehungen" einzubeziehen, überwiegend antikompetitiv zu sein. Die langfristigen Abkommen, die Kompensationsgeschäfte verstärken die Rolle des politischen Faktors und die Regierungsverantwortung. Die westlichen Firmen dagegen trachten danach, in diesem „kartellfreien" Raum durch Ausperrung der Konkurrenz ihre eigene Lage zu verbessern. Das Informationssystem des Ost-West-Handels verfügt über keine solche Koordinierungsfähigkeit, wie der Markwettbewerb. Damit der westliche Partner gesamtwirtschaftlich wirksame Wettbewerbspositionen erreichen kann, müsste eine konsequente Antikartell- und Antikonzentrationspolitik betrieben werden.

K. *Pécsi,* Hauptmitarbeiter des Instituts für Weltwirtschaft der Ungarischen Akademie der Wissenschaften, befasst sich in seiner Studie mit einigen Aspekten der *langfristigen Planung der Ost-West-Kooperation.* Der Verfasser unterstreicht: das eindeutige Interesse der europäischen sozialistischen Länder an der Erweiterung der Wirtschaftsbeziehungen mit den westlichen Ländern zeigt sich auch darin, daß sie im Laufe ihrer Wirtschafts- und Planungstätigkeit mit einer Entwicklung der Ost-West-Wirtschaftsbeziehungen rechnen, und die sich darauf beziehenden Momente in ihre verschiedenfristigen Wirtschaftsentwicklungspläne einbauen. Besonders die Wirtschaft der kleinen und mittelgroßen europäischen sozialistischen Länder wird zu einer immer mehr offenen. Für die Unternehmen der westlichen Länder könnte es von Vorteil sein, daß sie sich bei der Ausgestaltung ihrer Absatzpolitik auf die stabilen und verläßlichen Märkte der Planwirtschaften stützen könnten. Dieser Faktor könnte eine Rolle bei der Verflachung der westlichen Konjukturwellen spielen. Eine Zunahme der Planungselemente steht also im beiderseitigen Interesse. Auch das polnische Autorenpaar, L. *Ciamaga* und E. *Tabaczynski* hoben den Dynamismus der Wirtschaftsplanung hervor, der es ermöglicht, auch die Kooperationsform zu einem solchen Organisierungsfaktor zu gestalten, der – infolge der Veränderung des Exports und Imports, der Technik und der Organisation – zur Bildung von langfristigen Beziehungen zwischen den Ländern beitragen kann. J. *Stankovsky,* Mitarbeiter des Österreichischen Instituts für Wirtschaftsforschung, legt in seiner *Ost-West-Kooperation im Konjunkturverlauf* betitelten Studie dar, daß die westlichen Unternehmen zur Zeit des Aufschwungs die Kooperationsabkommen von ihren kurz- und mittelfristigen Interessen gelenkt treffen. Zur Zeit der Rezession sind die westlichen Firmen dagegen geneigt langfristige Abkommen zu treffen, also Konzessionen zu geben. Auch die Wachstumszyklen des Ostens beeinflussen die Entwicklung der Ost-West-Kooperation, z.B. hängt der Kauf von großen kompletten Einrichtungen, Fabriken auch von der Gestaltung der Investitionen ab. Die Kooperation gewährleistet also, der Meinung des Verfassers nach, keine Stabilität der Wirtschaftsbeziehungen, sondern dient der Kontinuität der Beziehungen nur auf Unternehmensebene. Um zur Stabilisierung der Wirtschaftsentwicklung beizutragen, müsste die Kooperation antizyklisch wirken, eine zielbewußte Wirtschaftspolitik wäre also notwendig.

Im Themenkreis *Einfluß regionaler Arbeitsteilung auf die Ost-West-Zusammenarbeit* führt das sowjetische Verfasserpaar W. I. *Daschitschew* und W. M. *Schastiko,* Mitarbeiter des Instituts des sozialistischen Weltwirtschaftssystems der Akademie der Wissenschaften der UdSSR aus, daß Westeuropa für die RGW-Länder in absehbarer Zeit die Hauptrichtung ihrer Außenwirtschaftstätigkeit bleiben wird. Der Handel mit Westeuropa beträgt ca 90% des Außenhandelstumsatzes der RGW-Länder mit sämtlichen westlichen Ländern. Um aber eine solide und großangelegte Basis für die Kooperation schaffen zu können, bedarf es noch großer Anstrengungen, Findigkeit und Elastizität. Die Entwicklung der Handels- und Wirtschaftsbeziehungen und die wissenschaftlich-technische Zusammenarbeit müssen, nämlich, im Einklang mit den inneren Strukturen der beiden Integrationen und den Interessen der zu ihr gehörenden Länder gebracht werden. In diesem Sinne könnte man die gegenwärtige Etappe des Ost-West-Handels als Etappe der wirtschaftlichen Anpassung bezeichnen. W. *Diebold,* Hauptmitarbeiter des Council on Foreign Relations (USA), hebt ebenfalls hervor, daß bei den Ost-West-Wirtschaftsbeziehungen trotz ihres mengenmässigen Anwachsens die innere Dynamik, die eine

größere Kooperationsflexibilität sichern könnte, noch immer fehlt. G. *Sokoloff*, Mitarbeiter des Pariser Prognostischen Forschungsinstitutes führte aus, daß die EWG auf die Ost-West-Wirtschaftsbeziehungen nur einen indirekten Einfluß hat. Dadurch nämlich, daß die EWG berufen ist die Integration zu fördern, schafft sie günstige Verhältnisse für das Wirtschaftswachstum und die Erweiterung des Außenhandels ihrer Mitgliedsländer. Die Entwicklung des Ost-West-Handels hängt – seitens der EWG – vom allgemeinen Niveau der Wirtschaftsaktivitäten der westeuropäischen Länder ab.

Im Zusammenhang mit der institutionellen Umwelt der Weltwirtschaft befasst sich W. *Diebold* mit der Rolle der über die nationalwirtschaftlichen Rahmen hinauswachsenden *multinationalen Unternehmen* in der Ost-West-Kooperation. Er betont, daß sich das Interesse der multinationalen Unternehmen gegenüber den Ostmärkten belebt hat, teils infolge des globalen Charakters ihrer Marktstrategie, teils damit im Zusammenhang, daß sie sich wegen ihrer größeren Kraftquellen besser in die mit den großen Projekten der sozialistischen Länder verbundenen Geschäfte einschalten können, die großangelegte, neuartige Zusammenarbeitsformen und ein lange Abwicklungszeit erfordern. In den letzteren Jahren haben sich die, eine Regulierung der multinationalen Unternehmen anstrebenden Tendenzen in der ganzen Welt verstärkt; damit im Zusammenhang verändert sich die Strategie der multinationalen Unternehmen, sie werden weniger eigentumssensitiv, ihre Investitionen müssen nicht mehr so sehr als Kapitalanlegungen, sondern als Teile ihrer globalen Wirtschaftsorganisationsbestrebungen betrachtet werden, und obzwar in der nicht-sozialistischen Welt ihre Handlungsfreiheit, ihre Interessiertheit um vieles größer ist als in den sozialistischen Ländern, sind ihre Betätigungsbedingungen an den verschiedenen Plätzen der Welt nicht mehr so abweichend wie früher. Als vorwärtsweisend sind unter den Geschäften, die zwischen den multinationalen Unternehmen und den sozialistischen Ländern zustande kommen nicht die einmaligen, im Wesen Kaufkooperationsformen zu ersehen, sondern solche Beziehungen, die die andauernde Interessiertheit des westlichen Partners auslösen, mit der Effektivität des östlichen Partners zusammenhängen, und eine Rentabilität sichern. Die Dauerhaftigkeit der Beziehungen wird durch das Kooperationsgebiet beeinflußt; wenn auch der westliche Partner das im Rahmen der Zusammenarbeit erzeugte Produkt gebrauchen kann, erhöht sich die Interessiertheit des Westens gegenüber Qualität, Kostensenkung, technischen Fortschritt und Außenmarktabsatz des Produkts.

Im Themenkreis *Einfluß der gegenwärtigen Währungsverhältnisse und Zahlungsbilanzprobleme auf die Ost-West-Zusammenarbeit* führt D. *Lemke*, (Deutsche Bundesbank) aus, daß der kumulierte Schuldenbestand der sozialistischen Länder bis zur ersten Hälfte 1975 rasch anstieg und sich in großem Ausmaß auf dem Eurodollarmarkt zeigte. Die Haupthindernisse eines weiteren Anstieges der Verschuldungen ersieht er in folgenden: die Exportsteigerung geht zu Lasten der Verbesserung des Lebensstandards und des Wachstums des Bruttosozialprodukts, und hat solcherweise wirtschaftlich-politische Grenzen; auf dem Euromarkt wird parallel mit der Erhöhung der Verschuldungen der sozialistischen Länder die Vorsicht und der Informationsanspruch der Kreditoren ansteigen. R. *Nötel*, Professor des St. Anthony's College hält die Zahlungslage der sozialistischen Länder nicht für ernst. Seiner Meinung nach kann nämlich, die rasche Erweiterung der Produktionskapazität der sozialistischen Länder die Grundlage zur günstigen Beurteilung ihrer Zahlungsfähigkeit bilden. Auch nach *Pécsi* K. ist nicht das Kreditvolumen wesentlich, sondern die Schuldendienstkapazität. Zu deren Förderung müsste man von westlicher Seite auch die Zeitdauer der Kredite verlängern, also den Anteil der langfristigen Kredite erhöhen; die sozialistischen Länder dagegen müßten Anstrengungen zur radikalen Verbesserung ihrer Exportstruktur machen. Dies wirft den Anspruch einer Produktionsmodernisierung auf, und deshalb besteht eine der wichtigsten Anforderungen der Ost-West-Kooperationen im folgenden: die sozialistischen Länder sollten nicht die bereits abgelaufenen Produkte, sondern die fortschrittliche Produktion übernehmen. S. *Wickham*, Mitarbeiter des Forschungsinstituts der französischen Industrie- und Handelskammer, führt dagegen aus, daß der Nachdruck, mit welchem die sozialistischen Länder darauf bestehen ihre Käufe auf die hochentwickelten Technologien zu beschränken,

anstatt auf die Produkte der mit einer Nichtauslastung ihrer Kapazität kämpfenden westlichen Unternehmen, nicht angebracht ist. Sich auf ein französisch-ungarisches Ökonomentreffen beziehend, würde es der Verfasser als richtiger halten, wenn sich das Schwergewicht der Zusammenarbeit vom Werkzeugbau und von der Elektroindustrie auf die Landwirtschaft und Nahrungsmittelindustrie, sowie auf die Chemieindustrie verlegen würde, die weit bessere Rentabilitätsaussichten haben.

Ebenfalls Wickham warf die Preisfragen der Kooperation auf. Seiner Meinung nach üben die sich in den westlichen Ländern zeigende Inflation, die Schwankungen der internationalen Preisverhältnisse und das abweichende Tempo der Preiserhöhungen in den westlichen und sozialistischen Ländern auf die Ost-West-Koopertaion einen bedeutenden Einfluß aus. In einer solchen Lage nehmen die westlichen Unternehmen für mehrere Jahre im voraus festgesetzte Preise nicht gerne an. Die Kooperation stellt durch den Umstand, daß sie auf fixen Preisen beruht, eine spezifische Form der herkömmlichen Verkaufsverträge dar.

Die Verfasser dieses Bandes haben viele reale, oder als real erachtete Probleme der Ost-West-Zusammenarbeit aufgeworfen. Für einen Teil der Stellungnahmen war zwar die einseitige Beschuldigung des anderen Partners charakteristisch, doch blieb z.B. Professor A. Schüller, der die Daseinsberechtigung der Ost-West-Kooperationen in Frage stellte, eigentlich allein mit seiner Meinung. Die Konferenzteilnehmer haben, wie es auch aus in den im Band publizierten Studien ersichtlich ist, eine gemeinsame Lösung der Probleme gesucht, weil sie die Ost-West-Wirtschaftskooperation als grundlegend notwendig und fortzusetzend erachteten.

Á. CSISZÉR

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Műszaki szerkesztő: Botyánszky Pál
A kézirat nyomdába érkezett: 1978. I. 6. – Terjedelem: 10,5 (A/5) ív
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HU-ISSN 0001—6373
Index: 26.010

5. VIII. 1978

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AKADÉMIAI KIADÓ, BUDAPEST

VOLUME 19
NUMBER 2
1977

ACTA OECONOMICA

A MAGYAR TUDOMÁNYOS AKADÉMIA
IDEGEN NYELVŰ KÖZGAZDASÁGTUDOMÁNYI FOLYÓIRATA

Felelős szerkesztő:
FÖLDI TAMÁS

Szerkesztőség: 1112 Budapest, Budaörsi út 45.
1502 Budapest Pf. 262.

Megjelenik évi 2 kötetben. Megrendelhető az Akadémiai Kiadónál (1363 Bp. Pf. 24.), a külföld részére pedig a Kultura Külkereskedelmi Vállalatnál (1389 Budapest, Postafiók 149).

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B. SZIKSZAY

SOME LESSONS FROM THE MODIFICATIONS OF THE SYSTEM OF ECONOMIC REGULATION IN HUNGARY

The system of economic control was partially modified in Hungary in the middle of the 1970s. The purpose of these modifications was to help the enterprises in adapting to the changed world market situation, to foster more efficient management. In this paper the essence of these modifications is reviewed together with the experiences of the first years of the operation of the new instruments of regulation, and it is examined to what extent they have met expectations.

Motives and purposes of the modifications

In recent years the internal and external conditions of the development of the Hungarian economy have undergone significant changes. Considerable shifts have taken place in the world economy (especially in world market prices) and these have raised greater requirements towards the economy of Hungary. The deterioration of the terms of trade in certain fields has caused significant disadvantages that can be compensated only with difficulty. The internal conditions of economic development have also changed: in the coming years practically no increase of the labour force can be anticipated and the development of the economy has become more capital absorbing in many fields.

The Fifth Five-Year Plan for the national economy, for the period 1976–1980, weighed up these more difficult conditions and greater requirements of economic development. It provided for a growth rate similar to that in earlier plan periods, but stressed that a smooth development of the economy might be achieved only through a faster and more thorough improvement of economic efficiency, through the gradual restoration of the balance of trade. The targets formulated in the national economic plan, the ways and means of their achievement provided the most important basis for the further development of the system of economic control and management. This means that the instruments of economic regulation must enforce the requirements of efficiency, the improvement of international competitiveness, of the balance of payments in convertible currencies, the selective development of industries, enterprises and activities, the modernization of the production structure, the utilization of the available labour, machinery, and materials in harmony with the requirements of efficiency better, to a greater extent, and more consistently, than before.

The other fundamental starting point for the further development of the regulating system was provided by the experiences gained since 1968 with the operation of the present system of economic control. The regulatory system has passed the test as regards its main characteristics, its fundamental principles and has well served the implementation of the objectives of economic policy, it has been an efficient tool of the planned

development of the economy. However, some elements, solutions and measures (rates) of the economic regulators have not come up to expectations in their operation. These had to be replaced by methods and solutions better serving the realization of economic policy goals.

At the start of the Fifth Five-Year Plan modifications were made in the economic regulation with the aim of setting higher standards of efficiency. Producer prices were increased (especially those of primary energy and certain raw materials), relative prices were modified, foreign exchange rates were lowered, enterprise profits were curbed, the system regulating incomes and earnings at the enterprises was significantly changed, stricter conditions of financing development projects were introduced and many other measures were taken in the interest of a more rational and more efficient enterprise management (e.g. a lower charge on assets, higher levels on the wages paid).

As the majority of the modifications was effected on January 1st, 1976, only a year's experience of their operation is available. These are, of course, not sufficient for a concise evaluation of the modified system of regulation. Still, an attempt may be made at pointing out the main tendencies of changes in the management of the enterprises, in which the modification of the economic regulators must have played a role.

Development of the price system

Under the Hungarian system of economic control it is a basic function of prices to provide adequate orientation, and induce rational behaviour in economic decisions on the structure of production, and on choosing the direction of development, both in production and consumption.

This requires the harmonization of many aspects within the price system. The price system must provide for adaptation to justified inputs, for flexibility of prices, and the requirement of relative price stability must also be met. An organic relationship must be established between domestic and foreign market prices. While the value judgement of the purchaser, the user, should affect the changes in the prices, assertion of the producers' efforts at realizing their expenses in prices must also be given an opportunity. Deliberate price deviations, social preferences must be realized for stimulation and social policy purposes within a rational scope and to a rational extent. The simultaneous practical assertion of these aspects requires a continuous modernization of the price system, the weighing of narrower economic considerations against broader social effects, and often rational compromises must be made between opposed requirements.

The price system is one of the basic, most important means for realizing economic policy goals, the planned control of economic processes. When the price system fails to orientate correctly, this disturbs the functioning of this important decision-compass and the realization of the economic policy goals will be jeopardized. Their realization must be then attempted, for lack of rational means of the control, through on the whole less efficient measures, rather difficult to handle.

The restructuring of the world market prices, the rocketing of the prices of energy and raw materials in 1973–74 was not allowed to affect directly the domestic prices in Hungary, the additional burden was taken over by the state budget. This considerably

weakened the orientating power of prices; it led to waste in the utilization of materials and energy, the export of material-intensive goods increased and disturbances were experienced in the turnover of products.

The rearrangements of producer prices in 1975 and 1976 aimed at the restoration of the orientating role of prices. As a result, the prices of primary energy and electric energy were increased by 50 per cent, and the relative prices of the primary energy push domestic consumption towards coal and natural gas. The producer prices of raw materials for textiles, leather, paper, aluminium and non-ferrous metal products were established on the basis of the prices of imports from the West. In the case of materials for the chemical and rubber industries prices were set according to the average costs of procurement. The prices of soft sawnwood and of materials for ferrous metallurgy were determined on the basis of import prices from socialist countries, which follow the price changes of the Western market only to a limited extent. Consideration of domestic inputs, especially the increase of energy prices, and other aspects of production policy combined made it necessary to raise the prices of bricks, cement and reinforced concrete products, the procurement prices of agricultural products, those of food products and the tariffs of goods transport.

As a result of the price measures taken, in 1975–1976 the level of domestic industrial producer prices increased by 18 per cent, that of construction and fitting by more than 8 per cent, and the procurement prices of agricultural products by about 10 per cent on the average.

The price corrections considerably strengthened the link on national economic level between the domestic and foreign market prices of imported capital goods. The domestic price level of imported materials covers on the whole, and, with some exceptions, also in the case of each of the most important products, the costs of imports (at least approximatively). This allowed the elimination of a huge import subsidy and the enterprises now feel the high and increasing costs of imports for the national economy in their real magnitude, which is an important requisite of a more rational enterprises management.

Significant changes of varying magnitude have taken place in the relative prices of raw materials and finished products. In two years, the materials used in the productive sector, i.e. in the industry, became 24–25 per cent more expensive; within this, the increase in the prices of the most important raw and basic materials reached almost 50 per cent.

Because of the reduction of taxes accounted among costs and of profits, the effect of the increase of material prices on the price level of manufactured goods was mitigated. In these two years, the increase of the price level in the manufacturing industry was about 10–12 per cent. Within this, the price level of engineering products increased, for instance, only by about 2 per cent. These tendencies of the changes in the relative prices of basic materials and finished products were similar in Hungary to the trends on the world market.

The corrections of producer prices could be realized in the planned manner, and, on the whole, to the planned extent int the last two years. That the changes in prices could be kept within the planned limits may be attributed to a considerable extent to stricter prescriptions relating to price calculations, to stricter price control, to the obligation to

announce the intent of a price rise and to the extension of this obligation, as well as to the fact that the shifting of additional costs incurred because of higher prices of materials was made dependent on a permission of the competent authority.

As a result of the price corrections, the relative prices became more realistic, and producer prices became more suitable for providing orientation. In spite of these positive results, a number of tasks still have to be resolved. Too high a proportion of the social net income is calculated (as a cost item) in the producer prices and these often cannot be realized in the phase of selling. In spite of the not insignificant rises in consumer prices, the extent and scope of consumer price subsidies increased. The Hungarian price system gradually became a two-level one, and that in a reverse manner: the producer price level is, on the whole, higher than that of consumer prices. This feature is unique. The justifiable striving for the relative stability of consumer prices limits in certain spheres (e.g. in the agriculture and in services) the establishment of rational price proportions, the harmonization of the interests of producers with those of consumers. Although certain measures made the realization of corrections in producer prices more secure, at the same time, they rendered the price system more rigid which, in turn, restricts in certain instances a more rational management of the enterprises.

It seems that some problems of the prices system should be resolved later, on the basis of appropriate weighing, by way of comprehensive measures. In the meantime, however, the price proportions must be corrected and the price mechanism improved, in conformity with the long-term price policy goals, so that domestic prices continue to approximate foreign trade prices and price proportions and better reflect the use value, the quality of products. Central price control has to be exercised and improved, and a flexible adaptation of price proportions to the lasting tendencies of foreign trade prices, an appropriate response of production to demand should be fostered. To sum up: improvement of the price system, of price proportions and of the price mechanism remains a constant and continual task in Hungary even after the accomplishment of a significant readjustment.

Enterprise incomes and funds

The main objectives of the price and financial measures taken in the last two years were that:

– the enterprises should feel the changed circumstances of management, their sensitivity to costs should grow also through the modification of the cost structure;

– the profit level and its share within social net income, should diminish, the ratio of incomes centralized into the state budget should grow in relation to the part remaining with the enterprises (the decentralized part); the effect of factors distorting profit and its distribution among enterprises should be mitigated; the extent of selectivity depending on efficiency should grow;

– the system of profit taxation and the formation of the enterprise funds should increase the self-reliance of enterprises and their responsibility for the decisions made, it should facilitate the formation of funds in a way better conforming to the tasks of the enterprises; it should also make the profit motive more intensive;

– the financing of the welfare tasks of enterprises should make possible a socially more equitable social care and its more even distribution among the enterprises;

– the economic regulators, as a whole, should intensively stimulate the improvement of economic efficiency, on the basis of harmonized measures;

As a result of the measures, the cost structure changed according to the intentions. The main factors in the modification of the cost structure were the changes in producer prices, the lowering of the commercial rates of exchange, the mitigation of charges on assets, the raising of the levies on wages, and the significant increase of the production tax.

In 1976, the cost level of productive enterprises (the ratio of production costs to the value of gross output) increased by 1.5–2 per cent on 1974. Within total costs, the proportion of material costs increased from 57.6 per cent to 60.3 per cent in the productive branches. The proportion of labour costs remained, on the whole, unchanged, but the weight of the levies on wages (wage tax and social insurance contribution* increased. The proportion of charges on assets and depreciation allowance decreased from 9.8 per cent to 7.9 per cent.

In the productive branches – excluding agriculture – the magnitude and composition of social net income showed considerable changes. Social net income grew dynamically in the productive sphere (in 1975 by 11 per cent, in 1976 by 8 per cent). Within the net income accounted in production, the proportion of profits decreased significantly in comparison to the 1975 level (from 53.2 per cent to 43.5 per cent). Profits in proportion to assets decreased from 16.6 per cent in 1975 to 12.7 per cent in 1976; the differences among enterprises and branches also diminished (by 20 per cent in industry). The proportion of the production tax increased considerably (in industry it trebled in two years).

The content of the subsidies to eneterprises also underwent significant changes. The volume of state refunds on exports increased and import subsidies were radically reduced. A significant part of the effects of world market price changes were passed on to the producers through higher producer prices and this allowed a substantial reduction of the former import subsidies. In the majority of the producing branches production subsidies were reduced.

In the final analysis, the structure of incomes and costs changed in the desired direction. The more realistic material prices, and, through them, the increased proportion of material costs stimulate for more economic, more rational materials management. Owing to the smaller charges on assets the enterprises with a higher capital intensity are now in a relatively more favourable position. The increase of the levies on wages paid stimulates more economical management of the most important production factor: human labour. The modifications signal tangibly the changed conditions of management for the enterprises. It cannot be stated that the necessary changes in enterprise management have already taken place, but the first results suggest that the expected effects are gradually developing and will presumably continue developing further in the coming years. However, this also requires that the central economic control agencies should transmit the greater requirements to the enterprises and refrain from granting

*Both payable by the enterprise and non-deductible – translator's note.

unjustified preferences and exemptions which would neutralize the effects of the generally valid price and financial measures on raising economic efficiency.

As a result of the increase of producer prices and the modification of the financial system, the plan reckoned with a significant (about 30 per cent) decrease of profits. Considering the dynamics of the increase of profits in recent years, the profits of the enterprises should have decreased by about 16–18 per cent in 1976, but the actual decrease was only about 12 per cent against the previous year. The more successful, more efficient management of the enterprises must have played a role in this, but it was at least equally significant that subsidies and tax reductions were greater, while the withdrawals decreasing profits smaller than had been planned.

In 1976, about 7 per cent higher enterprise funds were formed out of 12 per cent less profits than in the previous year. The proportion of enterprise funds in profits increased from 36 per cent in 1975 to 43 cent in 1976. The development fund increased by about 15 per cent, the reserve fund by almost 50 per cent; the sharing fund, however, somewhat decreased in comparison with the 1975 figures.

The changes in the enterprise funds showed signaficant deviations from the planned figures. The sharing funds were smaller, the development funds greater than planned.

This was produced by several factors. The less than planned decrease of profits manifested itself firstly in the growth of the development funds. Besides, the enterprises formed smaller sharing funds than in the previous year, thus decreasing the average tax on profit, and, increasing at the same time, the development fund. The rule, according to which enterprises were authorized to avail themselves of their reserve-funds if profits decreased by more than 35 per cent, also played a role. A significant amount of money was placed into the development funds as profit tax refund. The regulation that, following from the compulsory order of the payments to be made out of profit, the enterprise has to form a development fund sufficient to repay the expired debts also had a significant effect. To sum up: in the greater than expected increase of the development fund transitory measures, individual exemptions also played a role beside the deliberate, central steps and the increased scope of enterprise decisions. The formation of funds above the planned extent derives mainly from the former group of causes.

Economic-political intentions aiming at the reduction of the growth rate of personal incomes and deliberate steps taken by enterprises in order to form reserves both played a role in the formation of smaller sharing funds. It is not insignificant either, that, by force of the wages regulating system, the wages paid can relatively easily reach a growth of 6 per cent (without paying a levy on the increment), while wages beyond this limit are heavily taxed, at a steeply progressive rate.

Differences among enterprises as to the dispersion of these two main own funds are not identical. Dispersion of the development funds among enterprises increased to a certain extent, a more marked differentiation could be seen to emerge depending on profits. The sharing funds, in turn, became largely levelled. Elimination of extremely high sharing funds caused by the special endowments of the enterprise was also a central intention. The lower than earlier targets for the increase of real wages and incomes also acted towards a levelling of the sharing funds. This levelling tendency, however, should be replaced in the coming years by a more marked differentiation of sharing funds

depending on the improvements in efficiency. This is called for by the fulfiment of the most important economic goals: the increase of performance, the improvement of efficiency.

The new system of building up funds for social and cultural purposes is characterized by the fact that the standard of social care for workers depends to a lesser extent on the profitability of the enterprise than earlier; thus, a gradual levelling may take place in the standards of care, though on a higher level. The experiences of 1976 show this unambiguously. The use of enterprise funds for welfare purposes increased by 21 per cent in 1976, and the increase was the most dynamic especially in the industrial enterprises which had formerly been in a disadvantageous position. Experience has shown that this system of the welfare funds creates favourable conditions for social policy in the enteprises.

As a combined result of the price and financial measures, the centralized part of the social net income increased by one percentage point, and this is slightly less than the figure in the annual plan for the economy. This was caused partly by the greater weight of profits within the net income, as well as by the lower than planned profit tax and the tax preferences granted to a part of the enterprises.

Individual measures play a major role in the present system of financial regulation. Application of a significant part of these was certainly justified, as they prevented a drastic redistribution of profits among enterprises; it also prevented the failure to meet important targets of living standard policy and of development policy, and derangements in the sphere of the economy. Still, the scope and extent of the use of individual measures may be considered as excessive. The scope of preferences diminished less than had been planned and that of exemptions did not diminish at all. Production tax increasingly plays the role of a differentiated tool for centralizing incomes and has an important role in the elimination of differences in the profitability of enterprises. The excessively individual regulation takes the edge of economic judgement, and renders it difficult to make a distinction between economic and uneconomic activities. For this reason, it is an important task of future regulation to narrow the scope in which individual measures are used, to diminish the number of individual income levies and preferences.

The system regulating earnings

The main purpose of the modification of the system serving the regulation of earnings was that

– the forms of wage regulation should better adapt to the specialities of the economic activity;

– for a better assertion of the planned distribution of incomes, for a more efficient influencing of relative earnings, the close relations between changes in wages and profits should be loosened;

– the stimulating function of wage control should be maintained and even reinforced. The differentiation of wage control forms has increased since 1976: reckoned by employment, a third of the enterprises operated under a system of performance-related wage level-control, a third under a system of performance – related

wage bill control, and a third under a system of centrally regulated wages. Only slight differences (a few tenths of a per cent) occurred between the wage increases in enterprises working under different systems of wage regulation.

The formerly too close relation between the development of profits and wages was loosened. The enterprises working under the system of output-related wage control received a 1.5 per cent wage increase unconditionally, the role of the wage preferences and central wages measures became more important.

In 1976 wages increased by 5.7 per cent on the average. This is near the planned figure and, on the whole, is in harmony with performances. Sixty-three per cent of all enterprises (employing 80 per cent of the total) realized a wage level increase of 4–7 per cent. Dispersion of the rate of increase diminished also in the payments from the sharing fund during and at the end of the year. All this shows that in wages and earnings a considerable levelling took place, in the planned sense, but to an extent greater than planned. The income distributing function of the regulation resulted, thus, in a fairly even growth of earnings in 1976.

The marked levelling of the increase in earnings may be traced back to several causes. The relatively rapid increase of consumer prices in 1976 provides a partial explanation for the behaviour of the enterprises which intended to provide some increase of real wages for broad strata through a levelled increase of wages.

However, it should also be examined whether the levelled increase of wages and earnings does not have causes inherent in the system of control.

Under the output-related forms, (beyond the unconditional 1.5 per cent wage increase) the attainable level of wage increase is worked out by combining a basic indicator of output with a wages coefficient. The 1976 figures show that the majority of enterprises and branches could have realized a greater and more differentiated wage increase than they actually did. However, this would not have been in harmony with the development of performances and this fact indicates that some wages coefficients are too loose, they do not stimulate the improvement of efficiency enough. However, a part of the enterprises did not implement the possible wage increase but built up considerable wage reserves.

The wage reserves reach 3.6 per cent in the enterprises with output-related wage level control and 4 per cent in those with wage-bill control. The volume of reserves shows considerable differences (in some branches it is as high as the annual growth of wages, in certain cases it provides a fund for wage increase through several years.) As I see it, apart from extreme cases, such a magnitude of wage reserves does not constitute a problem; rather, they improve the security of management, stimulate reasonable risk-taking, and protect from the disadvantageous effects of market fluctuations. On the whole, this should be regarded as a positive feature, even though it has to be reckoned with as potential purchasing power. It is a fact, however, that the fairly loose wages coefficients would have made possible a more extensive and differentiated increase of wages; instead, a lower and more levelled wage increase and a considerable, differentiated wage reserve was the result.

It is argued in Hungary that the steeply progressive levy on wage increment, starting at a six per cent increase of average wages (the so-called average wage brake) has played a decisive role in the emergence of this situation. This is said to have influenced the

enterprises to realize a levelled increase of average wages, at a level near to the six per cent figure.

This argument is not supported by the analyses performed. Calculated on the basis of employment, even in 1976 about 30 per cent of enterprises realized a wage increase above six per cent. According to the figures of the first half of 1977, it is likely that the average rate of increase of wages will exceed 6 per cent in 1977. All this underlines that the increase of wages beyond 6 per cent is not unfeasible for the enterprises. It seems that in the development of wages and earnings in 1976 partly temporary factors (the decrease of the rate and absolute amount of profits, aboliton of the compulsory formula for the division of pre-tax profits into a development and a sharing fund, among others), and partly the economic intentions relating to the desirable 6 per cent level of wage increase played a major role in determining the behaviour of the enterprises. In addition, it must be taken into account that the taxation system related to the regulation of earnings is an important tool for regulating the purchasing power according to the plan (and in harmony with performances) and also for centralizing the social net income. For this reason, it would not be expedient to change this system of taxation in the near future.

Control of development projects

Improvement of the system of financing development was aimed at higher efficiency, at reducing the participation of the budget, in the scope of both the centrally decided, and the enterprise-initiated investments. Realization of these aims was served: by the compulsory repayment of investments decided by the state and by the prescription of a 10-year pay-off term for development costs, the reduction of direct state subsidies to enterprise investments, the provision of state assistance through tax refunds, the tenders for credits on the expansion of convertible export commodity funds, the partial raising of the requirement related to expected profit in the case of investments.

The regulation of investments is one of the fields where reliable conclusions as to the operation of the system cannot be drawn from the experiences of one year. In a few areas the realization of higher efficiency criteria may be witnessed. This applies to certain productive large investments, implemented by government decision, and especially to the development projects aiming at the formation of a more economical export structure and the improvement of international competitiveness.

The majority of this latter class is characterized by favourable returns in foreign exchange. However, the higher efficiency requirements against investments are not yet asserted generally nor consistently enough. A considerable part of the investments decided by the state does not yet meet the prescribed pay-off requirements. Exemption from the general conditions is fairly widespread in investment crediting (e.g. exemption from the compulsory contribution from the own funds of the enterprise).

In 1976 the amounts placed into development funds from profits exceeded the planned figures. The preliminary data for 1977 also predict considerably higher figures for the formation of the enterprise development funds than had been planned. Differentiation of development funds according to profits is becoming more marked as well. As the additional resources also reflect the positive effects of the modified

regulators on the decisions of the enterprises a drastic and general withdrawal of these surpluses would not be justified, and would run against the fulfilment of the strategic objectives. It must be taken into account as well that the withdrawal of the higher development resources earned through better work and a more moderate increase of personal incomes would erode the confidence of enterprises in the economic regulators. It must also be weighed whether the utilization of the developments is in conformity with the goals of the plan and that the necessary modernization of the production structure involves considerable investment.

A part of the investment credits was granted at a time when the enterprises underestimated their future development resources significantly and this was one of the reasons for exemptions from certain regulations. A part of the exemptions should be revised in the light of the actual situation, and the surplus purchasing power on the investment goods market should be partly utilized for raising the contribution of enterprises from their own funds, for the reduction of subsidies. This is called for by the consistent enforcement of the efficiency requirements, the improvement of the balance on the investment market and the easing of tensions in this field.

Regulation of foreign trade

The control of foreign trade has progressed in Hungary towards the setting of a realistic commercial rate of exchange and the realization of an active exchange rate policy. The commercial rates of exchange of the rouble and the dollar were reduced to a level below the average cost of earning a unit of foreign exchange, with the aim of cushioning the effects of changes in world market prices. Thus, a narrowing of the gap between foreign and domestic market prices could be realized with a smaller increase of the domestic price level.

The decrease in sales receipts of enterprises because of the modification of the commercial rates of exchange were counterbalanced by increasing the state refunds on exports, beside other changes in the elements of the price and financial systems.

In 1976 the sums paid by the state as refunds increased significantly. This increase was unavoidable for the fulfilment of interstate agreements on exports to the rouble area, and in order to improve conditions for a dynamic increase of exports to the non-rouble area.

In devising the regulators affecting foreign trade and finances the purpose was that the profitability of exports to the rouble area should be equal for enterprises to that in domestic sales, and that of exports accounted in dollars should exceed it because of the stricter sales conditions on Western markets. According to the experiences of the last year, this objective was reached only partially; the enterprise profitability of exports to the West may be judged as satisfactory (it exceeds the profitability of domestic as well as rouble-area sales), and the profitability of exports to the rouble area exceeds the level of domestic sales.

Some conclusions

On the whole, the modifications of the economic regulators were successful and stimulated the enterprises for the fulfilment of the economic-policy targets of the Fifth Five-Year Plan. Thus, a comprehensive modification is not necessary, the operation of the system may be improved considerably and gradually through partial modifications and slight corrections.

The measures taken aimed at the improvement of economic efficiency and at the equilibrium of the national economy. However, the steps taken so far cannot be regarded as sufficient. The advantageous restructuring effect of the modified regulators is strongly damped by a number of individual measures, exceptions and exemptions, thus their true assessment is difficult.

The economic regulators create for management excessively levelled conditions in a number of fields. In the coming period the emerging differentiation on the basis of better and more successful work, of higher efficiency, should be fostered (especially by eliminating certain individual measures, and by reducing the number of the many exceptional prescriptions). Unjustified security should be diminished, and a more intensive stimulation toward better, higher performance is called for. The long-term benefits of stimulation should be improved.

Realization of our economic objectives demands that the system of conditions of management should become stricter, stimulation toward more efficient management more intensive, and economic requirements should be increased realistically. It depends on the cooperation between the central and branch level control organs as well as the enterprises to find the reserves and take the necessary measures that make possible a more successful, and higher level enterprise management, which is, at the same time, one of the keys to further economic development.

НЕКОТОРЫЕ РЕЗУЛЬТАТЫ МОДИФИКАЦИИ СИСТЕМЫ ЭКОНОМИЧЕСКОГО РЕГУЛИРОВАНИЯ В ВЕНГРИИ

Б. СИКСАИ

В середине семидесятых годов в Венгрии в систему экономического регулирования были внесены частичные поправки. Они мотивировались, во-первых, значительным изменением внешних и внутренних условий в развития венгерского народного хозяйства – неблагоприятным изменением условий торговли на внешних рынках, прекрашением прироста ресурсов рабочей силы внутри страны, во-вторых, накопившимся с 1968 года опытом функционирования нынешней системы народнохозяйственного управления в Венгрии. Целю корректировки системы экономических регуляторов на период новой пятилетки 1976–1980 гг. было повышение требований к экономической эффективности хозяйственной деятельности, усиление конкурентоспособности венгерского экспорта.

В статье рассматриваются основные направления пересмотра системы экономического регулирования и его результаты на опыте прошедшего периода. Так, в системе ценообразования были учтены сдвиги цен мирового рынка – повышены оптовые цены на энергоносители и некоторые другие виды сырья и материалов, усилена связь между внутренними оптовыми ценами и внешнеторговыми ценами. В результате оптовые цены лучше ориентируют при принятии хозяйственных решений, но поскольку розничные цены – в интересах сохранения стабильности – изменялись далеко не в такой мере, как оптовые, возросли субсидии и дотации из госбюджета, уровень оптовых цен в целом превышает уровень розничных цен. Поэтому пересмотр системы цен и механизма ценообразования, очевидно, следует продолжить в будущем. Автор, далее, анализирует изменения в системе образования фондов предприятий, регулирования личных доходов, капиталовложений, внешнеторговой деятельности и т.д., и приходит к выводу, что корректировка системы экономических регуляторов в целом оправдала себя, но требуются дальнейшие частичные поправки, усиленнее стимулирующие повышение экономической эффективности.

Acta Oeconomica Vol. 19 (2), pp. 133–148 (1977)

R. HOCH

ON THE THEORETICAL BASES OF SOCIALIST CONSUMPTION POLICY

One of the key-issues of social development in Hungary is what the strategy of consumption policy should be. Is it expressed in the development of consumption that the means of production are in social ownership and that we are living under socialist circumstances and relations? What do we what should we and what can we do in order that it shall become obvious also in the sphere of consumption that the reproduction process is of a socialist character? Are we capable of elaborating the socialist model of consumption and of realizing it, or shall we copy the consumption pattern of developed capitalist countries? There are grave problems and many difficulties have to be overcome in trying to answer them.

Searching for the limits to the possibilities of deliberately shaping consumption first of all *the social determination of needs and consumption should be kept in view.* For Marxists it is an elementary fact that the needs of society cannot be regarded as an aggregate of isolated individual needs, but these individual needs are socially determined and those of society are more than the set of individual needs interpreted in whatever sense.

The social determination of needs and consumption includes at least three factors, namely:

– the level and process of development of the forces of production
– the character and state of the relations of production
– the mutual relations of consumers.

All these factors assert themselves also internationally, though to a different extent. Only in consideration of these factors can we set realistic objectives for the shaping of consumption, develop a socialist model of consumption and give a well-founded criticism of the capitalist pattern of consumption.

Forces of production and needs

First of all it should be emphasized that the primary determinant of consumption is the development level of productive forces, of course, also in capitalist countries. It hardly needs proof that the level of consumption in the most developed capitalist countries is higher than with us, because their productive forces are more developed. We often forget, however, that also the consumption pattern of developed capitalist countries is determined first of all by the development level and trend of productive forces and capitalist production relations exercise their effect only on this basis (however important this effect is). The state of productive forces is reflected by the fact that a greater and ever increasing part of the population live in agglomerations around industrial centres and in big cities. Urbanization means a definite way of life with concomitant needs and their

satisfaction. Furthermore, mass production based on high productivity, in general, and the application of new techniques, in particular (electric instruments, combustion engines, telecommunication devices, chemicals, etc.), determine the production of consumer goods and, of course, also consumption itself. Therefore, the manufacturing of refrigerators, cars, radio-and TV-sets, synthetic detergents, etc. is not a product and characteristic of capitalist relations, but of the productive forces of the twentieth century. Naturally, one could philosophize about such questions what the development trend of productive forces would have been had world history developed in a different way; or whether motoring would have had a similar development if, say, world revolution had triumphed six decades ago. All this, however, would be a fruitless mental exercise. The actual way of development and the present structure of the productive forces are objective realities for us. Negation of such elements of consumption which are basically determined by the development level of productive forces (e.g. the often mentioned criticism of "refrigerator-socialism") is the troglodytism of our days.

Secondly. Countries where socialism triumphed did not have the most developed productive forces in the past nor do they possess them even at present. Their historical task has been to "make up" for the handicap in the level of development. When fulfilling this task, the productive forces of developed capitalist countries serve – necessarily – as models and a basic method of fulfilling the task is the adoption of more developed technology. Obviously, in such a situation it is out of question that the socialist countries should decide on the trends of the world-wide development of productive forces and the consequences for consumption resulting therefrom. (But it is justified precisely on this account, if Marxists in developed capitalist countries raise the question, what to do if socialism will triump in their countries.)

Thirdly. Socialist countries are generally characterized at present by shortage of capital and in some others – as also in Hungary – simultaneously a labour shortage can be observed. However, the scarcity of resources sets strict limits to the growth rate and, also following from this, to the transformation of the consumption pattern considered from various aspects. It is (or ought to be) obvious that the faster the growth rate of the economy and, within it, of consumption, the better possibilities we have to consciously influence the consumption pattern. For example, the development of infrastructure (stock of flats, transport, the health services, education, service network, etc.) decisively influencing the pattern of consumption and, in the final analysis, the way of life of the population, depends first of all on how much we can spend on its maintenance, operation and expansion from the production resources.

Relations of production and consumption relations

Content of the model of consumption

On the basis provided by the forces of production it is the *relations of production* that directly determine consumption. What does this mean in concrete terms if the capitalist and socialist models are compared?

The question is often asked: what is the consumption model of socialism; do we follow the capitalist pattern? What is a model of consumption at all? *By a model of*

consumption I mean those generally characteristic features of the level and pattern of consumption which result from the given mode of production and even more from its given development level. And here immediately distinction must be made between the *character* of the capitalist model and that of the socialist model.

The capitalist model reflects – just as all categories, laws and models of the Marxist political economy of capitalism do – *the real state and development trend* of the overall development level of the capitalist mode of production and of some of its given stages in a theoretically arranged form. It follows already from this that the capitalist model cannot be reduced to such phenomena as forced personal consumption, wasting, prestige, etc. This simplification is all the less permissible since the real consumption in present-day capitalist countries – at least that of medium developed and highly developed ones – includes also transfers (i.e. redistribution of incomes through the state budget), social benefits, a relatively high proportion of extra-market consumption, etc., even if these phenomena do not result from the inner substance of capitalism, but from its self-protection. The statement is true also for capitalism: it is not a general model of consumption we should be looking for but the consumption model of the present, i.e. the state-monopolistic capitalism whose arsenal includes anti-cyclical business policy just as it does the instruments of welfare policy (i.e. a policy influencing the distribution of incomes and the consumption pattern). However, we can reveal in reality behind these phenomena, too, that the essence and motive force of capitalism is production for profit; this is determinant after all and everything else – also the stimulation of business and welfare policy – is only a superstructure relying on this.

The situation is quite different with the socialist model of consumption. This model, too, – similarly to most categories, laws and models of the political economy of socialism – is of double content. On the one hand, also this model has to reflect *real states and processes* (descriptive and analytical model). On the other hand – and this is the particular feature of the socialist model – it has to reveal those *possibilities and requirements* which result from the socialist mode of production, and are not realized automatically precisely because of the inner substance of socialism, but only through the conscious economic and social policy of the socialist state and by implementing the objectives expressed in them and by them. There is necessarily some difference and deviation between reality and objectives. By the time we approach the previously formulated objectives, new circumstances and demands are already pressing.

The *subject* of the socialist model as a system of goods and as a planning model is basically not a state to be achieved, but *a process;* in the consecutive periods the concrete system of goals is different. The motive force of development can be formulated also by stating that the level and state already achieved differ in each period from the system of goals expressing the requirements. However, if the difference between reality and the system of goals is very great and the gap between them becomes wider, it is possible that the system of goals is unreal; targets that can and should be achieved at the given level of development of the socialist mode of proportion are wrongly formulated by the model. But if the planning model is good and adequately indicates the possibilities and circumstances, the widening of the gap shows that the problems are caused by the actual development trends. Therefore, the planning model should continuously be compared

with reality and with models properly reflecting reality, and the reasons for deviations from realistically formulated objectives have to be analyzed.

We emphasize again: a consumption model corresponding to the given production relations is not merely a matter of structure, but also other interrelations belong here, among them even such important ones pertaining to the essence of socialism as the security of existence, i.e. that of employment and income, thus the safe possibility of consumption even for the time of illness and old age. (Even if, for the time being, because of our limited resources only a lower consumption level can be ensured for these latter.) These particularities of consumption (thus e.g. the security of existence) have, of course, effects on the pattern, too. In the socialist countries, for example, – other conditions being equal – the propensity to save is lower on this account than in capitalist countries; namely, the population saves a smaller percentage of its income and spends relatively more on consumption also because unemployment need not be feared, etc.

From the socialist relations derives a crisis-free development of production and economy as well as the efficient utilization of production resources – the labour force included, of course, (the security of consumption relies precisely on this); and this is the basis on which a balanced and relatively rapid increase of consumption can be realized. However, we have learnt that a development of this type will not materialize automatically even in socialism, but has to be realized by conscious effort which is not always an easy task. It is characteristic that although in Hungary the development of productive investments has been cyclical during the last twenty years and thus also in the period of the Fourth Five-Year Plan (1971–1975), consumption and investments directly influencing the living standards (e.g. housing) have developed relatively steadily even when a crisis swept over the capitalist world. Thus, not only the security of consumption, but also that of the *increase* of consumption are requirements and also characteristics of socialism. Naturally, a relatively steady increase of consumption takes place also under capitalist relations if and until state monopoly capitalism can ensure an expansion of production free from major and general recessions. But, precisely the events of recent years have proven that even state monopoly capitalism could not neutralize basic tendencies resulting from capitalist relations. However, when examining the effects of production relations on consumption we have to remember also in this context that the consequences of capitalist relations exercise their effects also in our countries (both directly and indirectly) and make the realization of our consumption policy objectives more difficult.

Furthermore: by the very nature of the matter, socialist consumption relations are characterized by the fact that capitalist consumption is not included in them with its quantitative and qualitative characteristics and with its effects on the structure of demands of the entire population. The distribution of incomes and consumption takes place between the *working classes and within them;* again with smaller inequalities resulting from the production relations.

Last but not least, it belongs to the essence of socialist relations that satisfaction of the needs of the population becomes a direct objective of production, at least in the sphere of the highest control of national economic processes, i.e. in the planning of the national economy.* In the course of long-term planning this fact takes the form of practical necessity and does not remain some normative thesis of theoretical character.

Despite all the restrictions the direct objective of economic activity under socialist relations is to satisfy needs. This, of course, does not mean that any kind of consumption will be good for the objective of socialist production. What is more, in a certain sense, consumption cannot even be regarded as a final end. *Nowadays, with reference to Marx, efforts are increasingly directed at developing such a model which humanizes consumption and, in a wider sense, the way of life of people. Indeed, this is the essence of the socialist model of consumption.* We try to develop such a pattern of consumption – taking various aspects into consideration – *which ensures a healthy and civilized life as well as the harmonic development of needs and their satisfaction for the entire population; these are, after all, preconditions that people may put forth their abilities in a manysided way and, that the personality of a community-minded man may develop.* Such conditions are developed under which society with its relations and institutions is not a hostile medium for its members, but basically helps them precisely in the satisfaction of the needs defined above.

This trend has basically characterized, the development of consumption in Hungary even up to now and this is continued by our strategy of living standards policy. The increasing share of the services of health and cultural institutions in the total income and consumption of the population – first of all in the form of the rapid increase of social benefits in kind – has also served the enforcement of this trend. Elimination of class differences, a growing similarity in the consumption patterns of the social strata, diminishing differences between town and village, elimination of striking income inequalities prevailing under the previous regime, development of a more open society, etc. do all indicate that the main trend of our development during the last decades has been, indeed, to ensure better conditions for the putting forth of abilities and for a healthy, civilized and many-sidedly developed way of life. This is the main trend of development, even if there have been and there still are opposite tendencies. There are several obstacles, which still hinder people in freely putting forth their abilities, and there still are several points where conflicts arise between the individual and the community as well as between the individual and state institutions that represent the community (and are often working in a bureaucratic way). Analyses usually deviate from each other in judging the measure of development, in determining where we *ought to* be and in how much factors having countereffects can be regarded as necessary or avoidable. Conceptions on the development of consumption confirm the continuation of the main direction followed up to now and basically differ from each other in how much they find it possible to accelerate the achievement of or the approach to the objectives mentioned.

A part of the socialist model of consumption is *economic efficiency* taken in a social sense. Socialist relations make it possible, at least, to reduce the waste resulting

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*A higher-level satisfaction of the needs of society is no direct objective or primary motive force of activities in either the state enterprises or the cooperatives, or state institutions fulfilling special tasks. Furthermore, even in short-term economic policy (planning) such objectives may be given preference as, for example, the restoration of a disturbed economic equilibrium. Finally, objectives resulting from the given historical conditions, but restricting that demands should be satisfied at an ever higher level appear also in the strategy of economic policy. However, the factors mentioned do not only restrict: at the same time they are also preconditions of the realization of the basic objective.

from capitalist relations, as well as the economic utilization of productive resources both in general and in personal consumption. Furthermore, they allow to look for alternatives *requiring smaller inputs for the satisfaction of some need at a given level.* However, economic efficiency of consumption, in general, should be interpreted in such a way that *with given resources higher and higher levels of the satisfaction of needs shall be achieved and with the expansion of resources an accelerated increase of consumption shall be ensured.* Thus, we need not strive to attain a given level of consumption with the least possible input. Rationality should be enforced in consumption, but our ideal is not an anti-human rational consumption recalling the vision of phalanstery. Taking all this into consideration we can say: the essence of the socialist model of consumption is not economic efficiency. It should be obvious that under developed socialist relations how many hospitals, flats, schools, etc. can be built will not be determined by whether the establishment of the conditions of harmonic consumption is an economical way of consumption or not. The quantity to be built is naturally restricted by available resources and the efficiency of the construction industry. However, in selecting the ways of realization of the individual targets considerations of economic efficiency must already have a part.

Even if it can be debated with good reason to what extent we have approached our objectives up to now and what are our possibilities in the forthcoming period, it must be clearly seen that the *satisfaction of demands corresponding to socialist relations is not a given state* that can immediately be ensured with the elimination of capitalist relations. Precisely on this account it is not even justified to raise the question whether we have established the socialist way of satisfying needs or not. *This is a process that is either slower or faster, which can be slowed down or accelerated, but cannot be closed.*

From all this, however, it also results directly that *the socialist model of consumption and the concrete system of objectives will be different in various periods and in individual socialist countries.* In a certain sense we may speak of the socialist model of consumption in such general forms which are valid for all socialist countries and for all periods. General characteristics and requirements resulting from socialist relations provide indispensable orientation for the elaboration of the strategy and tactics of social and economic policies. But, such a model in itself is all too general and less meaningful. It is obvious, for example, that approximation of equality in consumption is an immanent part of the model. As a matter of fact, the question to be answered is the following one: what degree have we achieved in the realization of the task, of what nature and extent are the inequalities, how do we judge factors working towards differentiation, what are the possibilities and instruments available for diminishing inequalities, etc., and finally, what should be actually done in the forthcoming period for the realization of long-term objectives?

The policy shaping the structure of consumption does not affect all fields of consumption taken in a broad sense. Distinction should be made also in this respect between the (main) direction of consumption policy characterized by *the putting forth of the personality of a community-minded man* and that aimed at improving the *economic efficiency* of consumption.

Commodity relations within the framework of the socialist mode of production

A consumption corresponding to socialist relations can be approached only on the basis of the rapid development of productive forces. Therefore, it makes no sense if rapid economic growth, on the one hand, and the requirement of humanization, on the other, are presented as contrasts precluding each other. (But this does not mean that there is not also a contradiction between the two requirements.) What is more, experience did prove that it is on the basis of a rapid increase of national income and within it of consumption that a significant transformation of the structure of incomes and of consumption becomes possible. If development is slow or even stagnant the structure will be conserved or changes will result in sharpening contradictions within society.

One of the basic theses of political economy is that a fast development of productive forces can be promoted by the system of production relations corresponding to them. Well, the system of production relations promoting development comprises not only that the means of production are in social ownership.

Commodity relations belong to the concrete system of socialist production relations. Several useful as well as fruitless discussions have been going on in the socialist countries concerning the reasons of socialist commodity relations. But, it is a fact that these relations do exist and a rapid development of productive forces is impossible without them.

The existence of commodity relations has its effect on consumption, too. The effect exercised on the development of productive forces is undoubtedly positive from the viewpoint of consumption. There is, however, an unavoidable negative effect, too. According to *Marx* socialism is really the complete negation of commodity production. Thus, *Marx* supposes in socialism the complete elimination of *the alienation of producers* of commodities. Adam Smith emphasizes that owners of commodities serve their own interests when they refer to those of consumers. According to him, however, serving the interests of the owners of commodities will result, after all, in a harmonic development of the economy and society. Utopian socialists, however, already clearly see that there can be no harmonization whatever of interests in commodity production; it is advantageous for a glazier if hail smashes windows; an epidemic is advantageous for a doctor, etc. Therefore, it is natural for the founders of scientific socialism that the liquidation of capitalism means, at the same time, also the elimination of these situations. But, in reality the major part of socialist production is carried on in state and cooperative enterprises and, as I have already referred to it, the direct and primary objective of socialist enterprises is not the satisfaction of needs in any kind of economic mechanism. But – as against the capitalist commodity production – these separated interests are not dominating in socialism against consumers, because the sphere of enterprises is not the only and not the highest sphere of the socialist economy. By using an adequate vehicle and mechanism the planned control of the national economy can (and must) direct the activity of enterprises (cooperatives) into a channel corresponding to its purposes.

The socialist state influences the development of consumption through the instruments put at its disposal i.e. development, incomes and price policies; on the other hand, it *withdraws* important branches and groups of activity from the sphere of

commodity production. For consumption policy purposes the socialist state develops, controls and influences (even if not always consistently) the enterprises as well as the institutions withdrawn from the sphere of commodity production. But, the direct objectives of state control are often not identical with those of consumption policy; what is more, there are always some contradictions between enterprise interests and the economic and social objectives represented by the state, too. On the other hand, enterprise interests undoubtedly influence consumption and consumers are "manipulated" accordingly. (At most the methods of manipulation are often primitive and thus not too efficient.)

The weakness of commodity propaganda results, however, not from the essence of socialism. Naturally, the socialist state controls the publicity methods applied by the enterprises. But, this control still allows a rather wide range of possibilities for publicity, resulting precisely from commodity relations. Consumption influenced according to enterprise interests has unfavourable effects in certain respects (though the essence of this effect is not that at all!). For example, enterprise interests may stimulate waste in consumption. Enterprise interests often require that customers buy new products even if the old ones could still be used, or that the lifetime of products be even reduced.*

Commodity relations are not limited to internal relations, but are closely connected with the world market – especially in socialist countries with an open economy. We import consumer goods from the capitalist world (for "economical" reasons sometimes buying assortments of inferior quality). And what is even more important: we make branches producing consumer goods export-oriented. At this point I will not emphasize the enormous advantages of this fact – that is well-known –, but the negative concomitant phenomenon that also the domestic consumption of these goods will be necessarily adjusted to the requirements of the capitalist market not only in its favourable, but also in its unfavourable respects. Exporter enterprises remain competitive on the world market only if their products meet the rapidly changing requirements of the world market with regard to all characteristic features. However, not only such features can be found among the characteristic ones as up-to-dateness, standards of finish, etc., but also those which indeed lead to wastefulness in consumption. (In practice it is often difficult to draw a sharp line between modifications of some durable consumer goods that may be qualified as superfluous and those involving continuous technical development.) This is why exporter enterprises will stimulate also domestic buyers to exchange the durable consumer goods manufactured by them even if they could be used for a long time. Naturally, no such conclusion should be drawn from all this that in the interest of realizing a socialist consumption model relations with the capitalist market ought to be broken off.

Any model neglecting or even denying commodity relations under the circumstances of contemporary socialism is devoid of contents and leads in the wrong direction. But, as a matter of fact, the final outcome will be similar if we do not realize that although socialist commodity relations primarily widen, they also restrict the scope of our consumption policy.

*This effect will be stronger if enterprises are interested first of all or exclusively in the reduction of the cost level, at any price in the forced increase of the volume of output, etc.

Consequences of financial incentives

One of the decisive preconditions of the development of the socialist economy *is the individual and collective financial stimulation of workers and employees.* Therefore, distribution relations, called the system of distribution according to work performed, constitute an immanent part of socialist relations. (Considering this problem one cannot refer to *Marx* any longer as if he had imagined socialism without these relations.) What is more, it must be an important feature of the socialist way of life that everybody should live as he or she works. (The scriptural text "he who does not work neither shall he eat" is valid at present in this form.)

The fact of financial incentives has direct and concrete effects on consumption. Without them the consumption model of socialism cannot be interpreted and, at the same time, they also restrict the objectives resulting from the abstract model of socialism.

The so-called distribution according to work performed lends a concrete outward form first of all to the socialist ideal of equality. It is not only a requirement raised towards income distribution, but an immanent part of the model of consumption, too, that the relative proportions of earnings and thus the differences in consumption between families should express quantitative and qualitative differences as well as those in social effectiveness in the work of earners. Serious economic and political troubles are caused by the distortions arising from the fact that earnings often considerably differ from the quantity, quality and social effectiveness of the work performed, and therefore, differences in consumption between families are not correlated with the activity of the earners in families.

However, even if activities and earnings were in harmony (in so far as this harmony can be interpreted and established at all), there are still contradictions between the distribution according to work performed and the socialist model of consumption in several important respects.

Resulting from its nature financial stimulation postulates differences, and occasionally even differentiation in the earnings of certain groups of wage-earners (e.g. between workers and foremen, but, particularly between those working better and those with poor performance) and thus – other conditions being equal – also in the incomes and consumption of families. Socialist society cannot endure extreme differences in earnings and, consequently, in the consumption of families. The limitation of differences in earnings for social policy reasons restrains the stimulation. Restriction of earnings brings about that of the activity, too. But the harmonization of earnings with the work performed is one of the basic preconditions of efficient financial incentives! This contradiction constitutes a permanent dilemma of wage policy.

The contradiction can be mitigated or partially dissolved if the effect of all such factors working towards a levelling of incomes and consumption which are not related to work nor to financial stimulation will be gradually eliminated. These major factors are the following: demographical situation of families (mainly the ratio of dependents to wage-earners), housing conditions, differences in settlement conditions and differences in cultural level. Elimination of their differentiating effects requires very considerable economic (and not only economic) efforts from society in the very long perspective (investments in infrastructure, increase of social benefits both in money and in kind). On

the other hand, earnings should be differentiated to such an extent that they serve financial stimulation in the best possible way.

Contradictions will not cease even if these objectives are optimally approximated. What is more, even the realization of this goal is a process not free from contradiction: earnings serving stimulation and the elements of national income serving levelling restrict each other in growth.

It should be mentioned furthermore that, in general, *it is not the possibility of obtaining more money,* that stimulates for attaining higher qualification and undertaking jobs which require greater responsibility (if responsibility involves calling to account as well), *but the goods that can be bought with the earnings integrated into family income.* At a low level of development the striving for better nourishment and clothing is the stimulative force. At this level consumption is still rather standardized. Nowadays, however, for an ever increasing part of wage-earners the material stimulative force is the possibility to acquire and increase the part of income that remains after having met basic needs and that can be more or less freely spent, more exactly, to purchase the goods to be bought with it. (In families with the lowest incomes the satisfaction of elementary needs continues to remain a material stimulative force further on.) If the goods to be bought with higher incomes are not available in adequate quantity, quality and assortment, the force of financial stimulation will get weaker. (This fact is further strengthened by the circumstance that, in consequence of the security of existence and because of the impossibility of capital accumulation, propensity to save is relatively low.)

That is why there is a definite social pressure for the supply of goods attracting consumers. However, this supply pressure does not result from sales difficulties (that is characteristic of capitalism), but is aimed at developing adequate endeavour for obtaining larger income and at creating the possibility for the spending of this larger income. In short-term planning it often seems as if a certain commodity supply of greater volume should be ensured only for the sake of equilibrium between demand and supply and for the engagement of purchasing power. In a long-term approach it becomes obvious, however, that financial stimulation requires a definite supply structure. Finally: the *way* how needs should be satisfied is determined by financial stimulation to a considerable extent.

Society may or might decide in several (important) cases whether a given demand be satisfied by commodities to be bought or by social benefits in kind. From the viewpoint of financial stimulation the buying of commodities is more advantageous. Similarly: financial stimulation is, in a certain sense, a barrier to the increase of money transfers. (Naturally, this is valid also conversely.) At the present stage of our development financial stimulation still prefers the way of meeting more or less alternative demands through the purchase of goods *resulting in the acquisition of property,* as against the often more rational way of satisfying needs which postulates only the buying of services, but the thing serving for the basis of these services remains in social ownership. (Some stereotype examples: individual washing machines or small laundries operated in each block of flats, private cars or mass transportation, individual summer residence or collective holiday-homes, etc.) Let us disregard the fact here, that individual solutions usually require less investment and also labour than the social ones. The supply pressure resulting from the system of financial stimulation often coincides with the interest of enterprises in increasing production and sales as well.

Does it follow from all this that we have entered a vicious circle, namely, that higher incomes stimulate greater production and, more products are needed only in order to enable the higher incomes to be spent? Nothing of the kind! Financial stimulation is one of the indispensable conditions of the rapid increase of the production of means of production and consumer goods, of an adequate raising of the level of consumption on this basis and of the development of its pattern in the direction already outlined. However, the fact should not be neglected that financial stimulation gives also determined directions to the development of consumption and a part of these directions crosses the main trend pointing to the development of socialist relations or at least deviates from it.

Mutual relations of consumers

The system of relations between consumers is *one of the elements of the system of social relations.* These relations, too, are primarily determined by production relations, because of the circumstance that relative income proportions, thus also the relative proportions of consumption are determined by production. But, even beyond this, social relations determine the way and pattern of the consumption of particular classes and strata. In the capitalist system consumption comprises mostly that of capitalists and workers, respectively, with the specific characteristics, reactions and functions resulting not only from the quantitative differences in incomes. These particularities determine – we would like to emphasize again: even over and beyond income differences – the consumer behaviour of the given classes, and, within them, that of particular strata as well. The way of consumption determines the possibilities of success in the production sphere (taken in a wide sense) at least above a certain social status. This ladder may reach down into the upper layers of the working class, too!

However, relations between consumers cannot be simplified to the fact that they reflect relationships existing in production. In the sphere of consumption special relations, orders of value and hierarchies more or less independent of production relations can be also found. This fact is especially striking precisely in a socialist society because from socialist relations there follows a radical decrease of still existing differences between classes and strata. In Hungary statistics, sociological surveys and even personal experience unambiguously indicate that the pattern of consumption is hardly influenced any longer by belonging to a definite class or social stratum. (In our society there are more and more so-called "mixed" families whose wage-earners may be ranked into various social strata. This fact strongly influences also the behaviour of so-called "pure" families.) The pattern of consumption is determined by various factors, as the income level, the demographical situation of the family, housing conditions, settlement conditions and cultural level. It is rather the other way round, namely, these factors – especially settlement conditions and cultural level – determine the adherence to a given stratum (e.g. unskilled worker) and even in a reproducing way. The reproducing effect of these factors is naturally considerably less important than in capitalist countries, so much the more because in the latter the basic factor is whether the family is owing capital or not.

The community where consumption takes place has a very important effect on consumer behaviour. In the hierarchy of this community families want to attain an

adequate position. The hierarchy of the sphere of consumption may and even does considerably differ from that of the sphere of production. In big cities the productive community is almost completely separated from the consumer community. (They are separated even if we take into consideration that not only the environment of the dwelling, but also that of the working place is consumer community.) Consumer community includes also other social groupings (friends, etc.). Experience shows that even in villages where the two kinds of community more or less coincide (since the major part of families are members of the same co-operative) different orders of value develop in production and consumption, respectively.

The vehicles of relations are things – consumer goods – *also in the sphere of consumption.* Certain – always changing – consumer goods have special use-value, too. Beside the fact that the specific characteristics of an article (or service) satisfy definite needs (making our life more pleasant, eventually more substantial), they might also satisfy our claim to have an adequate status in the consumers' hierarchy. This latter claim, too, – no matter whether we like it or not – involves the satisfaction of a real need, the decrease or elimination of a feeling of want.

In most cases it causes no social harm that certain goods have also such special use-value beside the normal one. What is more, it often happens that precisely this feature enables the introduction of a given product or service in mass consumption, thus enriching our life. At present it is already amusing that some years ago we were warned against "refrigerator-socialism." The first household refrigerators may have had the function of a status symbol, which eventually promoted their rapid spreading. However, this function has already disappeared by now, (if anything becomes an article of mass consumption it looses its role as a status symbol anyway), but the lives of two thirds of all families have become more comfortable, hygienic and economical. Naturally, the order of values in consumption and its satisfaction may assume at times and at places a distorted form: in the use-value of a thing (or services) the attaining of a supposed rank or prestige will be the dominant or exclusive element and it will not become the promoter of a richer and fuller life even in the long run. (For example, the building of a family vault as a status symbol.) No matter how we judge a given consumption article having, at the same time, also the properties of a status symbol, it is never the thing itself which is responsible for this, but the relations whose vehicle it is.

We should recognize, study and shape precisely these relations, in the present case those among consumers. How can the main requirements connected with the shaping of consumer relations be summarized?

1) Nowadays the place of individual families in the hierarchy of consumption often considerably deviates from the position achieved by the wage-earner (wage-earners) of the family through the quantity, quality, social importance, etc. of his (their) work. However, the unremovable competition between consumers (which we do not want to eliminate at all) can serve financial stimulation only *if the consumers' hierarchy will be approaching to the rankings in the sphere of production.* At present there are still several reasons for the deviations between the two kinds of ranking.

– Differences in earnings do not properly express differences in the work performed. On the other hand, by making use of special booms and monopolistic situations high incomes may be obtained legally, semi-legally or even dishonestly. These

incomes are neither controlled at their origin (a considerable part of them cannot be identified at all), nor taxed.

– It is a well-known fact as well that the income of families – first of all of those with lower income – depends to an exaggerated extent on the proportion of wage-earners to dependents within the family, furthermore, that social transfers, especially those connected with children are not sufficient to significantly mitigate the effect of this factor.

– It is a specific factor that having or not having a flat and the ways of getting a flat may cause considerable differences in the place of families with otherwise identical conditions in the hierarchy of consumption.

All this, obviously, raises income policy and, in general, distribution policy problems.

2) The scale of consumers' preference has to be formed and developed. This task is more complicated even in principle, so much the more, since it is very manyfold. The development of a scale of consumer values corresponding to socialist relations much depends on the rise in the overall cultural level. Such formation of consciousness has an important role here whose direct purpose is to develop a desirable system of consumers' valuation and so have the "clerks" who may considerably influence the consumers' valuation and behaviour. We should beware however, of considering our own taste and opinion as the model of socialist consumption and trying to assert them forcibly. The same caution is required in order to refrain from developing a valuation system for every detail of consumption by passing positive or negative judgement on each article that is or can be consumed. All this may result in similar distortions as if we did not try to develop a valuation system and form consciousness accordingly at all. One of the preconditions of the putting forth of personality is variety and diversification in consumption, while uniformization, especially on the basis of some disputable individual taste, is an obstacle to it. Propagation of uniformity, an ab ovo refusal or even condemnation of the taste and endeavours of others may lead to the distortion of the order of values and of the pattern of consumption.

Formation of the consumers' consciousness is a complicated task also because it can be really successful only if it forms the behaviour of the leading consumer layer and thus influences the new trend of consumption *"in statu nascendi"*, by stimulating or restraining it. Since, if some consumer trend has already become wide-spread in the layer leading consumption, then this claim becomes socially fixed; the process is usually irreversible and its spreading throughout the entire society is usually only a matter of time.

3) Material conditions must be created for a harmonic development of needs and consumption. The pattern of consumption, and what is more, even of demands is often distorted because these conditions are not properly ensured or even missing. Here, it is mainly the development or backwardness of infrastructure what is meant. This statement holds also on national-wide level, but the problem may especially arise on regional level. For example, the spreading of motoring can be restricted only through an adequately developing and already – both quantitatively and qualitatively – developed mass transportation system. On regional level, again, the problem is not only how to spend money income, though – of course – this is also important. If for example, the supply of

settlements of village character with schools and health institutions is not satisfactory, then distortions in the consumption of the population living there will appear first of all in the relatively low utilization precisely of those social benefits in kind which are aimed at promoting the development of a civilized and healthy life.

All this continues with the way of spending the money income. For example, if no cultural institutions are available whose services could be bought, then money will be spent one-sidedly on the purchase of material goods, on those which can be obtained and used under the given circumstances.

4) Last but not least, the socialist state has a wide range of instruments with which it influences the structure of needs and consumption, and thus the preferences and behaviour of consumers. The free educational and health services remove the utilization of these institutions from the framework of ranking within the purchasing possibilities. Similarly, the strongly subsidized low prices of medicines and of the rationed milk available for nursing mothers and small children, moreover the relatively low price level of basic foodstuffs, in general, the cheapness of textbooks, theatre tickets, all of which are subsidized, etc. do all influence the ranking of needs as well as the structure of needs and their satisfaction.

Influencing consumption and the possibility of choice

Marxists start from the social determination of needs and criticize subjectivist bourgeois views. However, it would be a very serious mistake not to analyze deeply *the dialectics of the social and individual character of needs.*

Need means, after all, a feeling of want arising in the individual who tries to mitigate or satisfy it. Inclinations of the individual transmitted by genetics already provide a certain framework and a direction for requirements and endeavours. Traditions, education and habits further influence these frameworks and directions. Finally, this system of imprints is completed by social determinations resulting from productive forces, production relations and consumers' interrelations.

It results from all this that *needs can be shaped and their directions modified within these frameworks.* (Both the manipulating activities of capitalist enterprises and the policy of the socialist state aimed at influencing consumption are based on this possibility.) On the other hand, however, it is already included in the previous statement that needs can be shaped and their directions modified only within well-defined frameworks. Every researcher of consumption is aware of the fact that there are strict laws of the development of needs and demand (the best known being the so-called *Engel*-law) which cannot be cancelled. Any capitalist enterprise disregarding this fact will soon become bankrupt. That is why monopolies have developed a manyfold and successful methodology of market research and manipulation including psychological devices, too.

We are, however, much more interested in the following statement: the *consumption policy of the* socialist state can be successful only if it relies on the results of analyses of needs both when setting objectives and when choosing and combining instruments. Without this, objectives of consumption policy would not be realized. Any socialist model of consumption – elaborated by either sociologists, or socio-economic

planning specialists, or even by all these together – which would aim at forcing on the population some kind of consumption conceived on the basis of abstract theses would only discredit the idea of the model itself; and if attempts were made to realize it in practice, this would cause economic and political disturbances.

From such computations which disregard those to be affected it would result first of all that desirable and realistic social objectives could not be realized. Furthermore, the demands of the population could not assert themselves either, and thus political discontent would arise. Finally, all this would result in a growing disequilibrium on the market of consumer goods and frozen stocks as well as unused capicities and shortage of commodities would simultaneously develop. (It depends on the general economic conditions which side of the lack of equilibrium will become predominant.) Both forms of the disequilibrium mean waste, an uneconomical utilization of resources. However, towards consumption corresponding to socialist relations the requirement has been raised that it should diminish and minimize waste which is, at the same time, also the critique of the capitalist model. We do not meet the requirements resulting from socialist relations if we change only *the outward form* of wastefulness; if consumption judged superfluous will be replaced by accumulated unsaleable commodities if the product quality deteriorates because of the shortage of commodities and this shortens the period of usability.

It is a requirement of growing importance and intensity that alternatives be available for the meeting of demands, i.e. there should be an adequate assortment of goods. The more developed the productive forces, the wider spectrum of goods can be released by production, and consumers at a higher income level demand a richer assortment. With increasing incomes, consumers strive for variety even in satisfying elementary demands; a disposable part of income will appear and increase, namely the part of expenditure that already causes a stronger differentiation in the satisfaction of needs in individual families which are otherwise under identical circumstances.

The requirement that a possibility of choice should be available must not be restricted to the sphere of goods bought in trade, but is, as a matter of fact, valid for consumption taken in a wide sense. People will perceive and evaluate the level of consumption more unfavourably if they are forced to consume according to a predetermined consumption pattern, than if they have the possibility of choice in meeting various needs. (Of course, these facts have nothing to do with bourgeois theories on either profit-maximization or consumer sovereignty.)

Last but not least, the possibility of choice should be ensured also because we cannot claim to be infallible in determining all objectives connected with consumption. Unfinished and even interminable discussions are going on concerning certain objectives. Therefore, it cannot be claimed that the right way of satisfying needs will be necessarily the one imagined by planners, while what consumers want is absolutely wrong.

It might look as if there were some contradiction between the requirement of the possibility of choice on the one hand, and that of a deliberate influencing of consumption on the other. In reality, however, what is meant is only that our objectives related to consumption cannot and should not be achieved by forcing one single structure onto the population. In fact, we have to make efforts that better and better conditions be created for consumers to be able to choose in the satisfaction of their needs; while consumers should be influenced and directed by various instruments available to the socialist state

(economic methods, formation of consciousness, etc.) towards these alternatives which are considered desirable from the viewpoint of the development of our society. In this manner we can approach our objectives without creating social tensions and, simultaneously, the reality and correctness of these objectives can also be verified.

К ВОПРОСУ О ТЕОРЕТИЧЕСКИХ ОСНОВАХ СОЦИАЛИСТИЧЕСКОЙ ПОЛИТИКИ ПОТРЕБЛЕНИЯ

Р. ХОХ

Социалистическая модель потребления как плановая модель означает совокупность общих черт, которые вытекают из социалистического способа производства, а еще более – из определенной степени его развития как возможность и требование к формированию уровня и структуры потребления. Эта модель находит выражение в экономической и социальной политике государства как целевая система и определяет те экономические (инвестиции, политика доходов, политика цен) и неэкономические (воздействие на сознание и т.д.) средства, с помощью которых эти цели могут быть приближены и осуществлены. Сущность модели состоит в том, что в социалистических условиях целью хозяйственной деятельности – по крайней мере, в сфере управления народным хозяйством – является удовлетворение потребностей, причем потребностей, сформированных таким образом, что их удовлетворение гуманизирует потребление и образ жизни людей вообще.

Предмет целевой системы потребления представляет собой прежде всего не состояние, которое должно быть достигнуто, а процесс осуществления. Сама эта модель на различных этапах и в отдельных социалистических странах различна. Правда, имеются общие черты, ориентирующие при разработке конкретной стратегии и тактики политики потребления в различные периоды и в отдельных социалистических странах.

Из этого также следует, что потребление данной социалистической страны, хотя и отличается существенными, вытекающими из различия общественных отношений особенностями и расхожденями, не будет, не может и на должно быть полностью другим, чем потребление трудящихся масс в капиталистических странах с одинаковым уровнем развития.

Плановую модель следует систематически сравнивать с достигнутым урвнем потребления и с фактическими тенденциями развития. Различия между целевой системой модели и действительностью необходимы (то, что уже достигнуто, не следует выдвигать в качестве цели) и являются движущей силой развития. Однако если между целями и тенденциями развития имеется разкое расхождение и если расхождения возрастают, то или цели являются нереальными, или направления развития – ошибочны. На основании сопоставления необходимо постоянню анализировать причины расхождений и делать необходимые для политики потребления (н не только для нее) выводы.

Acta Oeconomica Vol. 19 (2), pp. 149–164 (1977)

ZS. DÁNIEL

REFLECTIONS ON THE MEASUREMENT OF LIVING STANDARDS AND SOCIAL WELFARE

The study adds some remarks to the problems of interpreting and measuring economic progress and wealth, referring to initiatives and results in this field both in Hungary and abroad. The comments are concentrated mostly on neglected aspects of the measurement and analysis of the living standard as well as on integrating surveys carried out in various fields.

The author presents some practical considerations on elaborating the indicator system. She discusses three major groups of indicators (aggregated output indicators, disaggregated measurable objective indicators, subjective indicators) and calls attention to the necessity of their harmonic use. The requirements which the indicator system must fulfill is outlined.

Interpretation and measurement of economic development level and welfare have long been a much debated problem in the focus of interest. As a result of the debates, it has become a commonplace that the indicator of per capita gross domestic product (GDP) reflects economic growth in an excessively simplified way, and it fails to take into account many economically and socially important factors. The same is true for the indicator of aggregated consumption as well.

The problems of interpreting and measuring economic development level and welfare may be treated from many aspects, involving several disciplines of social sciences. This is why economists and sociologists, theoriticians and practical experts, statisticians and planners take part in the debates in socialist and capitalist economies, in developed and developing countries – and aspire to assert their own points of view when elaborating the indicators. There are different views and schools also as regards the methods of measurement.

In this study I should like to contribute to the above-mentioned subject. Relying on the initiatives taken and the results achieved in Hungary, I should like to raise some ideas to complement them.

On the one hand, my survey contains contributions to the current practice of measuring aggregated and disaggregated consumption and living standards, and to the possibilities of its improvement. On the other hand, it is related to recent Hungarian research work and proposals, to the system of social indicators suggested first by Rudolf *Andorka* and János *Illés* [3] and later elaborated by Rudolf Andorka and Rózsa *Kulcsár* [5]; (also accepted by the Statistical Standing Committee of the CMEA [6]), and further to the examinations concerning the way [15, 16] and the quality of life [10] going on in the Institute for Sociological Research of the Hungarian Academy of Sciences. Other proposals, surveys, analyses relating to the subject [11, 12] will be also mentioned.

Following the proposals made, I wish to lay a greater emphasis on two sorts of demands. The first may be formulated by stating that greater efforts are needed to gradually eliminate the "blank spots" on the map of the surveys and analyses relating to living standards. By this I mean that, by expanding the interpretation of living standards,

measurement and analyses should penetrate also into fields that have not been, or have only partly been included in observations so far; for instance, the investigation of the role of living standards in determining the way of life. The other demand, partly overlapping and yet differing from the previous one, is the necessity of systematically creating connections between the surveys and analyses made from different points of view in different fields in Hungary (for example, between those made in the Central Statistical Office, in the Institute for Sociological Research of the Hungarian Academy of Sciences, in the Institute for Market Research for Home Trade, etc.).

These problems have already been debated, the "blank spots" are being gradually eliminated and the exchange of views indicate the demand for a rapproachement between institutes and disciplines. In spite of this, work has only just begun. The system of indicators, that will be finally suitable for the description of socio-economic welfare* will be constructed by collective work involving all institutes concerned and with the participation of many experts.

Tendencies in the international literature on measuring welfare

Without reviewing the widely diversified proposals, the main tendencies will be emphasized and briefly summarized which I believe may help us in thinking over the problems related to the measurement of socio-economic welfare and whose elements and methodological proposals might be utilized in the formulation of the Hungarian indicator system.**

Maintenance of the aggregated GDP indicator (welfare indicator) by corrections

The most important study by W. D. *Nordhaus* and J. *Tobin* [17] was published in 1972 justifying, on the one hand, the use of the conventional accounting of the national income and of the aggregated index number and, on the other, calling attention to the necessity of revising the individual elements of the accounting. Among the viewpoints of revision the authors mention the necessity to reckon with the negative impacts besides positive factors and the requirement that the indicator should express the level of and the changes in *social welfare.*

A. *Rudra* and M. *Mukherjee* made similar proposals at the 1975 conference of the IARIW, considering the special problems of the developing countries as well: the

*Accepting the frameworks of the above mentioned works, definition of the concept and the meaning of socio-economic welfare do not seem to be my task now. Perhaps the definition is not the most important thing, rather the many-sided measurement and analysis of the groups of socio-economic phenomena ranked colloquially and by economic literature as well more or less unanimously as pertaining to the concept of welfare. The many-sided measurement and analysis may later lead us to a more accurate and better founded definition of welfare.

**The study of Rudolf Andorka gives a detailed survey of the literature on the subject [4]. There are, of course, points where the tendencies mentioned here partly overlap those introduced in the articles of Andorka and Illés [3] on the one hand, and of *Hankiss* and *Manchin* [10] on the other. The repetition may be justified by the needs for completeness.

existence of modern technology and organization with the traditional sector, the disproportionate distribution of incomes etc.

Both authors award a greater role to the so-called imputed value. This is the term of the procedure evaluating social results without actual prices in money terms (the value of leisure time accounted in money terms, for instance), and evaluating social losses not included in usual costs as deductions (for example, air pollution as 'costs', or the widely disproportionate distribution of incomes as a negative social impact).

Hungarian economic literature often uses the term 'calculative evaluation' in the same sense. In Hungarian economic literature János *Árvay* [22] and László *Drechsler* [22] dealt with the possibilities of expanding the system of national accounts.

Integration of macro- and microeconomic information into the system of national economic accounts

R. *Ruggles* and N. *Ruggles* [18] intend to maintain the current framework of national accounts, expanding them by examinations made in the fields of social and household budget statistics. According to their proposals, the integrated system of the expanded macro-accounts would also include the imputed values of the physical and financial assets of the population, of environmental damages and of the useful exploitation of leisure time (time spent on the care of the family, on the bringing up of children).

In Hungary Mrs. Aladár *Mód* elaborated a scheme, published in 1971, for the combination of data to be taken from macro- and micro-statistics for measuring the development of welfare. [16]

Indicator system in addition to, or instead of, the synthetic indicator

Three tendencies will be emphasized here. One of them is the System of Social and Demographic Statistics (SSDS) [19], also called the *method of integrated social statistical matrices* devised by R. *Stone.* This gives a picture of a great part of the demographic and social processes during a given period by means of social indicators built into a closed input–output system. The stock and flow indicators in the matrix describe different stations and activities, events of human life (birth, schooling, taking a job, performing work, retirement, death) and their inputs. Submatrices are joined to the main one to analyze, among other things, public health, consumption, public order, and security.

Several attempts have been made in Hungarian economic literature at a mathematical description of the matrices of social processes [23] and at filling in some sub-systems with data (for example [24]).

The other tendency proposes the compilation of a system of *social indicators.* This is a looser system with no claim to completeness. N. *Terleckyj* [20] is a characteristic representative of this tendency. His indicator system is a looser input–output analysis examining outlays on definite social purposes and outputs measured in physical terms and by means of 21 social indicators. The examined fields are the following: public health, education, level and stability of incomes, housing conditions, arts, sciences, and the exploitation of leisure time.

The indicator system proposed by the OECD aspires, first of all, to evaluating the typical marks of qualitative growth; the fields concerned are roughly the same as those mentioned in the study of Terleckyj.

The social indicator system elaborated in Hungary by the Central Statistical Office [3, 5] and the social statistical indicator system accepted on its basis by the Statistical Standing Committee of the CMEA [6] are in line with the above tendency.

The third tendency, represented by Jan *Drewnowsky* [9], contains the physical indicators of products and services. The examined fields are: nutrition, housing conditions, public health, education, leisure time, and the socio-physical aspects of security and environment. It is an important difference between the two above mentioned tendencies and Drewnowsky's proposal that he formulates an aggregated indicator suitable for the description of welfare measurable on the basis of the physical indicators. The aggregated indicator elaborated by Drewnowsky differs from those applied in practice so far.

Surveys relating to the quality of life

First of all, surveys made within the scope of sociology pertain here. These are mostly examinations using a subjective approach, based on interviews to measure the satisfaction, aspirations, and the order of values of individuals. In this field H. *Cantril's* [8] activity is of pioneering importance which intended to learn about the factors influencing the past, present and future of the individuals' life. The assessment embraced the character of the individuals, his economic situation and working conditions, his family, the estimation of his political and international status. The survey of the quality of life initiated by A. *Campbell* and Ph. E. *Converse* [7] assessed individual satisfaction and aspirations in different fields of life, among other things, with respect to public health, living standards, housing conditions, occupation, and leisure time. E. *Allardt's* [1, 2] activity means a development in that he made an attempt at separating and measuring material goods (living standard) and non-material factors (quality of life), searching in this way for a connection with the concepts used in economic analyses. Elemér *Hankiss* and Győző *Manchin* [10] proposed a similar measurement of the quality of life in Hungary.

This brief and far from complete summary may have proven that we are facing here not only a variety of views and schools – and the task is not only to choose the most sympathetic approach – but that we have to reckon with the existence of real, very difficult problems in measuring and interpreting a complex many-sided groups of phenomena.

An attempt at solving the task must be made on the basis of our own order of values, and by keeping in view our objectives.

Some practical considerations regarding the construction of a system of indicators

Indicators themselves, their classification and their requirements will be treated below. However, before dealing with them, a few words must be said about the practical task of setting up the indicator system. One of the dangers is the effort at maximum coverage. Each field, each discipline, and even each planner, statistician and scientist has

his favourite indicators. It would be desirable, of course, to include all of them in the indicator system and to construct a universal, gigantic, ideal system. However, practice requires compromises between ideal aspirations and scarce realization opportunities. That is the reason why I think it important to call attention to a few practical considerations in the following points. Some aspects will be enumerated that must be considered when pondering the inclusion of various indicators into the system to be constructed.

a) The indicator system should be suitable for analysis and for direct use in planning. It is suitable for analysis, for comparisons over time and perhaps for international comparisons as well, if it is concentrated on important and actual problems on the one hand, and it guarantees data that can be collected at regular intervals and that are comparable over time and space on the other. It is suited for planning purposes if it includes the scope covered by planning and provides important information of socio-economic character for the preparation of plan-decisions. This last requirement also means that the indicator system must include targets and instruments alike* and that harmony must be assured between the two types of indicators.

b) Demanding scientific requirements unfortunately increase the costs of data collection. New tasks must be determined cautiously with regard to financial possibilities.

c) When defining indicators in concrete terms, the practical feasibility of observation and measurement should be considered, and also whether the results can be used but in a too distant future.

d) Efforts should be made that the indicator system relies on domestic and international experiences and comprises groups of relevant phenomena observed and measured so far. At the same time, in the sense mentioned in the introduction, the indicator system should embrace more: it should also extend to the description of phenomena and relations not observed so far.

e) Indicators describing living standards, socio-economic welfare should cover a gradually widening circle and surveys relating to it, though made in different institutions and fields (within the scope of economic statistics, social statistics, sociology, marketing, public opinion research) should be harmonized and the result should be usable for both comparison and for the direct purposes of analyses for the preparation of planning.

This study is restricted to a narrower group of "blank spots" and conversions, namely to that connecting the productive sphere and services as releasers of output with consumption.

The groups of indicators

Three large groups of indicators will be distinguished below.

1. *Aggregated output indicators* serve the description of consumption in terms of value. Their function is to assess fully the consumption of material goods and services. The data can be obtained directly from the social accounting system, and practically agree with the data of final consumption in input–output tables. For instance, the values indicating the consumption of textiles, commercial and health services are of this kind.

**Tinbergen* introduced the distinction between target variables and instrument variables into the literature of planning models [21].

2. *Objectively measurable disaggregated indicators* serve the description of the object and circumstances of consumption and of the situation of the consumer. They are generally not covered fully, although some surveys aspire to achieve this. The indicators do not cover the whole circle of the consumption assessed in aggregated indicators, they reflect their most characteristic traits only. In this sense they cover a more restricted field on the one hand, and describe consumption more extensively on the other, as dimensions not appearing in aggregated output indicators are also under examination. Disaggregated indicators can be expressed both in value and in physical terms.

Two subdivisions of indicators are distinguished in the second group: indicators having the character of input, cost, and sacrifice (considering the three expressions as synonims) belong to the first and indicators having the character of benefit belong to the second. Both input and benefit are interpreted widely, social and economic costs are compared with social and economic benefits.

Let us illustrate the idea with an example. Reduction of the number of pulmonary patients is an indicator of benefit. But the increase in the number of pulmonary hospitals and X-ray screening places, the number of the pulmonary screenings are inputs.*

It is also an essential information to know who pays the costs and who the beneficiary is. Benefits can be realized at the cost of the producer, but costs can be paid by the consumer or by the whole society as well. On the other hand, the beneficiary may be an individual, certain groups or strata or the whole society as well.

On the side of costs – to continue our example – the expansion of the network of pulmonary hospitals emerges in the health sector as an investment input and the increase in the number of pulmonary screenings made by X-ray screening stations belongs to the costs of the public health service as well. These latter can be achieved by increasing the capacity of the X-ray screening stations, the number of doctors and by increasing through this the investment and current costs of the health sector as well; but they can be achieved also by performing more screenings with the same capacity and number of doctors. In this latter case capital costs are not incurred at all, and the financial current input of the public health service scarcely increases, but the exploitation of the capacity of X-ray instruments increases as does the duty of doctors. At the same time, a new 'cost' emerges for the consumer as well: the increase of waiting time for pulmonary screening.

Indicators must reflect the possibility that a quantitative and, in a certain sense, qualitative benefit (the increase in the performance of the health sector and the diminishing number of pulmonary patients) might entail a kind of negative effect, a private or social cost emerging in this case in the excessive exploitation of X-ray instruments, in the increase of the doctors' duties and the increase of the patients' waiting time.

3. *Subjective indicators* serve for the measurement of the aspirations, expectations and satisfaction of the consumers. Behind the use of subjective indicators lies the consideration that the judgement of welfare depends not only on objective circumstances but on whether the objective benefits cover the expectations and demands of consumers as well. It is advisable to examine how the individual considers objective purposes and

*Input often indicates benefit as well; the number of nurses per patient is an input, but a benefit as well: it indicates the better or worse care for the patient.

their realization; whether central intentions coincide with expectations; how the population assesses the different components of living standards; what they consider to be important; what they feel as superfluous effort.

The content of the indicators is the measurement of satisfaction, its dynamic comparison and comparison with the position of other people.

Subjective indicators may be divided into two sub-groups. The difference between the two lies in that in the first sub-group the material aspect of the connection between the producer and the consumer is observed while in the other sub-group the human relations of the connections are examined. A considerable part of the activities is characterized by the fact that not only goods and services produced are provided for the consumer but also a direct human relationship is established between the service facility and the consumer. We shall illustrate this by continuing the previous example. Let us start from the supposition that the capacity, and the staff of doctors and nurses of X-ray screening stations remain the same, but the number of pulmonary screenings increases. The change in the length of waiting time is an objectively measurable indicator but the patient's reaction to this situation is not known. Is he ready to wait so much (or even more) for the next occasion or will he forego pulmonary screening? This latter decision may influence the number of pulmonary patients, and the opportunity to recognize the disease will diminish. This is what I call the material aspect of subjective reaction. It is also of interest in the analysis whether overworked doctors and nurses are patient enough with the sick person, whether the connection between the patient and the doctor and the nurse remains humane. If so, this makes the patient indulgent, he becomes less sensitive to the long waiting time, he is ready to go there again, accepting the possible material inconveniences of the examination. With better human relations the patient's 'civic feeling' is better. Thus, here the subjective reflections of human relations between the 'service facility' and the 'person receiving the service', between 'producer' and 'consumer', between 'seller' and 'buyer' are observed.

Subjective measurement, therefore, examines new dimensions complementing aggregated and disaggregated measurement with knowledge related to the behaviour of the consumer.

These three groups of the indicators are, of course, well-known separately. This study intends to call attention to the necessity of employing all three groups of indicators for the same group of phenomena in organic harmony, in coordination with each other. To examine public health, for instance, the following should be analysed:

1. the usual aggregated output indicator, in other words, the contribution of the health sector to the GDP,

2. a whole series of disaggreageted objective indicators should be compiled (for example, data on mortality and recoveries, the number of the beds and doctors in the hospital etc.),

3. subjective indicators should be collected as well (for instance satisfaction of the patient with hospital treatment).

These indicators should be comparable with each other: for example, they should relate to the same period: they should comprise the same breakdown according to fields or activities: they should be based on harmonized samples in the case of representative surveys etc.

At present, the measurement of the first group of indicators (aggregated output indicators) is accomplished; rather many kinds of data are collected in the second group of indicators (disaggregated objective indicators) but not enough; and at last, the third group of indicators (subjective data) is rather neglected. The objective should be to employ all the three approaches regularly and in harmony with each other.

Requirements to be made against indicators

We have drawn the outlines of an indicator system by describing the three main groups of indicators. The requirements the indicator system has to satisfy will be treated in the following. Here are some pairs of requirements: the indicators of living standards should describe:

1. *material* production and consumption	– *non-material* production and consumption,
2. activities *accounted* in the data on turnover	– activities *not accounted* in the data on turnover,
3. *economic* phenomena	– *social* phenomena,
4. *personal* consumption	– *public* consumption,
5. the *flow* of consumption	– the consumption *stock,*
6. the *quantitative* side of consumption	– the *qualitative* side of consumption
7. *inputs* related to living standards	– *output* related to living standards,
8. the *positive* effect of consumption	– the *negative* effect of consumption,
9. consumption from the aspect of the *producer*	– consumption from the aspect of the *consumer,*
10. *internal* effects	– *external* effects,
11. *investment* into consumption	– the *maintenance* of the fixed assets in the consumption sectors.

The above are but the most important points only. The order of the 11 pairs of requirements is more or less arbitrary; their list is not based on any strict closed reasoning. Nor do we allege, that the listed requirements are new in any respect for the statistician or the planner. An expert on the problem will list, after some reflection, a large part of the requirements that can be raised towards measurement. Why do we then feel it to be important to stress the ensemble of requirements, what is it that makes their emphasis topical?

Up to now the closely related questions have been treated separately in the majority of data comparisons and analyses, and therefore, sometimes one and sometimes another requirement has been neglected. Evaluation has been made in different fields and different institutions, often on the basis of methodological proposals of different disciplines independently from each other.

Let us look into any major survey of data in recent years and let us compare it with the 11 pairs of requirements, that is to say, with the 22 sorts of requirements. Let us try to establish which of them are satisfied. What I am convinced of (and I have made several

random samples) is that even the most valuable, most comprehensive surveys usually do not completely meet even either side of many of the pairs of requirements. As far as other pairs of requirements are concerned, they are met one-sidedly as only half of the pair is satisfied. (Generally the one that has been mentioned in the first place in the list, the second requirement is generally less frequently satisfied.)

Before important examinations concerning living standards, consumption and welfare are made it would desirable if those preparing the work looked up these 11 pairs of requirements as a reminder and checked whether each has been satisfied, whether both requirements are met by the examination under preparation? Thus, I did not want to put forward surprising new aspects here but to run up concisely well-known requirements, in order to call attention to them.

Although the listed requirements speak for themselves, a brief comment may be helpful.

1. In the measurement of output in socialist countries the non-productive sphere was in the background for years. Today due attention is paid to it but there still are a lot of problems concerning this field. One is the different valuation of material production and services.*

This study is not going to deal with the solution of the problem, only attention is called to the well-known fact that the level of non-material production is relatively undervalued relative to the level of material production.

2. The other sphere of problems is partly related to the previous one, but it also involves new difficulties in measuring the output. It demands the joint valuation of the parts of actual consumption by the population, the one accounted usually in production and turnover data and the part actually accomplished but excluded from, (or only partly included in), production and turnover statistics. The proportion of this latter factor has considerably increased in recent years. Not only construction works carried out by the household themselves are in progress, not only the proportion of the agricultural products produced in household plots increases, which are accounted in statistics, but the population also spends a large part of their increased leisure time on further productive activities. To mention a few examples, the do-it-yourself activity supporting the servicing industries, vegetables and fruit grown in the gardens of the week-end cottages, the private driving which reduces the crowdedness of buses and trams but increases congestion on roads are of this kind. The consumption measuring living standards should assess these activities as well.

The pairs of requirements made against the disaggregated measurement are illustrated by a few examples below.

3. A valuable collection of data [25] was published in a more than 200 pages' series of the Central Statistical Office in 1976. Unfortunately, none of the 70 tables published in the otherwise high-standard volume contained data concerning the social position of the

*It is known that the principle of price formation is different in the branches of material production and in the service branches. With a certain simplification: the output of material inputs is generally valued on the level of prime cost plus profit, and the performance of the non-productive services is valued on the cost level, or below (on the level of costs less the value of subsidies). This difference in valuation causes difficulties in analysis and planning.

inhabitants, the size of the family, the occupational and income relations of the persons moving into new flats. I do not say that the Central Statistical Office was especially one-sided on this occasion: it simply carried on with the usual practice. But in this way the more specific eonomic and the wider social aspects of housing construction cannot be examined together. Even if there are data on the latter aspects, they are not commensurable with the former.*

4. Individual and public consumption emerge in our thoughts only as statistical categories appearing in the accounting only as consumption of food or clothing taking place in an individual or institutional framework. But the proportion between personal and public consumption has another aspect so far not analyzed with the appropriate attention. What we have in mind is the social effect of public consumption, playing a role mainly in forming the way of life. E.g. the establishment and high level maintenance of sports grounds, cultural centres, well-equipped, comfortable day-time homes at schools, houses for aged persons imply an increased role of public consumption and, at the same time, they perform an important social function in forming the way of life.

5. The former idea leads to another requirement, to an increased assertion of the combined analysis of the flow and stock concept, of current consumption and consumption capital, (i.e. fixed assets serving or aiding consumption). As a consequence of concentrating on current consumption and within this, especially on consumption from the money income of the population, public consumption has not been observed with appropriate emphasis. Its importance can be expressed, first of all, with stock-indicators, through the data of consumption capital which are scarcely reflected by the usual statistical accounting current consumption. The establishment of sports grounds, parks, playgrounds, cultural houses and libraries, the provision of well-equipped schools are conditions of forming collective life, of the increase of public consumption. A wider analysis of the problem can be made only on the basis of assessing and measuring current consumption and consumption capital together.

6. The quantity and quality of consumption are criteria of valuation often mentioned and demanded together. In spite of this, the latter is almost entirely missing from Hungarian statistics. If we take, for instance, the Hungarian Statistical Yearbook [26] for 1975 and examine either the chapter entitled "Income and consumption of population" or the chapter related to the branches releasing the commodities consumed we find only data series relating to quantities and values, and no indicators referring to quality. (Only the chapters connected with our subject have been emphasized but qualitative indicators are not contained in the other parts of the volume, either.) It is a frequent counter-argument that quality cannot be measured. We will return to the problems of measurement later, but we stress here that quality can and must be measured. To explain this, the obscure interpretation of quality has to be forgotten and the qualitative properties of the product and the service have to be determined in concrete terms.

*I do not mean that to secure commensurability should be the task of the Central Statistical Office hereafter, but that the collection of data should be coordinated from the very beginning in order to allow a comprehensive analysis of the field.

7–10. The comparison of input with output and the identical treatment of the producer and consumer aspects have already been discussed. It is to be emphasized again, what has already been mentioned, that, apart from internal costs and outputs expressible in money terms, measurement should also include the valuation and, description of external inputs and benefits that cannot be measured in the usual way in money terms. Positive and negative effects must equally be assessed on the side of both inputs and outputs. Let us consider, for instance, without aiming at completeness, some of the economic and social inputs and benefits of the child-care allowance. The expenditure on "child-care" aid* is an internal input, measurable in money terms, while the increase of labour shortage is an external input. The money saved is internal output: the capacity of nurseries need not be expanded according to the increase in the number of children; while it is an external benefit that caring for the baby at home is more favourable for its development in the first years than in a community. The positive effect of the introduction of the child-care aid is reflected by the improvement of the net reproduction coefficient. However, the negative effect that arises in the years of work lost for a young woman is not measured either from the professional aspect or from the aspect of her becoming alienated from the habitual collective life of the workplace.

11. At last, a few words about the last pair of requirements, about the combined assessment of investment and maintenance. It is a well-known phenomenon that in formulating economic plans in Hungary the augmentation of national wealth is considered to be more important than its maintenance. Expenditure on expansion is disproportionately greater than on the maintenance of existing fixed assets. This process leads to an early obsolescence of several elements of the national wealth. It is an insufficiency of our statistics that it does not call attention enough to the symptoms and the measurable consequences of this process.

Overcoming methodological conservatism

One of the obstacles to solving the tasks of observing and measuring living standards is the methodological conservatism, which may be experienced in this field as well. A few related phenomena will be enumerated. Formerly, the Hungarian statistical organization preferred the full-scope surveys. If the above listed requirements were to be satisfied through such complete surveys in the measurement of consumption and living standards, it would be inacceptably expensive. A wider application of statistical sample surveys is indispensable. The Unified System for Registering Data on the Population, operating since 1976 has brought about an important improvement and promises further opportunities in this respect.

Several phenomena of production, consumption and turnover can be described with the aid of indicators using traditional units of measurement: for instance at current or

*On termination of the maternity leave of 5 months with full pay, mothers may choose to stay at home until the child reaches 3 years of age. During this time she receives in addition to family allowance an aid amounting to about 40 per cent of average female earnings, while retaining her rights related to the job (years of service, social insurance benefits etc.).

constant prices, or in physical units of measurement. These provide measurements in absolute terms, where summing up is interpretable: 200 tons of steel is obviously twice as much as 100 tons. However, for measuring living standards, several different new relative yardsticks are also necesarry, the scales of which are more or less arbitrary. To continue an earlier example of this study, the participants in the X-ray screening examinations may be asked how much they are contented with the treatment and they may choose among three answers: good, satisfactory, insufficient. When coding these, index numbers may be employed: 3 for good, 2 for satisfactory, and 1 for insufficient. Obviously, nobody can claim that the answer "3" expressess exactly three times as much satisfaction as the answer "1". That is why this kind of measurement is a "relative measure": in this case we know about the answer "3" only that it shows greater satisfaction than answer "2", but the difference between the two categories cannot be established. In the theory of measurement the 'absolute scale' is usually called cardinal measurement while the 'relative scale' is called ordinal measurement.

In the practice so far, we have stuck to cardinal measurement, to the application of an absolute scale wherever this was possible. This obviously has many advantages and is worth applying wherever it is possible.*

However, where the application of cardinal measurement is impossible ordinal measurement, the relative scale is better than to renounce measurement altogether.

Realization of the concepts expounded earlier in connection with the measurement of living standards make the application of relative scales absolutely necessary in several new fields. This is mostly necessary, for instance, when subjective reactions are observed. In addition, it must be applied when quality is measured. Quality is approached from the aspect of utility, from the side of use-value. The quality of every product can be defined by certain attributes of the product that can be measured separately. A product is said to be 'good' when its separately measurable attributes satisfy certain criteria. These criteria may be defined by means of objective technological parameters measured on an absolute (cardinal) scale or by using the results of subjective interviews measured on a relative (ordinal) scale. When, therefore, quality is described with a vector of several components – measurable by components – the changes in the quality of the consumed products and services become measurable. True, consumption involves several sorts of products and the qualities of each should be described by a vector containing a lot of components. Such a demand would be impossible to meet and, we believe, it is unnecessary. Instead of this, 100–150 products and services should be selected, whose observation on the basis of some important qualities at regular intervals would give a clear enough picture about the changes in the quality of consumption.

The following aspects should be considered in the selection of the sample describing the quality of consumption:

– the products and services characteristic from the aspect of living standards policy, and the improvement of living standards should be represented by their most important attributes;

*We mention that there are several kinds of measurement believed to be cardinal, but they are actually ordinal. The related debate concerning price indexes, and, in connection with them, on the valuation of production or consumption, is well-known.

– the selection should represent the characteristics and qualitative aspects of the change;

– the observation should embrace products and services where quantitative growth may lead to a deterioration of quality (for example, the free health service available to all citizens, involving a significant quantitative increase in the improvement of living standards, may result in a deterioration of the quality of medical treatment); real achievement is quantitative growth that does not lead to the deterioration of quality, but, on the contrary, involves its improvement as well;

– today, with many products and services, the improvement of living standards does not materialize in the growth of quantities but in the improvement of quality: this is true for every product (service) where consumer demand sooner or later attains saturation as regards quantity but the demand for qualitative improvement remains. (The supply of urban families with refrigerators will hardly change numerically during the following decades, but several parameters of the refrigerators on sale should be improved, for example, internal capacity, the size of the deep-freezer, specific energy consumption, etc.).

Interpreting quality in this sense, a new aspect of the improvement of living standards can be learnt, thus enriching the description by the addition of new characteristics.

Analysis and planning

The analysis of the system of indicators is a complex task and this must be borne in mind already when the indicators are formulated in concrete terms. The task of analysis is twofold.

The movement of the indicators must be examined. A trichotomy of the system of indicators is advantageous from this respect. Disaggregated objective indicators provide the opportunity to analyze the complex interrelations between aggregated output indicators. Let us suppose that the value of the performance of the housing sector increases by 5 per cent annually on the basis of the aggregated indicator. This does not mean an even growth in every field of housing construction, nor the improvement of housing conditions in every town for every stratum and age group. There are preferential objectives and neglected fields in the housing economy, a quantitative increase may involve a deterioration in composition. The purpose of the analysis is to show what kind of partial indicators, disaggregated socio-economic indicators move together with the aggregated indicator and what kind of indicators point to the opposite direction; in what fields we find slower growth, stagnation or even deterioration. – It is to be examined whether the objective indicators move together with or in a direction opposite to the indicators reflecting subjective expectation and satisfaction, to what extent our achievements and mistakes are reflected in the minds of the people.

The shift from a single indicator to a system of indicators gives rise to an increased demand for synthesis. One of the synthetic indicators is the aggregated value indicator itself, but, as has been mentioned in the beginning of my study, this is not enough. New methods of synthesis are also necessary. Literature offers several solutions [9, 14]. The

most adequate ones must be chosen from among them and experimented with and when they prove to be inappropriate, new ones should be elaborated.

The setting up of planning models or system of models is related to the synthesis. The models may and should be linked to those used so far in medium- and long term planning, but they must be improved by the addition of new social characteristics. Such new characteristic is the combined treatment of economic and social factors, the combined interpretation of social achievements in a wider sense, and of the consequences in addition to economic outputs.

In conclusion, I should like to emphasize again: the wide debate involving several tendencies about the measurement of development has reached Hungary. The first initiatives have appeared, the first proposals have been elaborated but these are only a beginning of the clarification of views. This study intends to contribute to the debate. Further debates, many discussions aimed at harmonizing the different views of different institutions and different disciplines are still necessary to develop a system of indicators and a method appropriate for the measurement and evaluation of consumption and living standards.

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НЕКОТОРЫЕ СООБРАЖЕНИЯ ОБ ИЗМЕРЕНИИ УРОВНЯ ЖИЗНИ И ОБЩЕСТВЕННОГО БЛАГОСОСТОЯНИЯ

Ж. ДАНИЭЛЬ

Автор излагает свои соображения в связи с проблемами интерпретации и измерения уровня экономического развития и благосостояния, исходя из отечественных и зарубежных начинаний и достигнутых в этой области результатов.

Автор занимается нынешней практикой измерения агрегированного и дезагрегированного потребления, жизненного уровня, а затем переходит к вопросам его дальнейшего совершенствования в свете новейших исследований. Она останавливается на аспектах, на которые обычно не обращается должное внимание при измерении и анализе жизненного уровня, и указывает на необходимость увязки между обследованиями, произведенными в различных сферах.

По рассмотрению разубежной литературы по измерению благосостояния автор высказывает несколько практических соображений относительно формирования соответствующей системы показателей. Она рассматривает три большие группы показателей (агрегированные показатели выпуска, дезагрегированные, объективно измеримые индикаторы, субъективные показатели) и указывает на необходимость органической согласованности их применения.

В заключение автор останавливается на возникающих в ходе наблюдения и измерения жизненного уровня трудностях и способах их преодоления, а также на вопросах анализа и планирования системы показателей.

Acta Oeconomica Vol. 19 (2), pp. 165–175 (1977)

J. KELLER

RELATIONSHIP BETWEEN THE POPULATION'S SAVINGS AND INCOME IN HUNGARY

One of the important questions of national economic planning is how the population handles its income: how much they consume, how much they invest, and how much they save. On examining the money economy of the population from the aspect of savings, the question must be answered which factors are influencing it also from the national economic aspect. Savings are basically determined by the development of the population's income. In this article

– the methods are explained that help to quantify the connexion between income and savings on the national economic level,

– and it is shown how family savings develop as a function of incomes in Hungary.

Relationship between the population's savings and income on the national level

By the money income of the population – in agreement with the Hungarian Central Statistical Office's practice – the net money income of the population is meant. Monetary savings of the population (the savings computed by the Central Statistical Office) are composed of two parts: one is the population's savings deposits (the yearly growth of the stock of savings deposits), and the other the population's savings in cash.

During the past seventeen years the Hungarian population deposited three-quarters of their savings in banks. There is, however, quite a large dispersion behind this average figure. In 1965 e.g. the population deposited more money in the savings bank than had been saved, which means they placed their cash kept at home earlier. In 1967, however, the year preceding the introduction of the new system of economic control and management, the population added hardly more than the half of their yearly savings (57.1 per cent) to their deposits, mainly for subjective reasons. Since 1968 the proportion of savings deposits to monetary savings has not been fluctuating so widely as it was in preceding years. In the past eight years the population placed 70–75 per cent of their savings in a bank.

What mathenatical–statistical methods are available to quantify the relationship between savings and income?

Savings ratio

Formulated in general terms, the savings ratio expresses the percentual proportion between incomes and the savings formed therefrom, i.e. the weight of savings in the various uses of income.

The savings ratio is affected by all the factors that influence incomes, consumption, and saving. It is thus a complex indicator expressing the joint effect of changes in a number of fundamental economic processes. Several methods are known to calculate the

savings ratio. Either the total money savings of the population (deposits + cash savings), or, in a narrower sense, only the savings deposits with the savings bank organization may be considered as savings. In the denominator of the ratio we find the population's income, which may be the gross money income of the population, or their net money income, or the population's income from the socialist sector (state enterprises and cooperatives). In international literature it occurs that savings are not compared to the population's income but to national income or to the volume of the gross social product or GNP. The economic content of the savings ratio calculated by different methods and on different theoretical bases may also be different.

In Table 1 the development of the savings ratio calculated on the basis of the population's money savings and deposits in the last seventeen years is presented.

The proportion calculated by money savings in the average of 17 years (4.7 per cent) is 1.2 percentage point higher than the ratio calculated by savings deposits (3.5 per cent). It is interesting to observe that while in the first half of the 17-year period the difference between the two kinds of savings ratios does not reach 1 percentage point anywhere, in the last 8 years the gap between the two different indicators has been widening, and the difference has been fluctuating in spite of the fact that the proportion of savings deposits to total savings got stabilized around 70 per cent.

Table 1

Development of the savings ratio 1960–1976

Year	Money income of population	Money savings of the population	Savings deposits of the population	Savings ratio	
				by money savings	by savings deposits
	million Fts			per cent	
1960	82,856	1,700	1,612	2.1	1.9
1961	85,260	1,340	1,116	1.6	1.3
1962	90,345	2,313	2,143	2.6	2.4
1963	96,725	4,299	3,487	4.4	3.6
1964	104,519	5,127	4,516	4.9	4.3
1965	107,659	3,492	3,607	3.2	3.4
1966	115,386	3,583	2,618	3.1	2.3
1967	124,651	3,098	1,768	2.5	1.4
1968	134,893	5,840	4,355	4.3	3.2
1969	147,472	8,326	5,945	5.6	4.0
1970	162,552	9,396	6,977	5.8	4.3
1971	175,074	8,700	6,324	4.9	3.6
1972	187,744	8,093	6,112	4.3	3.3
1973	206,002	10,644	7,444	5.2	3.6
1974	226,455	12,562	8,804	5.5	3.9
1975	247,709	15,284	10,496	6.2	4.2
1976	262,824	15,400	11,629	5.9	4.4
Average	150,478	7,012	5,233	4.7	3.5

Savings ratio related to incremental income

This indicator is used exclusively in the practice of the Hungarian savings banks; it relates the amount of the population's yearly savings to the yearly increment of income. Its deficiency is the assumption that the whole amount of savings derives from the increment of income. The time lag between the receipt of income and the formation of savings distorts this indicator so much that a low or a high ratio in some year can be understood only through a joint examination of the income and savings conditions of previous years. This ratio shows high fluctuation between each year (see Table 2). In general the statement can be made that this ratio is high in years when the growth of income slows down, as was the case e.g. in 1965, 1971 and 1976, because then, as a result of the favourable income development of preceding years, the amount of savings was still relatively high. On the other side, this indicator is low in years of fast income growth, as was the case e.g. in 1962, 1966 and 1973. Thus the savings ratio related to incremental income reacts more sensitively to the changes in income than to the development of savings.

Marginal saving propensity. This indicator shows the relation between the growth of income and of savings.

This ratio has been fluctuating – in case of the population's total money savings – between –52.1 and 31.1 per cent, and the average of the 16 years was 7.6 per cent. The

Table 2
Savings ratio related to incremental income and the marginal saving propensity in Hungary between 1961 and 1975 (in percentages)

Year	Money savings related incremental	Savings deposits to income	Marginal saving propensity with	
			money savings	savings deposits
1961	55.7	46.4	–15.0	–20.6
1962	45.5	42.1	19.1	20.2
1963	67.4	54.7	31.1	21.1
1964	65.8	57.9	10.6	13.2
1965	111.2	114.9	–52.1	–28.9
1966	46.4	33.9	1.2	–12.8
1967	33.4	19.1	–5.2	–9.2
1968	57.0	42.5	26.8	25.3
1969	66.2	47.3	19.8	12.6
1970	62.3	46.3	7.1	6.8
1971	69.5	50.5	–5.6	–5.2
1972	63.9	48.2	–4.8	–1.7
1973	58.3	40.8	13.9	7.4
1974	61.4	43.0	9.4	6.6
1975	71.9	49.4	12.8	8.0
1976	101.9	76.9	0.8	7.5
Average	65.3	48.5	7.6	5.6

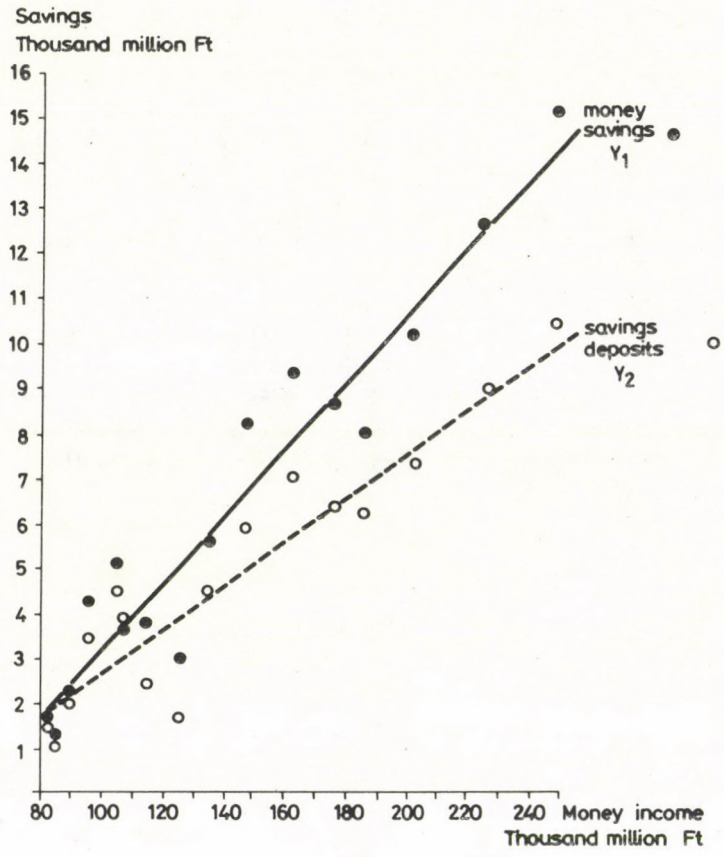

Fig. 1

indicator of marginal saving propensity shows much smaller fluctuations: its average was 5.6 per cent with limit values of −28.9 and 25.3 per cent.

In my opinion no far-reaching conclusions can be drawn from the indicator of marginal saving propensity at the national economic level. Within the growth of the money income of the population the income relations of each social stratum and each family develop differently. Therefore, their consumption and savings also develop in different ways (Table 2).

Correlation analysis. I have made computations to quantify the connexion between the population's money income and money savings, and savings deposits. In Figure 1 the interrelation between money income and the two kinds of savings are represented in a system of coordinates in a way that on axis x the net money income is represented, and on axis y the absolute volume of savings formed from that income. On the basis of these interrelations the regression expressing the correlation was determined. The direction of the regression line also shows that of the relationship; in the present case the rising regression line indicates a positive relationship between money income and savings.

The relationship between money income and money savings is expressed by the regression equation $Y_1 = -4.34 + 0.0754x$. The correlation coefficient: $r_1 = 0.96$. The formula of the straight regression line expressing the relationship between money income and savings deposits: $Y_2 = -2.29 + 0.0495x$. The correlation coefficient: $r_2 = 0.94$.

Both correlation coefficients show a close relationship. If the correlation coefficient is squared, we will know, to what extent savings were determined by the money income in the period under examination. Between 1960 and 1975 this indicator was 92 per cent in the case of money savings, and 88 per cent in that of savings deposits. Both this latter indicator and the correlation coefficient prove that the development of money income shows a closer relationship with the population's total savings than with savings deposits constituting a part of the former.

Income elasticity of savings. The most important indicator of income elasticity is the income elasticity coefficient. This expresses, in our case, what percentual growth of savings is entailed by 1 per cent of growth in income.

The elasticity coefficient of the years under examination fluctuates between −11 per cent and + 12 per cent. In the years when savings were lower than in the preceding year, the elasticity coefficient is negative. From these figures no general conclusion can be drawn. It is the average elasticity coefficient that is suitable for that purpose. A 1.66 per cent average income elasticity of money savings expresses the fact that in the last fifteen years a 1 per cent growth of money income entailed, on an average, a 1.66 per cent growth in money savings. Thus the saving of money is an elastic method of using income. The average income elasticity of savings deposits is 1.44, which is a little lower than that computed for money savings.

Utilization of the population's money income

I wish to sum up the examination of national level of the relationship between the population's savings and incomes by investigating the joint development of consumption, housing expenditure and money savings. For that purpose one has to start from the amount of money at the disposal of population which exceeds the population's money income by the credit surplus, i.e. by the balance of credit granted and repaid. It is this amount from which the population purchases, builds homes, and saves.

Expenditure on purchases is the overwhelming portion of the population's consumption, composed of goods bought for money.

Housing expenditure comprises the costs of building privately owned new homes, buying flats and plots of land from state and cooperative organs, reconstruction and dividing of existing homes, disregarding the fact whether these are paid for out of the population's income, or from credit. These expenditures comprise further the property purchases mediated by the National Savings Bank, as well as the costs of building materials and of their transport for building works done privately (Table 3).

The amount of money at the population's disposal has risen to threefold in Hungary during the last sixteen years. The credit surplus has been growing faster than the money income, and thus the share of the former in the amount of money available has grown from 1.7 per cent to 3.5 per cent.

Table 3
Amount of money at the population's disposal and its division according to uses (in per cent)

Year	Money income	Credit surplus	Amount of money available	Consumption expenditure	of which: durable consumer's goods	Housing	Money savings
1960	98.3	1.7	100.0	93.7	5.6	4.3	2.0
1965	98.5	1.5	100.0	91.9	6.1	4.9	3.2
1970	97.7	2.3	100.0	88.4	8.1	6.0	5.6
1976	96.7	3.5	100.0	87.5	8.0	6.8	5.7

Table 4
Summary data on the expenditure of the amount of money at the population's disposal (million Ft)

Year	Money income	Credit surplus	Amount of money available	Consumption expenditure	Housing	Money saving
1960	82,856	1,450	84,306	79,010	3,596	1,700
1976	262,824	9,600	272,424	238,400	18,624	15,400
1960 = 100	317	662	323	302	518	906

Within the uses of income the share of consumption expenditure has sunk permanently – in spite of a dynamical rise of consumption – from 93.7 per cent at the start of the period to below 90 per cent. Within this, however, the share of expenditure on durable consumer's goods has been rising quite smoothly. Housing expenditure has grown from 4.3 per cent to 6.8 per cent, and in absolute figures it has risen to fivefold. The share of money savings has grown the most dynamically. Although fluctuations are considerable between years, the share of savings in the amount of money available has grown from 3 per cent to above 5 per cent. In absolute terms this means a ninefold growth.

The absolute figures for the first and last years of the 16-year period under examination and the dynamics of growth are shown in Table 4.

Relationship between saving and income at the household level

According to an investigation in 1973 by the Home Trade Market Research Institute 80 per cent of Hungarian families saved money in cash or in the bank, which means 2 million 700 thousand families. About half of the families save money both in cash and in the bank, and only about 20 per cent save money exclusively in cash or mostly in cash. This allows to draw the conclusion that the number of families saving their money in deposits may be about 2 million (60 per cent of families).*

Table 5
Wage-earners' deposits according to monthly per capita income (in Ft)

Amount of per capita monthly income	Yearly deposit per capita	Monthly deposit per capita
–800	2939	245
801–1000	3030	253
1001–1200	3269	272
1201–1400	3138	262
1401–1600	4074	340
1601–1800	4596	383
1801–2000	5700	475
2001–2200	6833	569
2201–2400	6599	550
2400 Ft above	10833	903
Average	5373	448

Relationships between income and the amount of deposits

The National Savings Bank carried out an investigation of deposits in the autumn of 1973. Clerks of local branches in ten counties and in eleven Budapest districts filled in questionnaires about 5000 clients having bank deposits.

Out of the 5000 families covered by the investigation 4794 placed deposits within a year, in an amount of Ft 84 million. This means that on a yearly average a family put Ft 17,600 in the bank, which is Ft 5,870 per head. These aggregate data do not allow us, however, to examine the relationship between savings and income. Grouping families according to per capita income, we examined the relation between income and savings in wage-earner families (Table 5). Approximately 80 per cent of families saving their money in the bank belong to the wage-earner category, and they hold 75 per cent of the deposits. (The saving habits of other groups – peasants, self-employed, pensioners – differ sharply from those of wage-earners, thus they can be examined only separately.)

It can be stated that parallel with the rise in per capita income the amount of deposits is growing. There is decline at two points in the list (with incomes between Ft 1201–1400, and Ft 2201–2400), which may be explained by coincidence. It is an

*A higher figure is obtained if we try to conclude on the number of households saving in an organized form from the number of savings accounts. According to the surveys of both the Market Research Institute and the Savings Bank a household has two accounts on average. At the end of 1973 4,900,000 accounts were kept, accordingly there should have been more than 2 million households saving. However, in view of the fact that many households have several such accounts on which the interest is paid in the form of cars (by drawing lots every three months), and that there are also many accounts with small deposits which are not liquidated merely for technical reasons, it seemed reasonable to reckon with 2 million households having deposit accounts.

Table 6
Consumption, savings, savings ratio and marginal rate of savings by income categories

Per capita monthly income	Consumption	Savings	Savings ratio	Marginal rate of savings
Forint			Percentages	
700	631	69	9.9	5.5
900	820	80	8.9	6.0
1100	1008	92	8.4	6.5
1300	1195	105	8.1	8.0
1500	1379	121	8.1	9.0
1700	1561	139	8.2	10.0
1900	1741	159	8.4	12.0
2100	1917	183	8.7	13.5
2300	2090	210	9.1	15.5
2500	2259	241	9.6	17.5
2700	2424	276	10.2	20.5
2900	2583	317	10.9	23.5
3100	2736	364	11.7	

essential question, whether savings grow proportionately with growing income, or at an accelerating rate; in other words, what is the functional relationship between income and savings.

On examining several function relationships (linear, parabolic) I have found that the most appropriate one for the purpose is the exponential function. According to it, the relationship between per capita income and savings deposits can be expressed by the following equation:

$$y = 388 \cdot 1.0715^{x}$$

This means that Ft 100 increment of per capita income entails a 7.15 per cent growth of savings deposits.

Interrelation between income and savings (the growth of deposits)

So far we have examined the relationship between income and the placing of savings. Yet deposits do not mean lasting savings in themselves, because people will spend part of the amount deposited within a year. In the families covered by the investigation two-thirds of the savings deposits placed were spent, and one-third added to the stock of savings deposits. Thus we know the size of savings in each income category, and the rest of the income is considered consumption. After that it can be calculated, how the savings ratio and the marginal rate of savings change with growing incomes (Table 6).

It is a general observation that those with higher income save more than those with a lower one not only as regards the absolute amount of savings, but also as regards the

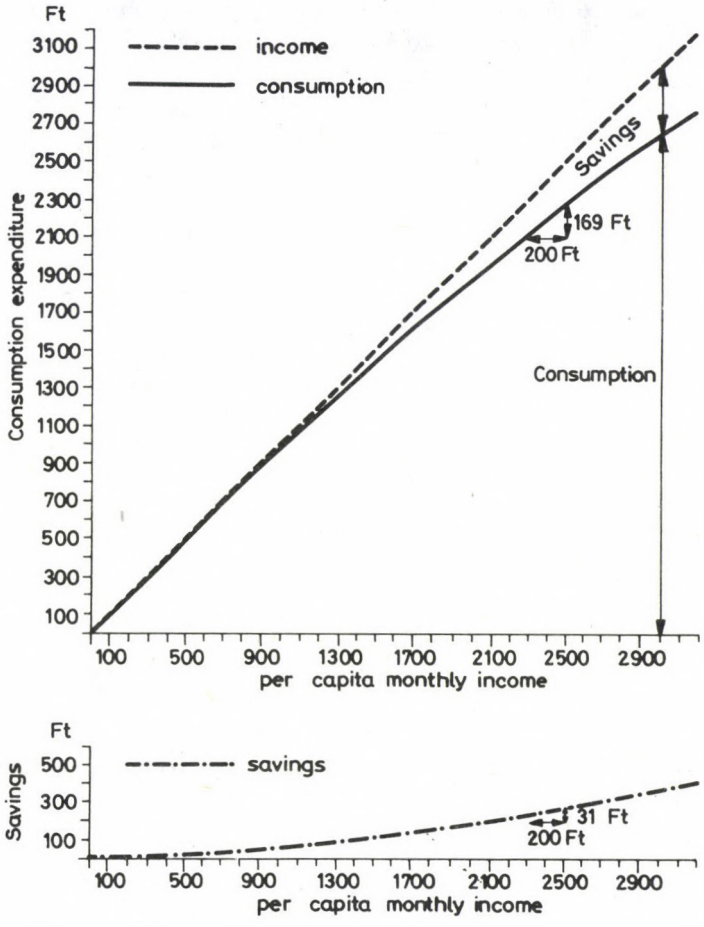

Fig. 2

percentual ratio. In our investigation, however, the situation is not that clear. The growth of per capita monthly income entailed a reduction of the savings ratio up to Ft 1500, and above Ft 1500 the savings ratio was clearly growing. I believe that the reason for a diminishing savings ratio up to a certain income level is that demands in these brackets are still growing faster than income and thus the growth of income results, naturally, in a growing consumption in the first place.

I wish to remark further that the savings ratio of the 5000 families covered by the investigation is 9 per cent, while the national average is 3.6 per cent. This is partly explained by the fact that the investigation covered the 5000 families known better to the branches of the Savings Bank because they save more than the rest and their savings ratio is above the average. In the national savings ratio, of course, also the incomes of non-saving families and of those not saving in deposits are compared to the growth of deposits.

The marginal rate of savings which compares the growth of savings to the growth of income increases from the lowest income category to the highest one at an accelerating rate. Figure 2 presents the interrelation between income, consumption and savings at the family level.

The American model of savings constructed by Samuelson determined a so-called equilibrium point. The equilibrium point – the point of the consumption curve where it cuts the auxiliary line drawn from the origin at 45 degrees – shows the size of income at which income just covers expenditures. Those with incomes lower than that consume more than the amount of their income. The difference is covered either by loans or the use of earlier savings. This negative saving or over-spending could not be demonstrated in the National Savings Bank's investigation, which is, I think, quite natural, since such clients were interviewed who have deposits and whose incomes are above the average. It may happen that if once we can interview those asking for loans also from these aspects, we shall be also able to demonstrate the equilibrium point.

Summary

Analyses carried out by various methods allow us, therefore, to draw the conclusion that the total savings of the population are closely related to the development of money incomes. This relationship is more intensive than the one between money incomes and savings deposits. The saving of money is an elastic method of income utilization; with increasing per capita income money savings grow dynamically above a certain threshold value. We are therefore justified in national economic planning to consider the population's income as the basic factor in the development of the population's savings. But examination of the families' savings propensity calls attention also to the fact that it is not enough to consider the global level of incomes, since the distribution of income and of the increment of income are important factors in the accumulation of savings.

СВЯЗЬ МЕЖДУ СБЕРЕЖЕНИЯМИ И ДОХОДАМИ НАСЕЛЕНИЯ В ВЕНГРИИ

Ю. КЕЛЛЕР

С точки зрения народнохозяйственного планирования важной проблемой является то, как население использует находящиеся в его распоряжении доходы: сколько расходуется на потребление и сколько сберегается. Динамика сбережений прежде всего определяется доходами населения. Поэтому в статье показывается, какая взаимосвязь существует в Венгрии между сбережениями и доходами на народнохозяйственном уровне и как складываются сбережения домашних хозяйств в зависимости от доходов.

В Венгрии в 1960–1975 гг. сбережения в серднем составили 4,5% денежных доходов населения. Три четверти сбережений были помещены в сберегательные кассы. На основании данных по стране автор показывает связь между сбережениями и доходами следующими математико-статистическими методами: доля сбережений, соотношение сбережений и прироста дохода, предельная склонность к сбережениям, корреляционный анализ, эластичность сбережений в зависимости от доходов.

Во второй части статьи анализируется связь сбережений и доходов на уровне домашних хозяйств. Венгерская сберегательная касса в определенные промежутки времени проводит репрезентативные обследования склонности домашних хозяйств к сбережению. Последнее обследование показывает, что сбережения растут более быстро, чем доходы на душу населения. Таким образом, сбережения являются гибким способом использования доходов. С ростом дохода на душу населения – свыше определенной пороговой величины – доля сбережений и предельная доля сбережений возрастает в ускоренном темпе.

Подводя итоги, можно констатировать, что при планировании правильно считать основным фактором сбережений населения величину доходов населения. Однако анализ склонности домашних хозяйств к сбережению обращает также внимание на то, что недостаточно рассматривать совокупный уровень доходов, поскольку распределение доходов и прироста доходов также является важным фактором образования сбережений.

Acta Oeconomica, Vol. 19 (2), pp. 177–189 (1977)

M. LAKATOS

HOUSING AND THE WAYS OF OBTAINING A FLAT IN FOUR COUNTRIES

The study uses in the analysis the results of an international comparative study (PLAN/CONS) organized by the UNESCO European Center for Coordination and Documentation of Research in Social Sciences (CEUCORS). Within a broader research program covering the consumption of the population it compares some aspects of housing for two socialist countries (Soviet Union, Hungary) and two capitalist ones. (Italy, France)

Besides quantitative and qualitative characterization of housing conditions in the four countries, based on some common indicators, the financial and organizational systems for supporting home-building in different countries and the proportions of state and private home-building are also discussed. The author presents the public opinion on housing conditions in the individual countries.

An international comparative study was carried out in recent years under the auspices of the UNESCO European Centre of Coordination and Documentation of Research in Social Science (CEUCORS) with the participation of eight countries. The study covered the market and non-market types of consumption of the population, with special regard to the field of social services.* The study was made in part by a team of economists and statisticians, and in part by a team of sociologists. From the eight countries only France, Hungary, Italy and the Soviet Union participated in the latter's work. It was agreed to emphasize from among the social services housing conditions, institutions for children in pre-schooling age, social care for the old, and the health service. The objective of this international comparison was to present, through reviewing the organizations of these services and the ways how they are utilized by the population, the development of the "supply" of these services confronted with the "demands" of the population, and the consumers' attitudes and requirements towards these services during the past ten years in countries with different social and economic systems.

From the proceedings of the international analysis the development of housing conditions will be reviewed hereunder. The main reason for highlighting this rather narrow field was that upon surveying the compiled data it was found that the different national characteristics deriving from the socio-economic systems of the given countries are the most manifest in the ways of how they solve the housing problems.

Housing supply

Retrospective analyses of the countries showed the development of their stock of flats through changes in the quantitative indicators and those of equipment. The different possibilities of obtaining a flat, the ways of state participation in increasing and distributing the stock of dwellings, as well as the opinion of the people, the degree of their satisfaction with their housing conditions and also their ambitions were presented.

*For more datils see [1].

It is interesting to note that housing is a "problem" in all of the countries examined. Of course, the problems vary by nature and size. The differences are determined fundamentally by the different economic development of the socialist and the capitalist countries, the time lags between their industrial development and, consequently, in the urbanization process, in the different proportions of the various settlements. In the Soviet Union and Hungary the problem of satisfying the massive new demands of the last 30 years adequately is interwoven with that of replacing the aged flats and those destroyed in World War II (in the Soviet Union 20 per cent of urban dwellings were destructed), and with the necessary transformation of the regional pattern of the dwelling stock. On the other hand in France and, except for some areas, in Italy too, the emphasis shifted from the satisfaction of primary mass demands to the improvement of the quality of the stock, to increasing financial facilities in making flats available and to the diversification of its ways.

From the indicators used for stating the quantitative and qualitative characteristics of provisions with flats the following were adopted: average number of rooms per dwelling, density of occupation of dwellings, number of rooms per capita, the degree of equipment (electricity, gas, tap water, toilet, bathroom).

The proportion of dwellings built before and after 1948–49 was taken for reference in describing the age of dewlling stocks. Accordingly, the stock is the "youngest" in the Soviet Union where 85 per cent of the flats owned by society (the state and cooperatives) and more than 70 per cent of private homes (family cottages) were built after World War II. The rate of residential construction was particularly high in the 1960s and 1970s: the total floor area of flats built in a year averaged 35.6 million sq.m. from 1951 to 1955, 78.9 million between 1961–1965, while between 1971–1974 93.7 million square metres. In 1974 the urban housing stock totalled 1799 million square metres, and the total (useful) floor area per city inhabitant was 11.8 square metres.

In the Soviet Union housing norms are specified in sq. metres for the living area to which a person is entitled. These norms vary by the republics of the country and by different regions: per capita living area is ranging from 9 to 13.6 square metres. Considering the differences in demographic, geographical and climatic conditions and living habits in various regions, the Central Housing Design Institute assumes that the reasonable norms will have to be set in the future around 16 to 22 square metres per capita. Table 1 presents some data compiled by the Central Housing Design Institute for several cities.

In Hungary the unit of the standard of housing is the room.* A flat where the number of persons is more than two for a room is considered to be crowded. Since the basic units of Soviet and Hungarian statistical observations of housing are not identical, they are not readily comparable. The source at our disposal did not clarify the notion "living area" stated in square metres, i.e., we do not know precisely which premises of Soviet flats belong to the living area. (It is assumed from the magnitude of the data that the "living area" notion used in Soviet statistics is near to the notion "room" of the UN Statistical Office. The latter considers the bedroom, dining room, living room, the

*Compartments above 12 m^2 and 4 to 12 m^2 floor area, with walls up to the ceiling and natural light, are rooms, resp., half-rooms.

Table 1

Main indicators of new dwellings built in some observed cities in the Soviet Union

Denomination	Year	
	1960	1972
Average size of dwellings (living area, m^2)	27.5	32.1
Average family size (persons)	3.7	3.4
Living area per capita (m^2)	7.2	9.2
Number of persons living in one room	2.1	1.6
Proportion of flats inhabited by one family (per cent)	96.1	97.7

compartment for personnel and the kitchen not smaller than 4 square metres to be rooms. The ante-room, hall, veranda, corridor, bathroom, toilet do not fall in this category.)

From Hungarian data we have some indicators of new city dwellings that are partly comparable with the quoted Soviet data. The difference between the samples on which the Soviet and the Hungarian data are based is that the scope of observations in the Hungarian study covered people moving to a new, but not necessarily a newly built flat, thus old dwellings (that had become vacant and were let to new tenants) are also included in the model, while the Soviet data relate purely to newly built dwellings.

A comparison of the Soviet data of 1972 with the Hungarian data of 1973 shows that regarding "new flats" in Hungary the average floor area of the living area (rooms) is by about 10 per cent larger than in the Soviet Union, and the occupants per room are somewhat less (1.46 vs. 1.6 persons); consequently, the difference in per capita living area (for dwellings in Hungary: room area) is over 20 per cent. The proportion of new flats occupied by more than one family is lower in the Soviet Union (2.3 per cent vs. 2.7 per cent in Hungary).

The rate of renewal of the dwelling stock is far slower in Hungary than in the Soviet Union, nevertheless there has been a marked improvement in the last 10 years. 20 per cent of the flats were built before the turn of the century, 42 per cent between 1900 and 1944, and only 38 per cent after the war. Within this latter period residential construction accelerated mainly after 1956. This is illustrated also by the improvement between 1960 and 1970 of indicators showing density of occupation. The number of occupants per one hundred flats was 379 in 1960, 327 in 1970, and 307 in 1974. In these ten years the average number of occupants per one hundred rooms was reduced from 236 to 199, and by 1975 to 962.

In France this latter indicator was around 93 in 1968 and 82 in 1973. There the density of occupation is 293 persons per 100 flats, the average room number of flats is 3.58* (1973 data). 71 per cent of the dwelling stock in France date before 1949, but according to computations in 1972 almost 40 per cent of the households lived in flats

*According to the French dwelling standards kitchens not smaller than 12 square metres are considered to be rooms.

Table 2
Main data of newly occupied flats in Hungary. 1973

Denomination	Average area (sq.m.) of		Average per capita area		Occupants per one hundred rooms	Proportion of flats occupied by several families (percent)
	Flats	Rooms	Flat	Room		
Rented flats, total	47.5	30.5	15.3	9.9	166	3.7
From this:						
newly built	50.6	33.0	15.4	10.1	157	4.1
emptied	40.9	25.2	15.0	9.2	196	2.8
Flats sold by councils	54.6	36.4	16.7	11.1	145	2.1
Flats in cooperative and own houses	58.1	37.0	20.5	13.1	127	0.9
Flats in family houses	83.4	44.3	26.1	13.9	129	3.4
Flats, total	56.7	35.2	18.4	11.4	146	2.7

Source: A lakás- és kommunális ellátás fontosabb adatai, 1973.
(Important data of housing and communal supplies, 1973.)
Budapest, 1975. Központi Statisztikai Hivatal, 157 p.

built after 1949, and three-quarters of the later were built with state subsidies. In only six years, from 1962 to 1968, more than two million new flats were completed.

In Italy 68 per cent of the dwelling stock was built before 1949. The density of occupation was 330 per one hundred flats in 1968, at the same time the number of occupants of one hundred rooms was 95.

From a comparison of these indicators with Hungarian data it turns out that flat sizes and the number of rooms are bigger both in France and Italy. Nearly 80 per cent of the dwellings built in 1969 in Hungary had one to two rooms (26 per cent one and a half, and 53.5 per cent two rooms), while in Italy only 13.4 per cent, and in France only 21 per cent of the dwelling stock built in 1968 consisted of one or two-room flats. According to the standards in France* 22 per cent of the flats are considered to be crowded there, while in Hungary, by Hungarian standards** and according to the 1970 census, 17 per cent of the flats were considered to be crowded.

The demand for conveniences in newly built dwellings is prevailing in all the countries studied. In France the proportion of flats with shower or bathroom has more than doubled in the last 10 years, but 39 per cent of the flats are still without own W.C. or bathroom. According to Soviet data, in 1970 60 per cent of the urban dwelling stock was provided with bathroom, 63 per cent with central heating, 69 per cent with water supply and 28 per cent with hot water supply. In Hungary the 1970 census found

*In the definition of INSEE (Institut National de la Statistique et des Études Economiques) the flat size must be determined according to the composition of the family (household). Accordingly, one room is due to everybody over the age of 18 living alone, to two children of the same sex, to a married couple and to a single person (divorced or widow). The flat is declared to be overcrowded if the number of rooms is by one or more rooms less than the justified demand.

**According to dwelling standards in Hungary, two persons are entitled to one room.

bathrooms or shower rooms in 43 per cent of urban flats, W.C. in 39 per cent. Analysis of the equipment of new urban flats built in 1973 shows that their provision with public utilities is almost 100 per cent, and the percentage of dwellings without electricity, water and W.C. is near to naught even in privately built new homes. Still, the results of sample surveys show that in Hungary 29 per cent, in Tallin 17.4 per cent, and in France 15.2 per cent of the population stated that improvement of the supply with utilities was the primary reason for their plans to change the flat.

Ways of obtaining a flat

According to data describing the different ways of obtaining a flat, the increasing participation of the state in the system of distribution and state subsidies are characteristic of every country covered by the study except for Italy. The two basic ways of assistance are the following:

– dwelling construction financed by the state,

– credits and facilities to private home building.

Astonishing differences were revealed in this field by the comparison of Italy and France. According to the statistics, in 1968 only 9 per cent of the dwelling construnction were sponsored entirely or partialy by the state in Italy. From the point of view of funds, 7 per cent of the dwellings were financed from state, and 93 per cent from private sources. In France, on the other hand, during the same period 79 per cent of the flats built obtained state subsidies, and the subsidies covered 32 per cent of the total building costs. Although the Italian housing conditions obviously call for state interference, the implementation following a number of promises and plans did not show that. In his treatise "Reforms and counter-reforms" G. *Ruffolo* [2] gave a detailed analysis of the reform measures that provided the grounds for the Italian Act No. 865 of 1971 on housing. The reform bill contained the following recommendations:

– to build flats with cheap rent for handicapped and low income families,

– to expropriate building plots for the state and to regulate their price;

– to provide for the maintenance of state-owned dwellings;

– to design and build big residential quarters with the corresponding infrastructures;

– to allocate a total of 2500 billion Italian Liras for dwelling construction between 1971 and 1975.

Finally, the act was implemented only in part. The bureaucratic management of expropriations and internal problems of the building industry were among the main obstacles. Thus the financial participation of the state in dwelling construction, still 26 per cent in 1971, dropped to 3.6 per cent in 1971 and has been kept on that level ever since. The reforms also covered the problem of financing dwelling construction. The Italian conceptions and their partial implementation were in principle very similar to the French system of supporting dwelling construction, i.e., to create funds by the state to improve the housing conditions of people in the worst position, namely, to build cheap-rent flats en masse, and to offer facilities to capitals invested in dwelling construction (tax allowances, bonuses on interest payments, building loans, facilities for

purchasing plots, etc.). Still the above figures clearly show that behind nearly identical conceptions there might be great differences between the measures of state subsidization as regards the numerical results.

The different internal structures of the funds the two countries allocate to dwelling construction also account for this big numerical difference. While in the French system of financing the distribution of the housing fund is controlled through the extension of long-term credits by state-supervised monetary institutions at favourable terms of interests, actually with a considerable involvement of private capital but with state supervision, in Italy private capital participates in a more direct manner, and in its capacity of private capital, in dwelling construction. Thereby the role of state control and supervision also diminishes. The financial resources figuring in French data as state subsidy originate not only from the state budget but also from the financial transformation of private capitals. We may state that the ultimate objective is to create a dwelling stock of adequate size, composition and quality and to distribute it justly from the social point of view. Comparison of the quantitative indicators of the two countries' dwelling stocks does not show striking differences. As could be seen above, Italy is not much behind as regards indicators showing the density of occupation, moreover, analysis of the distribution of dwellings according to the number of rooms shows that by this indicator the dwellings built in 1968 present more favourable conditions than the French data.

Statistical factors disguise sociological facts indicating that in Italy the standard of housing supply is greatly differentiated as between social and economic strata, geographical regions and administrative units. Due to the lack of a properly controlled government housing policy, i.e., the deficient implementation of the draft reform, the shortage of cheap rented dwellings is felt the most by the strata living at the lowest level, people who have recently moved to cities, young married couples, and the less developed South. Namely, with the weakening of the state's role in control and supervision, the market terms are more predominant and with the given building costs and credit conditions these strata cannot be involved in private home building because they do not have the necessary funds.

In France the system of dwelling construction based on state contribution helps the state and the private investors alike. Most of the flats built *en masse* by the state sector are cheap leases available to low-income households. The subsidy system itself, i.e., the selection of those entitled to subsidy, is highly differentiated. The state subsidizes first, by credit and tax facilities, the industrial and construction enterprises and financial institutions dealing with or concerned with dwelling constructions; secondly, through an advantageous housing plot price policy based on sound principles of regional development the buyers of housing size; thirdly, it is at the disposal of builders with personal type credits.

According to the rate of subsidy there are three types of state-subsidized dwellings in France:

– *Social-type dwellings.* Here belong the flats with reduced rents reserved for the lowest income category. Various tax, interest and credit facilities controlled by the state may be granted to enterprises building such dwellings. The flats built according to standards stipulated by the state are to be let or sold at regulated terms to persons who are entitled to it on account of their income level. Within this sector the claimants are classified into four categories according to income.

– *Other forms of state contribution.* Such are: credit extended for building family homes, facilities provided for state officials, for guest workers, and personal credits.

The state also supports the purely private constructions, but here too, it controls the quality according to the aforesaid standards. Owing to the operation of this differentiated system of state contribution with dual orientation the quantity of the housing stock in France has increased and also the quality standards (supply with public utilities) has improved.

In the early 1970s it became necessary to further improve the system and to rearrange the subsidies. In 1969 the subsidy offered to the state sector amounted only to 50 per cent against 78 per cent in 1962, and this shift in proportions is still going on. At the same time, the subsidies given to banks have increased, i.e., the interference of the state has become more indirect. At the same time, the state has turned with its direct contributions to special strata of the population and set the following targets:

– to liquidate unhealthy dwellings,
– to improve dwelling conditions in agricultural settlements,
– to improve the dwelling conditions of the old,
– to assist the guest workers.

The state promoted the improvement of housing conditions also with social aid. The rent-supplement system existing since 1948 was extended in 1972 to further strata (to the old people, and to young married couples without children in the first five years of marriage). Beside an overall improvement in housing conditions the differences between social groups and in geographical distribution are also apparent. The flats are more crowded – in the terms of the French standards – in cities than in the countryside, but the country flats are less provided with conveniences than those in towns. The proportion of dwellings without tap water is almost twice as big in rural areas as in the cities (7.4 and 3.4 per cent, resp.). Comparison of some indicators of supply shows visible differences by socio-economic categories.

Table 3

Housing conditions of urban households in France according to the occupational group of the head of the household

Category by occupation	Dwellings (in percentage)			Average No. by households of	
	crowded	normal	ample	occupants (persons)	rooms
Self-employed (industry, trade)	16	26	58	3.3	4.1
Professionals and highly qualified specialists	9	23	68	3.4	4.6
Medium-level specialists	16	32	52	3.5	3.7
Other employees white-collar	26	34	40	3.6	3.4
Skilled and semi-skilled workers	31	33	36	3.6	3.5
Assistant staff	35	33	32	2.5	2.5

Source: INSEE 1973 sample survey

45.4 per cent of the tenants in flats with reduced rent are workers though only 27.4 per cent of the population fall into this category, while 12.4 per cent of proprietors of privately owned homes are professionals and highly qualified specialists, though only 6.3 per cent of French households belong to this category. The young married couples also belong to those in disadvantageous situation. (Young couples are those where the head of the household is younger than 35, and also where the time spent in marriage is less than 10 years.) In these households the proportion of those living in crowded flats is higher, and the proportion of owners of homes is smaller. In 1967 37 per cent of young couples lived under crowded dwelling conditions.

The role of state and private sources in dwelling construction shows differences if the two socialist countries are compared. The basic difference between the systems of dwelling construction and dwelling distribution in the Soviet Union and Hungary is that while in the Soviet system housing is developing more unequivocally in the direction of a free social service, in the Hungarian system the ever increasing financial participation of the population in dwelling construction has developed exactly in the last 5 or 10 years.

In 1970 the distribution by ownership of the dwelling stocks in the Soviet Union and Hungary was as follows: in the Soviet Union, seven-tenths of the total dwelling stock were owned by society and three-tenths were privately owned (on the basis of the total floor area of flats) while, at the same time, only 37 per cent of the number of flats were social property in Hungary.

The term social property means ownership by the state and cooperatives. Yet it should be noted that the housing cooperatives are categories with not quite the same content in the two countries. The members of Soviet housing cooperatives are proprietors not of the dwelling but of the amount of money paid for the dwelling. When moving, the share-owner has to deliver his dwelling to the cooperative, and in return his contribution less depreciation will be refunded to him. I.e. he is not free to dispose of the flat. In Hungary, cooperative flats can be inherited or sold. The new proprietor has, naturally, to comply with the conditions stipulated by the cooperative statutes.

In both countries family homes constitute the largest proportion of privately owned homes. In Hungary also the so-called apartment house property, a form of private construction applied chiefly in cities, is steadily increasing.

In Soviet dwelling constructions the population participates with its own financial funds in the building of cooperative and family homes, but the state subsidizes both types of construction. In case of cooperative flats the amount of state credit is 60 per cent of the construction costs, with repayment terms of 10 to 20 years and 0.5 per cent interest. About 6 per cent of all constructions have been carried out in this form; the rate is 10 per cent in cities. For family home building the state gives a loan of 700 roubles for seven years.

In Hungary the ways and opportunities of private contributions are more differentiated. The system of state subsidies to dwelling construction is implemented in the forms of long-term credits, interest facilities and various price reductions. The subsidy given for flats sold by councils is considered a price reduction, where a fixed reduced price of the flat is the basis of the credit given to the population. The margin between the

fixed price and the reduced sales price is covered from the state budget. The sociopolitical allowance* is also a discount in a certain sense, also subtracted from the sales price of the flat, and the reduced amount is the basis of credit, and of the compulsory prepayment, as is in the case of state subsidy, the third type of price allowance.

This survey of credits conditions shows the outlines of some basic principles of housing policy in Hungary which may be summarized as follows:

– the size of the credit granted for dwelling construction is a function of settlement-political and urbanization plans (note for example the more advantageous terms of credit in so-called priority settlements, and for flats to be built in multistorey houses);

– the political considerations of credit in respect of strata are expressed in the home building credits granted directly to workers employed by state enterprises;

– the population policy considerations are manifest in the institution of the socio-political allowance, as well as in the allowances given to families with three or more children for the building of family homes. Thus only a part of the dwellings built from state resources (43.5 per cent of the dwellings built in 1970 and 44 per cent in 1974) are state-owned flats to be let. At the same time, the majority of private constructions were carried out with state contribution. In principle the private builders have several opportunities, but in practice these opportunities are confined by strongly limited chances, depending chiefly on their financial conditions, for people waiting to get a flat. That is, all the strata entitled by the per capita income of the family to rented state flats

Table 4

Dwelling construction in Hungary by resources

Period	Dwellings built, total	of which:		
		State[a] investment	Private investment	
			with bank credit	without bank credit
		By number		
1966–1970	327,430	121,995	147,632	57,803
1971–1975	438,128	148,675	235,456	54,007
		Percentage		
1966–1970	100	37	45	18
1971–1975	100	34	54	12

[a]From 1971 on apartment houses built by the National Savings Bank are considered as private constructions. Earlier these were considered to be state investments. In the years 1966 to 1970 their ratio was about 4 per cent.

*This is given to young couples promising to have a certain number of children – (Ed. note)

Table 5
Distribution of dwelling construction by financing in the Soviet Union
(per cent)

Year	Dwelling construction total	of which:		
		State	Cooperative	Private
1960	100	51	–	49
1965	100	58	7	35
1970	100	65	7	28
1974	100	69	6	25

or to flats sold by the councils and who are really unable to concentrate their financial resources on carrying out any kind of private home building, cannot but wait for their turn in the long queue of the entitled and in a similar situation. According to council records in 1970 10 per cent of the claims put in for dwelling could be satisfied.

In case the way of private home building is chosen, then, depending on the type of dwelling construction, their minimum private share in the building costs of a flat is 10 to 30 per cent and in those of a family home it is 50 per cent. So-called additional costs also increase the costs of building (plot price, costs of design and control) on which the state does not extend credit.

In the analysis of the proportion between state and private resources in the Soviet figures it must be taken into consideration that in lack of more detailed data we could not distinguish the constructions carried out from purely private funds. In principle the state supports the building of every family home that complies with the specifications, but the real proportions of making use of the support are not known.

Table 6
Distribution of families observed in Tallin by ownership of dwellings
(per cent)

Social category	State property		Cooperative	Hotel subtenant	Private home	All families
	independent	common				
	flat					
Worker families	51.0	22.3	3.7	7.8	15.2	100.0
White-collar families	58.0	19.2	5.0	5.7	12.1	100.0
'Intellectual' families	49.8	15.1	9.4	13.3	12.4	100
Retired	49.1	29.8	1.8	2.3	17.0	100.0
Average	51.6	20.6	5.4	8.4	14.0	100.0

Only two socialist countries presented data about the dwelling conditions of families belonging to various socio-economic groups. According to a representative study carried out on Tallin, more than 70 per cent of the interviewed families live in state-owned flats. From them, 21 per cent do not have a flat of their own but live together with one or more families. In hotels and as sub-tenants live 8.4 per cent, and 5.4 per cent have cooperative flats. 14 per cent of the families own a family home.

According to the study in Hungary the distribution of observed urban families by types of dwelling is rather different: 33 per cent live in state-owned flats, 58 per cent in family homes, 4 per cent were proprietors of apartments and 5 per cent of cooperative flats.

Table 7

Distribution of observed families in Hungary by ownership of dwellings in 1974

(per cent)

Class, strata (by head of the household)	State owned flat	Family home	Apartment porperty	Coopera-tive flat	Other	Total
Worker	34	57	4	5	0	100
Cooperative peasant	7	92	1	0	0	100
Intellectuals and other brain workers	43	44	5	8	–	100
Small-scale producers, retail dealers	17	82	–	1	–	100
Average	33	58	4	5	0	100

Source: Survey by the Central Statistical Office covering 8600 families.

The predominance of the "family home" category is striking in the Hungarian data, but its proportion strongly varies by social strata. 92 per cent of the observed cooperative peasant families and 44 per cent of intellectual and other brain worker families lived in family homes. The proportion of occupants of state-owned flats is also less than half the finding of the Tallin study.

On the other hand, the comparison of these data with the ambitions of those interviewed to change their dwellings shows surprisingly that the proportion of urban people longing for family houses is much smaller. Only 19 per cent of those interviewed and intending to move prefer this way of solving their dwelling problems. By the way, according to the poll in Hungary, the proportion of urban families discontent with their dwelling conditions was 23 per cent, and from the latter population 26 per cent aspired to a state-owned flat, 7 per cent to a cooperative flat, 8 per cent wanted to buy a freehold flat or to build one in an apartment house with state subsidy.

In Tallin more than two-thirds of those interviewed wished to improve their dwelling conditions. Naturally, the people living in a flat not alone, that is, in co-tenancies give the highest proportion (80 per cent) of the dissatisfied. 68 per cent of the latter also want to have state-owned flats, but independent ones. The greatest difference between

the given proportions and ambitions was found regarding cooperative flats, i.e., against 5.4 per cent of occupants of cooperative flats, 15 per cent of those interviewed would like to get this type of dwelling. Their intention to build family homes is alsó somewhat higher than the present average: 19 per cent against the existing 14 per cent. Nevertheless, it should not be forgotten that the sample survey on which the Soviet data are based was made in a strongly urbanized settlement of the country, and this is reflected in the ambitions too. In the cities of the Soviet Union cooperative housing construction is the most popular type, 10 per cent of dwellings built here are cooperative flats, while the national average is 5 to 6 per cent.

The French data on plants for moving show that the popularity of family homes is growing, there 76 per cent of people planning to change their dwelling entertained the idea of building a home of their own, while the present rate of owners of homes is 48 per cent.

*

From the analysis of data concerning housing conditions in the four countries covered by the international comparison it may be concluded that realizing the socio-political importance of housing the state participates considerably in solving the housing problem and in improving the dwelling conditions in these countries with different social and economic systems. The improvement of the quantitative and qualitative standards of housing is a common goal of all these countries. Yet these two aspects represented different weights in the past 20 or 30 years according to the historical and economic development of each country and, consequently, the studied countries developed different versions of housing subsidy systems to correspond with the opportunities.

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ЖИЛИЩНЫЕ УСЛОВИЯ И ДОСТУПНОСТЬ ЖИЛИЩ В ЧЕТЫРЕХ СТРАНАХ

М. ЛАКАТОШ

В статье используются результаты международного сравнительного обследования, осуществленного в организации Европейского центра ЮНЕСКО по координации и документации общественных исследований. В рамках более широкой программы исследования народного потребления сопоставлялись некоторые аспекты жилищного вопроса в двух социалистических (СССР, Венгрия) и двух капиталистических (Италия, Франция) странах.

Помимо количественной и качественной характеристики жилищного фонда четырех стран на базе нескольких общих показателей автор дает также описание систем финансовой и организационной поддержки жилищного строительства в отрельных странах, далее, приводит соотношения между формами государственного и частного строительства. Дается также и оценка жилищных условий отдельных стран.

Acta Oeconomica Vol. 19 (2), pp. 191–201 (1977)

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CHANGING EXPECTATIONS OF THE WORKING POPULATION TOWARDS WORK IN HUNGARY

The workers' expectations relating to work have changed due to the socio-economic development. These expectations may relate to the intellectual demand and complexity of work, to the worker's identifying himself with his work, to the improvement of the labour conditions, to the feasible income, to the value orientation of work.

In Hungary the workers' expectations relating to work present themselves primarily in gravitation towards intellectual work, in the rank of the more complex work, in the demand for labour conditions of higher standard.

The author outlines the development expectable in the future in the demand systems raised by working places and of the workers' expectations relating to work and comes to the conclusion that further improvement of the education system may influence favourably the solution of the structural tension created by the expectations mentioned above.

Expectations towards work and the structure of manpower

The expectations of working people towards work are identical in their main tendencies with the trends of changes produced in the pattern of employment by socio-economic progress. The most characteristic features are the relative increase in the intellectual staff and the decrease in the number of manual workers. This trend may be proven with both international and Hungarian data. The ratio of brain-workers is bigger at higher levels of economic development than at lower levels.

According to census data the ratio of intellectual jobs in Hungary was round 10 per cent in 1949, 17 per cent in 1960, and 27 per cent in 1973.

However, within the trend of development, which may be considered to be correct on the whole, a number of contradictions can be noticed. It is natural that technical progress, the emergence of ever more complex and big organizations in the economy, the economic, administrative, legal, cultural, etc. jobs created by necessity, are accompanied by a growth in the number of intellectual workers in both absolute and relative terms. The extremely rapid growth of administration and, along with it, of the administrative staff often outnumbering the professional employees is, however, adverse to economic necessity. The increase of the administrative staff was induced by the efforts of the employing economic units and organizations as well as by the inclinations of the employees upon the effects of education:

– the reasons shaping the efforts of the employing organizations are well known. It will be sufficient to refer to the stimulation given in this direction by the system of average wage level regulation in Hungary between 1968 and 1971, to the thirst for informations owing to intensification of the economy, to the "traditional" administrative staff who are kept engaged for a while along with the staff needed for mechanized administration;

Table 1

Proportion of intellectual workers and the value of GDP per one employee at the beginning of the 1970s

GDP (Dollars per capita)	Country	Ratio of intellectual staff in percentage of total employment
4000–8000	United States, Canada, Sweden	35–40
3000–4000	Belgium, Norway the Netherlands, United Kingdom, Denmark, Switzerland, Federal Republic of Germany	30–40
2000–2500	Finland, German Democratic Republic, Czechoslovakia, Austria, Italy	23–29
1500–2000	Spain, Portugal, Poland, Hungary	15–22
1000–1500	Bulgaria, Greece, Romania	12–14

Ref.: Data calculated on the basis of data published in the International Labour Office Yearbooks of 1973 and 1974.

– the strivings of the employees are determined by the pattern of secondary education (the high proportion of grammar schools, and economic-type secondary schools) and the still prevailing idea wich considers the secondary school-leaving (maturity) certificate as a "licence" for doing intellectual work.

Unfortunately, there are quite good grounds for this general belief. While it is emphasized that secondary education will become in the future the basic standard of general education and sooner or later it will become a precondition of vocational training, where the knowledge required for any qualified manual and intellectual profession will be taught, for the time being we put up with much less than that, and secondary education is not a precondition even when really intellectual posts are filled. (Here I mean some economic, administrative, and accounting jobs.)

According to the state of affairs in Hungary on January 1, 1971, from almost 1.2 million white-collar employees 300,000 only completed the 8 years of primary school or even less. From these, 20,000 worked in jobs requiring diplomas from universities and other institutions of higher education, and 280,000 in jobs requiring secondary education. In the latters' group secondary education without a school-leaving certificate proved to be sufficient for about 30,000 people in the administrytive jobs they had. On the other hand, 250,000 worked in real engineering, economic, and agricultural jobs without adequate qualification.* In such a situation the young people with general secondary education are indeed not quite unreasonable when they ask for intellectual employment.

In a part of intellectual jobs it would be advisable to examine the circumstance whether the rapid growth of the staff is justified by less efficient performance due to lower qualifications. In my opinion the low level of qualification is an obstacle to

*In the spirit of measures taken in regard to the supply of foremen and workshop leaders the skilled workers acting as formenen and leaders of agricultural teams were considered as having adequate qualification. The data do not contain their number.

Table 2
Distribution of students preparing for intellectual professions by type of school

Qualification	High grade	Medium grade	Total
	candidates for intellectual professions (per cent)		
General secondary (grammar) school	12.4	74.0	45.7
Vocational secondary school	66.6	24.7	43.3
Industrial skilled-worker training school	1.2	0.3	0.7
Other school	17.5	0.4	8.5
Unknown	2.3	0.6	1.8
Total	100.0	100.0	100.0

performing the tasks adequately even in relatively simple intellectual jobs. Uneducated employees slow down affairs, refer decisions to higher levels, and such work is characterized by vagueness, inaccuracy, negligence and lack of responsibility.

The data of a survey of the National Institute of Career Guidance in the school-year 1970/71 show the prestige of intellectual work. [1] 37 per cent of primary school pupils in the 7th term had in view intellectual jobs, and the rate of students choosing manual careers was 63 per cent. (At that time intellectual employees amounted to a quarter of total employment.) From the 63 per cent of young people preferring manual jobs 57 per cent was the rate of those choosing non-agrictultural skilled-worker careers. 0.8 per cent of them chose skilled jobs, and 3.1 per cent chose semi-skilled work. 45.7, per cent of students preparing for an intellectual career hoped to attain their goal through secondary school-leaving certificate, and 43.3 per cent through vocational school-leaving certificate.*

71.6 per cent of those leaving secondary (grammar) schools were determined to choose intellectual professions, 22.1 per cent did not yet make a decision, and only 6.3 per cent expected to take manual jobs. From students leaving vocational schools an appreciably higher ratio (34.6 per cent) chose manual jobs, yet their majority preferred white-collar careers.

With a higher degree of schooling the workers are, as a rule, more inclined to do more complicated work claiming higher intellectual level, and look for more cultured working places. The other side of this phenomenon is that young people do not like to choose for their career unhealthy work demanding great physical efforts, to be done under hard working conditions.

According to the data about the choice of career in the school year 1970/71 mentioned above,

*In Hungary the schooling system is divided into the following stages: primary school of 8 years (from 6 to 14 years of age), thereafter the student may choose to go to a general secondary (grammar) school, or to a vocational secondary school, both of which will grant him a school-leaving (maturity) certificate, or to a skilled worker training school.

– more than 5 per cent of the young people contemplated to become car mechanincs (7.0 per cent), qualified salesmen (5.5 per cent), machine mechanics (5.1 per cent),

– the application rate was rather high, over 3 per cent, for the clothing (3.2 per cent) precision-mechanic (3.2 per cent) and hairdresser (3.1 per cent) trades,

– around 2 per cent of students applied to study for wall painter (2.9 per cent), mason (2.3 per cent) and in the catering trade (2.0 per cent).

In the years 1972 and 1973 the following became the so-called fashionable careers for which applicants were abounding: electronic mechanic, car mechanic, dental mechanic, cosmetician, hairdresser, photographer, shopwindow setter, clothes salesman, waiter, cook [2]. From the jobs showing outstanding rates from the point of view of attracting the youth the trades of the tertiary sector represent a high ratio.

The fewest of the young people chose to become miners (0.1 per cent), foundry workers (0.1 per cent), skilled workers in the chemical, rubber and plastic industries (0.1 per cent) and in the building materials industry, merely 0.8 per cent of the children planned to become skilled workers, and only 3.1 per cent were ready to do semi-skilled work.

There are profound differences between the vocational intentions and the structure of the labour force according to jobs, because not only education and knowledge have a bearing on actual employment but also the money earning opportunities and other factors. However, a comparison of the structure according to the quality of jobs of the young with that of those growing out of working age gives an interesting idea about actual employment.

Table 3

Pattern of employment of active wage earners in the age groups of 25–29 and 55–59 years, in 1970

Quality of employment	Distribution of those aged	
	25–29	55–59
	years (per cent)	
Technical staff	8.9	4.5
Economic-administrative	1.4	2.2
Health, cultural	7.9	3.9
Office worker	13.5	8.9
Intellectual staff, total	31.7	19.5
Skilled worker	31.7	19.5
Semi-skilled worker	30.4	19.9
Unskilled worker, other manual worker	18.5	43.8
Total of manual workers	68.3	80.5
Total	100.0	100.0

Source: 1970 census data

In 1970 among the wage earners between 25–29 years of age the percentage of intellectual employees amounted to 31.7 per cent and of manual workers to 68.3 per cent. The same ratio was 19.5 per cent and 80.5 per cent, respectively, among those aged 55–59 years, and 26.9 per cent and 73.1 per cent, respectively, among those between 50–54 years of age. The ratio of unskilled workers and other manual workers was 18.5 per cent among those aged 25–29 years, while it was 43.8 per cent among those between 55–59 years of age.

The data by age groups show the tendency of a marked increase in the proportion of engineering, health and cultural professions and of office staff, and a decrease in the economic-administrative staff in the intellectual category. Among workers the number of skilled workers increases dynamically while that of the unskilled and of other manual workers decreases rapidly.

The expectations of manual workers towards their working conditions are indicated by the fact that in the Hungarian industry the average number of daily shifts is below one and a half. (1.41). [3] This low number of shifts impedes the effective utilization of valuable and high performance machines. At the same time workers are reluctant to take jobs in third shifts even for higher wages.

The factors working against increasing the number of shifts are the evening, continuation and corresponding courses and on-the-job education of workers, the high ratio of female labour, the palpable improvement in living conditions and in the cultural level, and here belongs also the manpower situation which allows to choose a more advantageous job in a given profession, and to revert to other ways of earning higher incomes.

Also the fluctuation rates in the various branches of industry indicate the workers expectations towards working conditions, their unwillingness to do demanding and harder work under worse conditions. In the third quarter of the year fluctuation was the highest in the building materials, food, building, and civil engineering industries and the lowest (except for mining) in the precision engineering, telecommunication equipment, vacuum technical engineering, electric power and printing industries. [4] (From this point of view mining may be considered an exceptional branch of industry since most of the work done there is hard to convert, and it is bound to special sites, etc.)

Poor working conditions, unutilized skills, inadequate atmosphere at the working place are also often specified as reasons for changing employment. [5]

Expectable changes in the system of requirements of work places and the expectations of workers

In Hungary the conceptions about economic development are based on the intensification of economic life. In the set of factors working towards intensification the raising of the level of education and qualification of workers is of high importance.

Due to the scientific-technical progress the demand for technical, scientific and mathematical knowledge increases steadily. Beyond understanding and developing the technical changes this knowledge also contributes to the ability of working precisely, systematically and to practical common sense. One-sided mastery of this knowledge might

nevertheless have negative impacts as well. Because of technical and mathematical onesidedness people may tend to technical formalism and; consequently, become incapable of realizing the intricacy and variability of the actual situation. The workers must be prepared to absorb the scientific-technical progress not only from the technical point of view but also from that of responsiveness to social problems politically, philosophically and ethically alike.

It may be stated without further arguments that *versatility* is one of the first things scientific–technical development requires from the workers. Only a manysidedly educated expert will be able to comply with the requirements of dynamic economic development. High general and technical culture add to manysidedness, therefore this knowledge should be taught for a longer time and more profoundly than it is at present.

The demand for versatility emerges in the course of scientific–technical progress despite the marked expansion of the division of labour, the growing number of new types of work, the transformation and ceasing of old ones. In the relations between man and machine work is oriented towards specialization. Thus the requirements raised towards workers can be less and less derived from the system of requirements of a given way of performing a job. The former universal character of machines is replaced by specialization with a tense rhythm of work, and the simplification of operations. As a counterpart, the worker who used to be specialized on the level of the working place must be succeeded by the universal man who is not only capable of doing one operation but who can be quickly turned to other tasks too.

Versatility notwithstanding, education must also provide special knowledge, that is, the right proportions must be found between the two types of requirements, and the adequate forms of education to guarantee the two types of knowledge.

The demand for specialized know-how at the level of the working place is apparently adverse to increasing the adaptability of workers. The contradiction is more than real because only a high level of general and technical knowledge can allow to learn a specialized trade quickly. The workers must get prepared for the steady unbroken development of production, technology and management, for changing over – more than once in their lifetime – to other forms of doing their work, or perhaps even to other profession or occupation. But this is only possible if the students are given comprehensive, or let us use the term: universal, education in the framework of schooling. The knowledge specialized on the level of a job – which gets outdated much faster than the former – should be taught increasingly in the in the post-graduate forms of education.

The permanent up-to-dateness of knowledge cannot be durably maintained with the education received in young age. The rapid growth of technical development and scientific information is also accompanied by the fast obsolescence of the knowledge acquired earlier. That is, education must be prepared for continually renewing the knowledge of those graduated earlier and thereby of its own self too. This demand necessitates the inroduction of intensive and nonstop education. With the ever growing body of knowledge workers must have primarily not encyclopaedic knowledge but must be trained for logical thinking, free from any schematic pattern.

So far the requirements of scientific-technical progress have been related chiefly to the horizontal direction of mobility between vocations and regulations. However, vocational mobility, especially in the circumstances of socialist development, appears not

only in changing professions but also in increased spheres of authority and responsibility. Increasing authority calls for acquiring knowledge on higher level in the same line. This additional demand can be satisifed only if the system of knowledge – its stages built upon each other – becomes manifest in the structure of education as well.

Above the expectations deriving from the development of the division of labour in society also the psychical aspects of the relations between the individual and his concrete work raise expectations towards the workers. Psychical stress is expressed mainly in monotonous work, in dependence (e.g. the performance of the worker depends on the performances of other workers, workshops, enterprises), in the difficulties of orienting oneself in big organizations, in the increase of responsibility. Psychical stress develops various forms of behaviour and different abilities in workers. In the relationship between man and work adaptation to new features requires the deliberate development of certain abilities and a higher culture of the workers.

The expected changes in the requirements of work place and in training strongly affect the expectations of the labour force towards work; the workers become more and more hard to be pleased with the workplaces. Among semi-skilled workers this might foster an urge for changing the forms of working frequently, and this develops a type of semiskilled workers who are capable of performing more than one operation. Demand for intellectual qualities increases in every field, setting in turn important tasks for leadership and management.

The expectations of workers become manifest in preferences for definite forms of work, professions and occupations. The strains thus developed may be also regarded as tensions between the structure of jobs and the structure of the labour force. We are far from holding the rather general view and belief that the adjustment of the structure of the labour force to the pattern of jobs could be managed solely by the reform of education and training. If we were of this opinion we would underestimate the importance of know-how and knowledge acquired in the course of work, the impacts of factory and workshop democrary on individual charcteristics, the development of the abilities of a man identifying himself with his work. Still we cannot but agree that education has important effects on developing personality and the labour force – depending on the quality of methods applied and the subjects taught – and this instrument should be used purposefully in the process of remodeling the pattern of the labour force. In the course of schooling the young generation can acquire such properties and knowledge which they may further improve and evolve in their direct relationship with work and in the human contacts established in the course of work.

According to the above the conclusion stands to reason that the process of schooling and training must consider what is required from the labour force, the workers, their knowledge and abilities. These requirements are basically different from what they used to be and are of higher standards.

Before defining the requirements it will be expedient to outline the presumable impacts of the actual system of schooling and training in Hungary on the pattern of the labour force.

According to the computations, taking the present structure and proportions of schooling for basis, education will further increase the discrepancies between the pattern of the labour force and the pattern of jobs by 1991. The ratio of intellectuals will be

Table 4
Demand and supply of labour in Hungary from 1971 to 1991

Qualifications	Demand for labour	Output of schools	Expected staff	Expected staff in percentage of demand for labour	Output of schools in percentage of the staff to be trained
	thousands				
University	245.0	147.0	248.1	101.3	102.1
Other institution of higher education	250.0	214.8	272.2	108.9	111.5
Secondary school	1087.0	690.5	1088.0	100.1	100.1
Other schools	95.0	−21.4	108.0	113.7	–
Non-manual total	1667.0	1030.9	1716.3	102.3	104.0
Skilled workers	1386.0	1079.0	1753.0	126.5	151.6
Semi-skilled	1489.0	368.0	1173.7	78.8	42.6
Unskilled worker	748.0	13.0	657.0	87.8	13.0
Manual total	3623.0	1460.0	3583.7	98.9	97.3

Source: Computations of the National Planning Office

higher than required while that of manual workers will be lower. In the category of manual workers most of those leaving schools will enter work as skilled workers, and training will be unable to satisfy the need for semi-skilled and unskilled workers.

The composition of the predictable numbers – of course different from the output of schools – also reflects disportions. (Part of the people already working in the base period will be still active in 1991.) Within the intellectual staff mainly those with higher qualifications (other than university) must be expected to be in excess, while in the category of manual workers the skilled workers will be too many. This obviously implies that the present inadequate qualification of intellectual workers will be mostly eliminated, while among manual workers over-education may be anticipated.

This forecast is today contested in many respects. The dispute is about the over-education of skilled workers, and the counter-arguments are supported by the prevailing acute demand for skilled workers. The great demand for skilled manual workers often takes its origin in such demands of the employers that are impossible to satisfy. The employers wish skilled workers to operate the new, high-performance machines representing modern technology, since skilled workers are the stratum of manual labour with the highest qualification. However, the operation of the machines requires knowledge quite different from what our skilled workers had learned with traditional technologies. Many

elements of their knowledge become superfluous (knowledge of materials, manual dexterity etc.) and new demands arise for other knowledge (operation of the machine, comprehension of automatic production etc.). A semi-skilled worker with high general and technical knowledge could satisfy these requirements but knowledge acquired in the 8 classes of primary school prove to be too little for that. The employer's demands originate from his anxiety for the expensive machines and, in a sense, from the limits to financial incentives. (Namely, even under such conditions, a lower wage can be paid for semi-skilled work.) What we face here are the limits of the structure of education and not a wrong forecast. The indicated over-education might be a few per cents more or less, but the tendency is clear.

From the requirements of intensive economic development more and more expectations can be formulated towards education. Most of these were already mentioned when the relations between the requirements of jobs and education were discussed. Here several requirements related to the pattern of education will be noted.

Today most of the young people who complete the primary school in Hungary continue studying. This desire for continued education is natural since those, leaving the primary school at the age of 14 or 15, are unskilled, unable to do hard manual work, and are not prepared for doing intellectual work. A part of the young people who do not go to school any more do not take up jobs but try to occupy themselves at home, with work done in the family organization, waiting until they reach the working age accepted by society. (This age is statistically set at 14 but was raised in practice by the changing conditions of work.) The requirements stemming from work also ask for higher general knowledge, technical culture and firmer ideological stand of the youth than what the 8 years of the primary school are able to offer them.

In most of the advanced countries the primary schooling system comprises 10 years. In the following 2 or 3 years the young people may attend specialized or non-specialized secondary education. The specialized forms of tuition – with secondary-school leaving (maturity) certificate – furnish them with sufficient knowledge for higher studies. The choice between the career of a manual worker or a salaried employee is such an option for the majority of the young people on which they do not have to decide at the age of 13 or 14 but only later. Such decisions can be strongly influenced by the selective effects of the school (the school achievement) too. Thus, if they do not continue their studies, after the specialized secondary school they may work either as professional employees or as manual workers, but have to pass special exams for the various grades of the profession or for a technician's degree.

Over-specialization is not fortunate in the pattern of education, nor is the form of education which gives broad comprehensive tuition preparing for higher education. For these considerations the following two requirements are raised against the Hungarian practice:

– in the preparation for higher education the marked differences between specialized and non-specialized secondary education should be eliminated;

– teaching of quickly obsolescent specialized knowledge of a workplace should be excluded from specialized education, and more general professional knowledge should be taught on a broader scale.

We do not mean to recommend mechanical imitation of the models of other socialist or non-socialist countries but it is reasonable to gather useful experiences and to study those that seem suitable for implementation under Hungarian conditions.

In our system of education the selective effect is rather poor. For instance, in the education of skilled workers, the special subjects are taught in some 200 trades. On completion of the training anyone may take up a job in the given trade without regard to his school achievement. With the qualification acquired relatively easily it is not wonder that if the present pattern of education were preserved, in 1991 education could satisfy only 40 per cent of the demand for skilled workers, and only 13 per cent of that for semi-skilled workers.

The selective effect of education does not function perfectly in other forms of education either. The striving after issuing the certificate or diploma often at any price makes the entrance examination to the given university or other institution of higher education the hardest test of a student's abilities. Afterwards the young people may even take it easy throughout the course, they will certainly get the diploma. It might be considered to admit more students and to apply a stricker selection afterwards when examinations are taken.

Also the system of post-graduate education (courses) needs revision, and the purpose and degree of the training should be specified. Requirements with regard to previous schooling should be set also in the post-graduate forms of education, and the formal nature of the certificates issued should be discontinued. Today it is a rather general view that one cannot fail in a course. Knowing this, it is an inexplicable practice to grant salary raises for completing courses. That is, the formal elements should be eliminated from education in courses and the stress should be put on the contentual requirements.

Today the choice of a vocation is influenced by career guidance only in a narrow field in Hungary. The choice of a career is influenced mainly by the parents and the environment and in these influences the changes of the economic pattern and the related demands for labour are considered only by chance. The prestige of and preferences for professions naturally reflect social and economic effects, mostly they are manifestations of the high financial rewards and social appreciation given to scarce professions. However, the reputation of professions and jobs does not always appear precisely when demand develops for a particular profession. It is also true that the emergence of demand is not always accompanied by the development of the prestige of a profession.

We may conclude on changes in the expectations of workers towards work from the interplay between the rising standard of living, the extension of schooling, and the value judgements of the workers. These expectations affect the shaping of the structure of manpower and the development of structural tensions. The expectations motivated by the increasing standard of living and the improving living conditions could and should be taken into consideration in improving the culture of working conditions, in the general improvement of the circumstances under which work is done. The expectations raised by the impacts of schooling also indicate the problems of our system of education, thus these should be reckoned with in the development of the schooling system.

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ИЗМЕНЕНИЕ ЗАПРОСОВ РАБОТНИКОВ, ПРЕЛЪЯВЛЯЕМЫХ К ТРУДУ

А. ОЛАЙОШ

В результате общественного-экономического прогресса и Венгрии изменились запросы, предъявляемые работниками к труду. Эти запросы могут относиться к интеллектуальному уровню, сложности труда, идентификации работника с его трудом, условиям труда, достижимому доходу, социальной ценности труда.

Выражаемая трудящимися оценка принимает определенную форму при выборе профессии, занятия, что приводит к ранжированию престижа профессий и занятий.

В Венгрии запросы работников к труду проявляются в первую очередь в стремлении к умственному труду, в престиже более требовательного, сложного труда, в требовании улучшения условий труда.

Автор излагает ожидаемое в будущем формирование системы запросов к рабочему месту и к выполняемому труду и приходит к выводу, что дальнейшее развитие системы образования может оказать благоприятное влияние на решение структурного несоответствия, возникающего в связи с упомянутыми выше запросами.

Acta Oeconomica Vol. 19 (2), pp.. 203–214 (1977)

REVIEWS

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INCOMES OF THE POPULATION AND THEIR PROPORTIONS IN HUNGARY

Surveying the 25-year-period between 1950–1975, it occurs immediately that, as far as the relationship between economic growth and living standards is concerned, in the course of the first ten years tne main problem consisted in uneven development. The repeated and significant fluctuations in the growth rates themselves hindered the steady development of the economy. These were partly due to the fact that the volume of agricultural output, having then a much larger weight, was much more vulnerable to weather condititons that it is now, and partly they were caused by frequent changes in the ratio of accumulation to consumption. This especially applies to tne period between 1950–1955 when – contrary to the declared targets of economic policy aiming at an increase in living standards – it was attempted to solve the rising difficulties at the expense of living standards by means of restricting income and consumption.

Considerable changes had taken place from 1958 on, becoming especially marked in the last ten years of the period observed. The fluctuations were levelling off and even the remaining ones were accompanied by a more dynamic increase in living standards.

According to the figures – as seen in Table 1 – a relatively parallel increase took place in production and consumption. However, this relatively steady and balanced growth in the development of consumption was accompanied by extreme fluctuations in accumulation which from time to time caused tensions within the national economy. These tensions became even more pronounced at times when within accumulation the relative share of unfinished investments and inventories were rising.

In short this means that the Hungarian economic leadership strove to ease the economic tensions without affecting the living standards of the population. Similar conclusions can be drawn when the economic events of the last three years are examined. The political and economic policy deliberately refrained in 1974–75 from shifting onto the population the burden of our difficulties emerging after 1973, which were mainly caused by the unfavourable development of world market prices. Thus there was a significant increase in living standards even in these particularly critical years. Naturally, these trends cannot be maintained in the long run and a necessary improvement in the balance of the economy requires some temporary moderation of the rate of increase of living standards. This idea was formulated in the Fifth Five-Year Plan (for the years 1976–80) and made itself already felt in the development of living standards in 1976.

Table 1
*Annual increase of the national income and personal consumption of the population, per cent**

Year	National income	Consumption of the population
1961	4.6	1.1
1962	6.0	3.4
1963	5.4	4.7
1964	4.3	5.4
1965	0.1	1.5
1966	8.2	5.0
1967	8.1	6.5
1968	5.0	4.5
1969	8.0	5.8
1970	4.9	8.0
1971	6.5	5.6
1972	5.1	3.5
1973	7.4	4.9
1974	6.9	6.8
1975	5.4	4.8
1976	3.0	2.0

*Growth rates derived from figures calculated on the basis of 1968 prices

Incomes of the population and changes in their composition

Real incomes of the Hungarian population have more than tripled since 1950 to our days. The rate of increase was different in each five-year period (usually coinciding with a planning period). For the whole period observed, however, it has been characteristic that the rise in real incomes has lagged behind the rate of economic growth thus providing for a rise in accumulation inevitable for the foundation of future economic growth. Of course these tendencies cannot be considered as special Hungarian characteristics, rather as a general requirement of expanded reproduction.

The years between 1950–1955 were the only period in our development when the rise in real incomes of the population was lagging considerably behind the rate of increase of the national income. During this period the real incomes of the population were rising moderately, by some 15 per cent in the course of five years against a 25 per cent increase in the national income.

However, in the course of the next five-year period (1955–1960) the rate of increase of per capita real incomes amounted to 5.9 per cent on a yearly average, exceeding that of the national income in order to offset the adverse effects of mistakes made earlier in living standard policies.

In the course of the next two periods, that is, in the years between 1960–1965 and 1966–1970 *real incomes of the population developed in accordance with the general*

Table 2
Real incomes of the population (1950–1975)

Year	Per capita real incomes		Annual rate of growth of per capita national income
	Percentage growth over the five-year period	Annual rate of growth	
	per cent		
1950–1955	115	2.9	4.6
1955–1960	133	5.9	5.7
1960–1965	118	3.3	3.8
1965–1970	135	6.2	6.4
1970–1975	125	4.6	5.8

economic trends. During the years of the Second Five-Year Plan, i.e. in 1960–1965, per capita national income rose by 20 per cent whilst real per capita personal incomes increased by 18 per cent. As to the third planning period (1965–1970), the growth rates of national income and of real personal incomes were 37 and 35 per cent, respectively. All these brought about a continuous improvement in living conditions perceptible for every stratum of society. In the period from 1965–1970 the average yearly increase of per capita real income amounted to 5–7 per cent.

In the years 1971–1975, during the period of the Fourth Five-Year Plan, the standard of living increased as foreseen. Real incomes rose by 25 per cent whereas the national income by 35 per cent. In the course of this period a great number of important social policy measures affecting salaries and incomes were taken on a much larger scale than foreseen. Some of them were introduced in order to offset the effect of rises in established prices of some basic commodities whereas others to improve relative income proportions and especially the incomes of some strata of society. The centrally designed and implemented increase in the wages of industrial and construction workers and of production controllers (foremen) was particularly important.

In 1976 the rate of economic growth was slower than planned, as a consequence of which the rise in real incomes lagged behind the target as well, showing a growth of some 1 per cent.

The incomes of the population essentially derive from two main sources: directly from work on the one hand from social benefits on the other, composed of payments in money and in kind. These two main sources are complemented by a third one, the so-called "other incomes" which only constitute a fraction of the population's total incomes.

Analyzing the development trends of the incomes of the population stemming from these three sources beginning with 1950 to our very days, two important conclusions might be drawn.

First, *the volume of social benefits increased – in any of the periods observed – at a greater pace than earnings from work.* Within them, monetary benefits have shown –

also in each period observed – a more dynamic increase than those in kind. Whithin total personal incomes the real value of incomes from work per head rose 2.5-fold against an almost sixfold increase in social benefits between 1950–1975.

Before the liberation of Hungary the level of social benefits was rather low, one of the lowest in Europe. In addition, a significant part of the population – e.g. the whole peasantry – had no possibility whatever to enjoy any of these benefits. After the liberation the elaboration and enforcement of uniform directives and the gradual extension of social benefits to those excluded before was one of the main tasks. This was a basic task of living standard policy deriving from the substance of our social system.

The increase of social benefits in kind was basically due to the fact that such basic social services as education and medical care became universal and free, which, in turn, entailed the necessity of extending education facilities, setting up new hospital beds, hiring new educational and medical personnel continuously. The rising standards of these social services were naturally concomitant with a continuously rising cost level.

The rapid increase in social benefits in money as experienced in the fifties was partly due to the extremely low level where from this development had started, and partly to the fact that the major part of this growth in the number of those entitled to these services fell into that period, the growth actually continuing until the mid-sixties. In the fifties it occurred that the solution of social policy problems was attempted with the aid of wages policy. Beyond the fact that these measures remained ineffective, they actually hindered the formation of reasonable income proportions.

From the mid-sixties social policy became more precisely outlined, the level of money benefits significantly increased – partly as a result of measures taken, partly because of the automatisms inherent in the system. During the Fourth Five-Year Plan (1971–1975) the increase in social benefits, especially in those in money, was similarly momentous. Some very important social policy measures were taken in the context of the gradual solution of social problems causing tensions in living standards.

The structural changes in the total income of the population are shown in the following table:

Table 3
Composition of the incomes of the population (per cent)

Year	Incomes directly related to work	Social benefits			Incomes from other sources	Total personal incomes
		in money	in kind	total		
1950	85.9	3.8	9.8	13.6	0.5	100.0
1960	80.4	7.0	11.4	18.4	1.2	100.0
1965	77.1	8.6	12.4	21.0	1.9	100.0
1970	74.5	10.4	12.4	22.8	2.7	100.0
1975	70.6	14.5	12.8	27.3	2.1	100.0
1980*	67.1	17.4	12.9	30.3	2.6	100.0

*According to the guidelines of the Fifth Five-Year Plan

Another important feature of the last 25 years has been the uneven development experienced in the incomes from work. The trend of increase was contradictory between 1950–1957, and development has become more balanced only since 1957. Even in this latter period incomes increased from time to time at a more rapid, then at a somewhat slower rate. At the same time the volume of social benefits showed a steady growth. (Though some periodicity may be observed in this respect as well: a more rapid rise in incomes is usually accompanied by a dynamic growth in social benefits.)

Personal incomes directly derived from work comprise wages, incomes of a wage character and earnings from agricultural activities as well as from private activities. The significant changes taken place within society after the liberation, the large-scale re-stratification contributed to an essential restructuring in the composition of personal incomes from work. Many of the peasants have become manual or non-manual industrial workers (employees) and a decisive part of the earlier self-employed have become absorbed in the above strata as well.

As a consequence, the share of wages and incomes of a wage character has shown a remarkable increase within the total volume of personal incomes from work. The volume of earnings from agricultural activities has grown as well, though at a slower rate, whereas the share of incomes stemming from private activities has become unimportant.

The decisive share of personal incomes from work is composed of wages and incomes of a wage character. That is why great attention is paid to the development of real wages. Between 1950–1960 real wages rose more than one and a half-fold, but their development was not balanced. Between 1950–1952 – owing to a significant rise in the consumer price level – real wages dropped by 20 per cent. In the following years – especially between 1955 – 60 their growth was extraordinarily high. Real wages showed a 9 per cent increase during the Second Five-Year Plan (1961–65) and a 19 per cent one in the course of the Third Five-Year Plan (1966–1970).

Under the Fourth Five-Year Plan (1971–75) real wages developed as foreseen, rising by 18 per cent in five years. In 1976 real wages stayed on the whole at the previous year's level.

Table 4
Composition of personal incomes from work
(per cent)

	1950	1960	1970	1975
Wages and incomes of a wage character	42.0	62.2	67.0	70.5
Earnings from agricultural activities*	48.0	33.0	29.6	26.0
Incomes stemming from pricate activities	10.0	4.8	3.4	3.5
Total	100.0	100.0	100.0	100.0

*Earnings from agricultural activities comprise all incomes in money and in kind stemming from cooperatives, complementary and household farming

Table 5
Composition of personal incomes directly derived from work
(per cent)

	1950	1960	1965	1970	1975
Money incomes	70.0	76.7	82.0	85.5	89.2
Incomes in kind	30.0	23.3	18.0	14.5	10.8
Total	100.0	100.0	100.0	100.0	100.0

When analysing the composition of personal incomes directly derived from work from another aspect, one may distinguish money incomes and those in kind. The restructuring of personal incomes derived form work is a special feature accompanying the general rise in living standards, the restratification within society, the changes in consumption habits and structure, and thus the changes in the ways of life.

At present, only some 10 per cent of all personal incomes from work fall to incomes in kind which consist almost entirely of consumption of self-produced goods.

Since the mid-sixties the volume of incomes in kind has not decreased any more, and it is going to stay at the present level for some more time. However – owing to the rise of money incomes – their share within the total will show a continuous decline.

Relative income proportions, dispersion of incomes

The economic plans contain, beside numerically defined comprehensive targets, concrete tasks concerning living standard policy as well, by means of which it is intended to set guidelines for deviations from the average, for dispersions, or for the influencing of various factors affecting the average.

One of the principal questions seems to be the *development of relative income proportions between the main social strata.* Since the mid-sixties, it has been a declared target of Hungarian economic policy to eliminate the differences between the living standards of the working class and the co-operative peasantry. Differences in social benefits between those living on wages and salaries and the members of agricultural cooperatives had to be abolished. The directives set by the most important political bodies as well as the decisions taken by the state leadership regarding the relative incomes of workers and peasants have been implemented.

The levelling of these relative incomes was achieved in the late sixties. In the following years, as a result of a rapid increase in agricultural output, incomes of the peasantly rose at a rate exceeding that of the earnings of workers. In 1974–75 – as a consequence of central measures – the incomes of workers showed a more dynamic development, a tendency maintained in 1976 as well. As a result, at present the relative incomes of the two basic classes have become settled at the 1970 level. It has to be

considered as an important achievement of economic policy that the relation between production and personal incomes has become closer in every field.

Relative income proportions cover varying amounts of labour and the relative proportions between sources of incomes are different as well. Earnings of cooperative peasants from collective farming are – despite longer working hours – more than 10 per cent lower than those of workers. Their per capita family incomes, however, owing to the additional work of family members in household plots, exceed somewhat the per capita incomes reached by worker families.

In 1975, 32 per cent of the total incomes of cooperative peasants stemmed from household farming. The contribution of household plots to total personal incomes is thus significant, though, its share is much smaller than that of incomes from collective farming. The contribution of household farming to total incomes was still 38 per cent in 1970.

Public opinion in Hungary generally shares the view that incomes from household and complementary farming plots comprise only earnings of the peasantry. No doubt, these sources of incomes play a greater role in the family incomes of peasants but incomes of all social strata are complemented by these two sources. In 1975 the percentage contribution of household and complementary farming to the total family incomes of the various social classes and strata showed the following picture:

	per cent
Workers	7
cooperative members	32
families with double incomes*	21
intellectuals	4
small-scale producers	22
inactives	18

*Families in which there are both agricultural and non-agricultural workers

Family earnings from household and complementary farming stem mainly from irregular part-time activities carried out around the house. This amount of work could be drawn into organized productive activities in any other way only with difficulties. The working power used in this way is in majority unskilled. Families involved in small-scale farming expend on a yearly average, 4 or 5 hours a day, on agricultural activities. Some 20 per cent of these activities is carried out by active agricultural workers, 19 per cent by non-agricultural workers and a decisive 61 per cent by inactive ones (retired persons and dependents).

In Hungary today the cooperatives and state farms are the principal technical and material bases of household and complementary farming and through these also of the incomes derived from them. In conformity with our economic policy close production ties have developed between cooperatives and household plots. Cooperatives promote household farming by providing seeds, cows, sows, saplings, fodder and machine work. Production cooperation has been also furthered by the household-plots selling a growing share of their produce through agricultural cooperatives.

A readjustment of the system of social benefits has also been started on the same principles. This is mainly achieved by expanding the system of benefits for cooperative farmers and approaching it to the system developed for the working class.

This process is reflected by the following social policy measures:

– since the mid-sixties the network of nurseries and kindergartens has been substantially expanded in the countryside;

– canteen meals are offered, working conditions improved, social welfare institutions expanded in a growing number of cooperative farms;

– since 1975 the amounts and conditions of family allowances have become identical with those given to workers;

– the first phase of a five-stage-programme, to be completed in 1980, aimed at the unification of the retirement conditions of cooperative collective farmers with those of workers and administrative personnel came into force on January lst 1978.

When forming an opinion about the relative income proportions of the basic classes several aspects have to be considered. The most important of them are the following:

a) The income proportions themselves do not provide sufficient information as to the differences in living standards or in living circumstances. Apart from this, when talking about living circumstances, it is much more expedient to speak nowadays about differences between villages and towns instead of differences between workers and peasants. This is not to say that belonging to one of these classes does not ential differences in living circumstances, especially in the ways of life. I rather would like to call attention to the fact that about half of the working class is affected by village living conditions since they are living in villages.

b) Extreme views play a significant role in social judgements about living standards. These are better perceived and more talked about, the communications media giving broad publicity to these views. The same holds for the relative worker-peasant incomes proportions. Outstanding incomes are more conspicuous. There are more examples of these outstanding incomes in the peasantry, in other words, the dispersion of incomes within the peasantry is wider, (both when incomes from the cooperative and when the total income is concerned), than that within the working class. This is often the basis of erroneous judgements on worker-peasant income proportions.

c) Finally, as it is an inseparable part of the problem, it has to be answered whether the classification of the households into classes is clear and whether the relative income proportions of the basic classes can be reflected realistically by means of this classification. However clear the theoretical categories for classification into classes (social strata) may be, their practical implementation is only possible through conventions and compromises. As society progresses, there are more and more such households in the classification of which we are forced to make compromises. According to figures of the 1973 microcensus 41.9 per cent of the population belonged to the working class, 13.6 per cent to the cooperative peasantry and 10.9 per cent of the population was living in mixed households where there were both workers and cooperative peasants. Even as regards households belonging to the category of cooperative peasantry (where the head of the household is manual cooperative worker with no other worker in the family) only two thirds of these are purely peasant households with no other family member belonging to another social stratum (intellectuals pensioners).

The relatively exact relative income proportions between classes and social strata can only be determined by a specially designed statistical survey. Such statistical surveys are made every five years by the Central Statistical Office. The last of them was carried out in 1972 and the next will come in 1978 for the year 1977. For the years between two surveys incomes of the particular social strata can only be determined by estimates. The vaguest of these estimates is that made about the annual shifts among the social strata, in other words: what the number of families and inhabitants is within the different classes and strata.

Within the directives of incomes policy consistent enforcement of the principle of distribution according to work performed has been a major requirement for the last ten years in order to raise the efficiency of labour, striving at the same time for the approximation to each other of family incomes in order to abolish unjustified differences between incomes.

The measures based on directives elaborated by the most important political bodies have become incorporated in the last ten years in the programmes of the state leadership, first of all in the national economic plans. Here I only want to refer to the most important relevant parts of the Act on Fifth Five-Year Plan (1976–80).

"The differences in the earnings of both manual and non-manual workers should reflect the differences in the quantity and the quality of the work rendered and those in qualifications to a greater extent." Further: "social contributions to the bringing up of children should be increased"; "in order to reduce differences between pensions, the lower pensions, established a long time ago, should be raised in the second half of the plan period"; "the increase of social benefits in kind should be somewhat faster than that of the total incomes." These latter targets are aimed at the reduction of unjustified differences in family incomes.

By what means should this conception be realized? First, let us have a look at the development of *incomes and relative income proportions* of workers and employees in the 70-s.

The average monthly earning of workers and employees increased from Forint 2291 to Forint 3195 between 1970–1976. The rise was greater than planned, 6 per cent on a yearly average, 1 per cent of which was a result of measures following from central wages policy.

The principles of wages policy were mostly effective throughout the years 1970–1975.

– the workers of the large industrial enterprises and recognizing the necessities having emerged in the meantime the working staff of the state industry and construction industry were given preferences in wage-increases,

– the wage and income proportions were changed in favour of workers doing hard manual work, working in shifts or having better qualifications whilst unjustified differences between earnings of women and men doing the same job were reduced as well,

– the excessive and unjustified rise in earnings of workers in small enterprises and co-operatives slowed down, their earnings stayed within controlled limits. Earnings of workers of big industrial enterprises generally exceed those of workers in small enterprises (likewise earnings in state enterprises exceed earnings in cooperatives) in the case of both manual and non-manual workers,

– wages in the lowest category increased faster than the average,

– the rise in wages of production controllers (foremen) considerably accelerated,

– earnings of higher and middle-rank managers rose at a rate below the average.

As a result, the situation characterizing the year 1975 showed considerable changes in some areas as compared with 1970. As an example, the average earnings of industrial workers increased faster than the national average and earnings in the state farms and commerce showed a relative decrease.

Within the socialist (state and cooperative) sector as a whole, differences in relative earnings of various jobs showed some levelling off. In 1970, earnings of the top-managers and middle-level managers were 270 and 164 per cent, those of workers and other employees 94 per cent of the average. The corresponding figures for 1975 stood at 234,128 and 94 per cent, respectively. There was a shift in proportion between the state and cooperative sectors as well (the latter without agricultural cooperatives). The average earnings of those employed in the state industry rose from 105 per cent in 1970 to 119 per cent in 1975 as a percentage of average earnings in the cooperative industry.

Growth rates of average wages and earnings became less differentiated in 1976 than in the earlier years. The rise in earnings was the highest in industry and the lowest in the non-productive sectors. The ranking of sectors by monthly earnings remained practically unchanged.

As to the evaluation of the narrowing gap between *family incomes,* the decreasing dispersion of personal incomes of the population and changes in their distribution, the importance of the steady rise in living standards, the decrease achieved in the proportion of low-income categories and the growing share of those enjoying higher incomes should be underlined.

The process can be characterized by the figures in Table 6.

Table 6

Distribution of the population by per capita personal income

Per capita monthly income	1962	1967	1972
	at 1972 prices		
below Ft 1000	66.3	36.8	18.2
1000–1400	21.9	32.9	26.6
1400–1800	7.8	18.4	24.9
1800–2000	1.7	4.6	8.8
above Ft 2000	2.3	7.3	21.5
Total	100.0	100.0	100.0

According to our computations and estimates, this above trend of income distribution has been experienced since 1972 – due to rise in incomes. This statement is based on the following facts:

– the share of families – in majority low-income ones – having three or more children has decreased within the population. While their share in the total number of families amounted to 8.5 per cent in 1960, it dropped to 4.4 per cent by 1970 and to 3.8 per cent by 1973,

– attached to price rises, family allowances, pensions and earnings were universally raised by 50 and later by 60 Forints. These measures brought about a relatively greater increase in incomes below the average,

– in 1973 the rather low cooperative rents were raised by 100 Forints and the complements to married retired cooperative members were increased up to the level of that given to the level of the non-cooperative pensioners,

– since 1971 pensions have been raised by 2 per cent a year, but since 1974 by a minimum of monthly 30 Forints, and by 50 Forints since 1976, resulting in a larger than 2 per cent yearly increase in the pensions of lower categories,

– in 1974 family allowances allotted to two-children families were raised by 100 Forints per child and per month,

– with July 1, 1976 the pensions of those having retired earlier, i.e. of those having mainly low pensions were raised considerably,

– at the same date, family allowances after children of cooperative members were raised to the same level as those of workers, involving a monthly rise of Ft 50.

During this process income proportions have hardly changed. About the same income proportions and differences were reproduced on a significantly higher income level.

Responses to relative income proportions and differences emerging at a higher income level have become more sensitive, since the absolute differences are much greater at present than they were 10–15 years ago. This is why today in Hungary attention is more often drawn to the fact that, besides examining relative income proportions, their absolute differences have to be evaluated as well. Namely, these latter differences are manifesting themselves much more markedly in perceptible elements of living standards, being apparent signs of deviations in family incomes at the same time.

It follows from the experiences of the recent past that narrowing of gaps between family incomes – with due respect to the necessity of justified differentiation in earnings from work, arising from the demand for efficiency – can mainly be achieved by the following means:

– raising the amounts of family allowances and other forms of money benefits related to the number of children,

– increasing low pensions,

– increasing the volume of social benefits in kind,

– raising the level of social benefits in kind.

A real narrowing of existing differences between family incomes can only be achieved in the course of a longer period, successively, at considerable costs and based on a purposeful living standard policy. The last one and a half decade could be characterized by the tendency that a great number of those having belonged earlier to a lower income category reached higher ones, mainly under the favourable effects of various income policy measures taken. This tendency is of great importance with respect to narrowing the differences between family incomes, and a continuation of this positive trend has to be regarded as a target of social policy in the future as well.

The state of the general social atmosphere has also to be considered. Such measures taken by social policy as the raising of low pensions, maternity allowances and family allowances, allotments of compensation for price rises had a positive response on part of

the population. But at occasions such measures whose result cannot be directly felt in incomes may also have similar response, like the extra allocation of flats to families with many children, the granting of additional paid holydays to young mothers, the increase in the number of days paid for when children are ill and a growing care on the side of employers, social organizations and local councils for families with many children and for elderly people in need of help, which mean much for those affected. Thus the narrowing of gaps cannot be simply confined to income measures: the final objective should be the levelling off of *unjustified differences in the living standards of various strata.*

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Acta Oeconomica Vol. 19 (2), pp. 215–224 (1977)

COMMENTS AND CRITICISM

A. MADARÁSZ

IS KEYNES REALLY DEAD FOR THE LONG RUN?

A comment on Professor Fellner's article*

In his article Professor *Fellner* suggests the introduction of a new, in a sense, technical criterion of time horizon for the distinction between the monetarist and the neo-Keynesian schools. However, this new criterion seems merely to reproduce the main ideological dividing line between the advocates of free market and those of intervention.

According to Professor Fellner's reasoning the neo-Keynesian economists are short-term oriented and expect a satisfactory long-run economic growth from varying means, from the income-regulating effects of budget policy applied in the consecutive short-run periods. The advocates of monetarist policy, in turn, as they are long-term oriented, reject short-term direct regulation based upon doubtful forecasts. A firm long-term policy should provide an adequate role for the market forces as only in this way can it be achieved that the short-term behaviour of the agents on the market materializes in the results envisaged by the monetarist concept in the long run. With some malice, one could say that, according to this argument, interference equals short-term policy, while non-interference is a long-term approach. But it is obvious even without any malice that the difference between the two tendencies does not lie in the difference between the time horizons but between the expectations raised towards the market mechanism, or, with some simplification, in the old dilemma between *intervention versus laissez faire.*

In order to give a new, convincing answer to this old dilemma the monetarist argument has to satisfy two requirements: it has to prove the insufficiency of (neo-) Keynesian policy, and has to provide theoretical arguments supporting the supremacy of the monetarist solution. There are at least three ways to fulfil the first requirement: One can argue that the fundemantal ideas of Keynes were fatally erroneous or misleading from the very beginning, and, thus, the Keynesian revolution was partly or entirely harmful. One can contrast, as *Leijonhufvud* and others did, the economic theory of Keynes with that of Keynesian economists, emphasizing the difference between the Master's aim: "not to defeat but to implement the wisdom of Adam *Smith",* and the politically motivated economic voluntarism of his disciples as regards the efficiency of the government control over wages, investments, foreign trade, etc.; as to the creation of effective demand to reduce unemployment, the priority of full employment over price stability, etc. Finally, one can say that after the unprecedented 25 years of growth and prosperity, after the

*See Acta Oeconomica Vol. 18, Nos 3–4, pp. 247–261.

"Age of Keynes" the capitalist world entered a period of crisis of the economy and of economic thought, characterized by the collapse of the hitherto dominant version of (neo-) Keynesianism, due equally to the internal weaknesses of the doctrine, to the changes of historical conditions and to dogmatization eventually eroding every influential theory. [1]

A consequent monetarist approach would probably prefer the first line of argument; Professor Fellner's more balanced view contains elements of the two other reasonings as well and I think he is partly right. For instance, even a more moderate (Joan *Robinson* would say, 'bastard') Keynesian cannot but accept that if Professor Fellner's analysis concerning the simultaneous rise of the measured unemployment rate and of the employment rate of the population is correct, then neither the say, 4 per cent level of unemployment can be regarded as a target of demand management policy without a further analysis of the statistical data on unemployment, nor can the instruments of this policy be applied without modifications. (The reason for the changes in the structure of the labour supply, i.e. the increase in the number of adult women and the teenagers of both sexes seeking jobs is another question.) However, this fact in itself does not prove the invalidity of the objective of full (or almost full) employment (only the necessity of a more exact reformulation), and much less the general failure of the policy of demand management.

The experiences of the post-war years show – as *Modigliani* [2] has pointed out – that the policy of demand management based upon the Keynesian concept has played a great role in maintaining long-term growth and a greater stability of Western economies. The proofs provided by counterfactual analysis are always doubtful and it is difficult to judge what would have happened if the (neo-) Keynesian policy of the demand management had been replaced by the recipe of Friedman: the constant increase of money supply. At any rate, it is food for thought that the two most characteristic periods of a relatively stable growth of money supply (between 1953–1957 and 1971–1975, i.e. during times of Republican administration) were at the same time, periods of the least stable economic growth of the postwar era. It might be added that the policy of the administration and the FRS significantly deepened the seriousness of the 1973 recession without considerably mitigating inflation, partly by failing to give tax-cuts at the critical moment, partly by refusing to provide the additional money supply demanded by the explosion of oil prices. Thus, when someone deems that the seriousness of the recession after 1973, significantly differing from earlier ones in the role of supply factors, was caused not by the application of the policy of demand management, but by the absence of such a policy, by adherence to monetarist views, is perhaps not far from truth.

Professor Fellner's dire diagnosis – that the survival of Western market economies depends on the choice between long and short-term policies – is followed by a suggestion of therapy remaining in the sphere of generalities. Accordingly, stress should be laid on monetary changes and effective demand should be regulated so that the rate of inflation decreases continuously; but he fails to give more information how this can be realized. This is natural for an advocate of monetarism, as his policy is principally based on a negative substance, on the supposition that the self-curing power of the economy is a much more efficient means than any form of intervention. It is, however, difficult to see why this supposition is more correct now than it was 40 years ago. Even if one can agree

with Professor Fellner and the monetarists in stressing the limits of the policy of demand management and of the importance of monetary factors, the structural and institutional changes having taken place support Keynes' negative answer. It is beyond doubt that in the long run we are all dead, but Keynes is still more alive than the monetarists allege or believe.

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REJOINDER TO THE COMMENTS OF DR. A. MADARÁSZ

The problems with which my article deals are controversial in all countries and I sincerely welcome the comments made by Dr. Madarász. At the same time I consider it useful to repeat and to stress two points in order to supplement our mutual effort to elucidate the problems under consideration.

First, to me demand-management policy continues to be monetary *and* fiscal policy. To be counted among the monetarists in the usual sense one would have to have more confidence than I do in the predictability of quantitative relations between the money supply and the GNP.

Secondly, dissatisfaction is expressed in my article with the vague assertions of neo-Keynesians concerning the possibility of supressing the consequences of pronouncedly inflationary programs with reliance on government regulations. Yet most of us who have expressed such misgivings do favor efficient government activities in various other areas. These activities include *inter alia* making adequate and systematic fiscal provisions for those who are incapable of earning their subsistence at our prevailing and rising wage levels. The resulting position on economic problems is not one of *laissez-faire.*

W. FELLNER

A. BRÓDY

MARX AFTER STEEDMAN

In his 213-page volume Marx after Sraffa. London, 1977. NLB. 213 p. Professor Ian Steedman appreciates the significance of P. Sraffa's theoretical work for the legacy of Karl Marx. Though he disclaims originality: "many of the results presented here have been obtained by various writers", his contribution nevertheless is a systematic and impartial review of the logical background and implications of the labour theory of-value. The outcome is highly original, and will certainly lead to a wide discussion of the major topics considered: values, prices of production, rate of profit, the "transformation problem", and the "falling rate of profit".

In the course of the careful and thoroughly exact logical exposition various interesting propositions turn up about the intrinsic relation between values and prices that are partly new and always very clearly formulated.

Mr. Steedman puts his propostions succintly on p. 202 in the following way:

"I. If there is only one available method for the production of each commodity, each method using only circulating capital and producing only one product then:

i) the physical quantities of commodities and of labour specifying the methods of production, together with the physical quantities of commodities specifying the given real wage rate, suffice to determine the rate of profit (and the associated prices of production);

ii) the labour-time required (directly and indirectly) to produce any commodity – and thus the value of any commodity – is determined by the physical data relating to the methods of production; it follows that value magnitudes are, at best, redundant in the determination of the rate of profit (and prices of production);

ii) the straightforward scheme for the determination of the rate of profit (and prices of production) in terms of physical quantities can be converted into a scheme of values by the procedure of multiplying each physical quantity of a commodity by its value, while simultaneously dividing the price of that commodity by the same value. Yet this procedure, while possible, is pointless, for it adds *nothing* to one's understanding. The traditional value scheme, in which all the constant capital and all the variable capital elements in a productive activity are summed and represented by a single 'c' and a single 'v' figure, is not adequate to the determination of the rate of profit (and prices of production).

II. Under the same conditions as for I above, the rate of profit is positive if and only if surplus labour is positive. This result does not, in itself, constitute an *explanation* of the existence of profit.

III. If the number of available methods of production is equal to the number of commodities and those methods employ fixed capital and/or produce (pure) joint products then:

i) the physical data, referring to production methods and the real wage, still suffice to determine the rate of profit (and prices of production);

ii) the various quantities of embodied labour-time, and thus values, *defined in Marx's additive way,* may be indeterminate. When they are determinate, they can be positive, zero or negative: therefore additive surplus value can be positive, zero or negative;

iii) the existence of (positive) profit is now compatible with positive, zero or negative additive surplus value.

IV. If there are alternative methods of production, no matter how small the number of alternatives, then:

i) the profit maximizing choice of production methods will depend on the given real wage rate – but, for a given wage, the rate of profit and prices of production are still determined by the physical quantities representing the alternative production methods and that real wage;

ii) the amounts of labour-time required for the production of commodities are only determined once the choice of production methods is known. But that choice is made in maximizing the rate of profit. The determination of the profit rate (and prices of production) is thus logically *prior* to the determination of the values of commodities. Clearly, then, values cannot determine the rate of profit (or the prices of production)

iii) if the real wage rate should be such that alternative methods are equally profitable, at the maximum obtainable rate of profit, then the values of commodities will be indeterminate.

V. No matter how many alternative methods of production there may be, employing fixed capital or not and producing (pure) joint products or not, the von Neumann analysis determines, at a high level of abstraction, the profit rate, the growth rate, all prices of production, the allocation of labour, the choice of production methods, the economic life of capital goods and the pattern of outputs, in terms of the physically specified alternative production methods and the real wage bundle. That determination involves no reference whatsoever to Marx's concept of value.

VI. The von Neumann analysis may be supplemented by Morishima's demonstration that the profit rate and growth rate are positive if and only if surplus labour, *as newly defined by Morishima,* is positive. This demonstration, again, requires no reference at all to Marx's concept of value.

VII. The effect of changes in the working day, of speed-up in the labour process, of increased pressure to save material inputs, etc., can be analysed within the physical quantities' framework.

VIII. Given the physically specified methods of production and the *various* physically specified real wage rates, heterogeneous labour can readily be introduced into the determination of the rate of profit (and prices of production). It can also be shown how the existence of profit is related to the performance of surplus labour. In neither case is there any need to 'reduce' one kind of labour-time to another.

IX. The rate of profit

i) is not, in general, equal to total surplus value divided by the sum of total constant capital and total variable capital (S/C + V) – the latter ratio provides no adequate measure of either the rate of profit in a capitalist economy or the potential for accumulation in such an economy;

ii) can fall only if real wages rise (relative to the hours and 'intensity' of work) and/or the conditions of production become technically less favourable;

iii) cannot be said *a priori* to have any prevailing tendency to more in one direction rather than the other."

One could, perhaps, distinguish two important currents: – the first leading to propositions I, II, VII, VIII, and relying on the dual character of the value system; the second leading to the other theorems and relying on the subtle aspect that a given economic system can be always considered as a subset of a broader space, encompassing joint products, alternative technologies etc., and, therefore, implying an *ex ante* choice of that particular set of production processes that will be actually operated.

One hardly could fall out with the first line of argument, hammering on the, by now, familiar feature that by starting from the "physical" parameters one can reach both the primal and the dual solutions of the economic system. It still may seem unjust, when applied to Ricardo or Marx (the latter being the first who overtly pointed at this duality) because they had to answer a simple question, stated in value terms: how is it possible that commodities, exchanged strictly at their values, may nevertheless yield a surplus or profit for certain economic agents. They had to refute the theory of "profit upon alienation". Now Marx, criticizing Smith and Ricardo who do not prove but simply presuppose the existence of profit, had to furnish an argument that values and surplus may be coexistent. This he did, and as the problem posed itself in its dual form it was solved this way. But his scientific terms, clearly developed in dual pairs (surplus product and surplus value, labour process and "Verwertung"-prozess, use value and exchange value etx. etc.) indicate his awareness. So Marx, even after Steedman, may be still considered in this respect, as posing the right question and answering it, in essence, correctly. We may think ourselves in the possession of a more sophisticated mathematical armoury (if we admit those "physical" parameters, more about them later) and for this very reason we should not call operations with the dual variables as "redundant" or "pointless".

Of course values, serving well in a "self-replacing" system or in "Simple Reproduction" will loose their meaning in an expanding or growing system, where their role will be taken over by the prices of production. This is a distinction that Mr. Steedman omits to make – and to bridge this gap – the "transformation problem" – might have been one of the cumbersome problems hampering the publication of Volumes II and III of Capital. The efforts can be judged from Marx's amassed mathematical manuscripts striving toward, but not finding, the correct solutions offered later by Neumann, Leontief and Sraffa, alas not by Moore or Engels.

Even so, Marx's solution can be considered correct (though not entirely general) if one considers growing systems on their equilibrium path. Mr. Steedman's little system in Chapter 3 will yield the correct rate of profit *even in value terms* if recomputed along its growth path. Besides, it is a curious concoction: it produces a commodity, "gold", not needed by anybody but Mr. Steedman to use as a "numeraire", furthermore it is clearly

simultaneously yielding a surplus and being in a state of "non-growth". Thus, if I were inclined to argue with Mr. Steedman's propositions, I could point to the fact that it is a fairly artificial hybrid, neither fowl nor fish – and so it must be if one wants to demonstrate both values and prices of production with the same model.

Strictly speaking, we should be not allowed to compare values and prices of production – because they relate as apples and elephants. Values measure embodied labour-time whereas prices of production measure the amount of capital necessary to produce those commodities and therefore are expressive of dimensionally different concepts. This difference (though not entirely) eluded Marx, but so did it Neumann and Sraffa and Steedman simply because of the ingenious but not entirely justified handling of stocks as "joint products". This *is,* as rightly pointed out by Mr. Steedman, "at a high level of abstraction" and presupposes the knowledge of such parameters we are not in a position to know or measure. Theoretically we may start from "physical magnitudes" and build up our frame of reference – yet, this side of Jordan, we measure only or mostly prices and price-aggregates. We never will be able to measure *the* (exact) profit rate of a system, our prices being, as they are, distorted and only an approximation to prices of production. And so, on this more down-to-earth level, we rather should be encouraged to go ahead on Ricardian and Marxian lines and try to asses the rate of profits or the potential for accumulation as we can – of course knowing that our measurement will be far from "adequate" but still the best approximations we have. So, though not "correct", or correct, though not "general", Marx's approach can still be vindicated by simple practical considerations.

As regards now the second line of argument it really hinges on whether the values defined in "Marx's additive way" may be indeterminate, or, if determinate, zero or even negative. To engineer such examples Mr. Steedman has to draw heavily on the joint product and alternative technology approach developed by Neumann and applied with great skill by Sraffa. In this, somewhat thin atmosphere it is not too difficult to devise input and output matrices that admit of no positive solution for the value equations though still yielding positive "production prices". When, incidentally, the price system is also not unique (as on p. 152), the author instantly comes to help in the footnote: "The negative price p_1 makes this solution economically insignificant", seemingly an alleviating circumstance but only for prices, not for values.

This is not to belittle the significance of this sharply reasoned and well written text that can not fail to revolt dogmatic Marxists (or Ricardians). The question to decide is really whether the counter-examples and arguments are realistic, whether they really reflect actual economic problems or are only embroidery on a fancy lace. I cannot help it, but my feeling is as if somebody took Einstein's cosmological concepts, and drove them to their extreme conclusion for the sole reason to debunk the 'naiveté' of Newton. It may help to clarify issues, yet, again, it may only exacerbate the discussion. With all my respect for the mental effort and achievement that went into this volume, its results are not always convincing (in the sense that something must be utterly wrong with the labour theory of value) and therefore may be somewhat overstated.

To end on a finicky note: the next edition should avoid the random spelling of the Marxian rate of profits (see above), it is $S/(C + V)$, and equation (21) on p. 62 has a scalar on its left side made equal to a matrix on its right.

A REPLY TO PROFESSOR BRÓDY

Whilst I am most grateful to the editor of *Acta Oeconomica* for inviting me to respond to Professor Bródy's review of my recent book, *Marx after Sraffa,* I feel that it would not be appropriate for me to take much space in doing so. There is little for me to disagree with in Professor Bródy's generous remarks and I shall simply make six points which might be of interest to our readers.

1. Professor Bródy wonders whether it might be 'unjust' to Marx to argue that value-based arguments are 'redundant' and says that Marx was at least able to show how surplus could co-exist with exchange 'at values'. I would say that Marx's introduction of 'that peculiar commodity' labour-power actually *explains* nothing to us. We want to know *why* real wages and production conditions are – and remain – such that both surplus value and profit can exist: and in answering that question, values are of no help at all.

2. Marx's formula for the profit rate, (S/C + V) is, of course, correct on a von Neumann path, as Professor Bródy points out. But since *the growth rate is typically much smaller than the profit rate* in a capitalist economy, this result hardly seems to vindicate the use of Marx's formula.

3. My 'curious concoction' of the gold producing economy (in my Chapter 3) was intended only to pursuade traditionally-minded readers that my arguments *did not depend on* dropping the assumption of a commodity-money (gold): in other chapters that concoction does not appear. I am to blame if a device intended to facilitate communication has actually hampered it!

4. I should be among the first to admit that we never have access to the full detail of 'physical magnitudes'. Yet it is still most important to know that such magnitudes are the essential data for our *theoretical* constructions. If I really disagree with anything in Professor Bródy's remarks, it is with his suggestion that since the full data are never available, we must 'go ahead on Ricardian and Marxian lines': this is simply a *non sequitur.* 'Practical considerations' do not vindicate Marx's approach (or Ricardo's, or Sraffa's, or Steedman's, or . . .); they force us to the best we can but not to maintain that we are following *closely* any particular theory. (It is also appropriate to point out here that it is *not* important to decide whether my counter-examples are 'realistic' – they are not. Their only pupose is to show that certain allegedly general truths are not such and should not be proclaimed as such.)

5. There is clearly room for a difference of judgement as to whether the sharp formulation of the issues discussed in my book will help to resolve or only to inflame debate. I should perhaps explain that the book was written against my 'own' background of the *already* intense debate over Marxist political economy in Western Europe, Japan and North America, much of it being of a purely ideological nature. My object was to cut through the empty rhetoric and to contribute to shifting discussion onto a more rational level; of course, it is not for me to say whether I shall succeed.

6. I am completely puzzled by Professor Bródy's final paragraph. I do not know what is meant by 'random spelling of the Marxian rate of profits' and certainly there is *no* equation on my p. 62 which equates a scalar to a matrix!

I should not like the above points to create the false impression that I feel 'at oods' with Professor Bródy; on the contrary, I am most grateful to him for his long and thoughtful review of my book.

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AMENDS

I certainly apologize for misreading equ. (21) on p. 62. (I took λ^{PF} for a scalar instead of an operator as explained on p. 53.).

As to the random spelling: already the third line after equ. (21) contains $r = S/C + V$. I believe $S/(C + V)$ is meant, as it appears on pp. 44–49 but not elswhere.

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Acta Oeconomica Vol. 19 (2), pp. 225–232 (1977)

BOOK REVIEWS

LEONTIEF, W. (ed.): *Structure, system and economic policy.* Cambridge – London – New York – Melbourne, 1977 Cambridge University Press, 223 p.

This splendid little volume, being the Proceedings of Section F of the British Association for the Advancement of Science, held at the University of Lancaster in the first week of September 1976, reflects well on art and folly in our knowledge of the economic machine. As Professor W. *Leontief,* their editor, writes in his Preface, the papers address themselves to a great variety of subjects, yet, in each instance they probe below the surface of the aggregates in search of concrete, preferably directly observable – rather than statistically 'fitted' – structural relationships.

The first, and perhaps the only truly international paper is a projection of the future of the world economy, itself an abbreviated version of the United Nations study prepared by Prof. Leontief et alia: "The future of the world economy" (Oxford University Press, New York, 1977) and reproducing the most important two "scenarios" for development. Scenario A operates under the assumption that saving, investment and international transfer of capital and aid will operate in the future under the accustomed conditions, whereas scenario X envisaged the aspiration of the developing countries for a more forceful growth. One of the most remarkable conclusions is the heavy indebtedness of the non-oil-producing developing countries under scenario X, indicating in bold relief the fetters on their growth: obsolete or primitive technology compounded with the disadvantages of the price structure on the world market leading to insufficient local saving and capital formation.

In W. F. *Gossling*'s paper, "Input-output, technological change, and inflation: the end of the Keynesian era" the author indicates that already the title is enough to make all readers very cross, but, then, he does his best to deter all those who are still inclined to read the text, and ends up – quite against the editors's promise – with aggregates (only: not the Keynesian ones) pictured or rather crowded into one diagram featuring an "uphill Lancashire clothes line", and so completing the audacious reader's final exasperation.

The following four papers (P. N. *Mathur*: A study of sectoral prices and their movements in the British economy in an input–output framework; J. Mc *Gilvray:* Linkages, key sectors and development strategy; V. H. *Woodward:* Government policy and the structure of the economy; O. *Nankivell:* Use of an input–output framework for monitoring current developments in the economy), make skilled use of the detail offered only by consistent input–output statistics for tracing and solving problems for policy-making in the British economy. I found Mr. Nankivell's account of the British input-output work particularly enlightening (as Assistant Director of the Central Statistical Office he is particularly well placed for deeper insights). He is somewhat sceptic about past performance, indeed he states that "confidence in input–output work – at least in this country – is at a low ebb", but strikes a more hopeful note (or pledge?) about the future, when a more systematic and regular tabulation might help in short-run policy analysis as well as in identifying long-term structural changes.

The next three papers consider inter-regional problems. (W. I. *Morrison*–T. A. *Broadbent:* Controlling urban change; models of the urban economy; I. R. *Gordon:* Regional interdependence in the United Kingdom economy, and V. G. *Bulmer–Thomas:* The Scottish balance of payments – 1973.)

The four papers in the sequel (H. J. *Pick:* Materials, resources and production: engineer's view; J. *Taylor:* Unemployment in Britain: an interpretation of the lst twenty-five years; C. F. *Cartes:* Industry and technical progress; P. Lesley *Cook:* Energy policy formulation) treat particular topics in a moderately new fashion. The finding of Dr. Taylor's paper about absolutely and relatively rising unemployment benefits make him draw attention to the fact that the search costs for new employment were and are falling considerably. He notes that differential unemployment rates between males and females in the labour force may perhaps be explained by this. Dr. Cook argues that energy policy has to be formulated under conditions of sonsiderable uncertainty and, therefore, the market mechanism is inadequate and not conducive to healthy decision-making. The formulation of a well-sought-out public policy is therefore indispensable and he recommends a system of decentralized decision-making supplemented with firm government guidelines in accordance with the social valuation of the trade-off between the present and the (probable) future.

Up to this point all the papers reviewed can be considered as advocating government intervention into economic matters and are, indeed, busy to work out methods and guidelines for such policies. The last paper, interestingly, finds it important to put up implicit opposition. D. A. *Reisman* in his "Adam Smith and Market capitalism" quotes with predilection such opinions of Smith as, for instance he had "never known much good done by those who affected to trade for the public good" and that the British government had typically demonstrated "slothful and negligent profusion" and England had "never been blessed with a very parsimonious government". Thus the volume ends on a somewhat discordant advocation of "laissez faire" not perfectly compatible with the thrust of previous papers working out in great detail the possibilities and burning needs of an ailing economy.

A. B.

SZITA, J.: *Perspectives for European economic cooperation.* Leyden – Budapest, 1977 A. W. Sijthoff – Akadémiai Kiadó. 371 p.

In his book János *Szita* analyzes the present conditions of the European economic cooperation defined by the last decade's changes in the world economy and in international politics. He outlines a comprehensive strategy and a programme for action for this cooperation. He gives a detailed survey of the main fields of cooperation and closes his reasoning by scrutinizing the problems of the mechanism of cooperation. The Hungarian version of the book was published in 1975 and reviewed by Professor M. *Simai* in Vol. 15. No. 1 of "Acta Oeconomica" (pp. 105–108). There is no need to supplement this review, by summarizing the main findings of the author and appreciating their importance. We may agree with the author's assumption expressed in his preface to the English edition: "... The conclusions of this book are valid in the light of experiences of past few years, indeed, its relevancy has not diminished but has in fact increased". However much the 1974–1975 recession in the Western market economies intensified the difficulties of cooperation, this has not altered the favourable trend of expanding European cooperation. By launching the English edition the publisher has contributed much to the fulfilment of the author's aim: to promote a mutual understanding by exploring the nature of the brakes hindering the development of European cooperation and by formulating possible alternatives for policy-making and action. The book does render a good service in this respect.

T. F.

SIPOS, A.: *A technikai haladás hatása a fejlett tőkésországok agrárviszonyaira* (Impacts of technical progress on agricultural conditions in advanced capitalist countries). Budapest, 1977. Akadémiai Kiadó. 234 p.

The latest book of Aladár *Sipos* is a comprehensive survey of the post-war development of capitalist agricultural relations. It is comprehensive because, as a result of several decades of research work, the author presents a picture based on a synthetized and uniform concept about everything that is important and new in the agriculture of advanced capitalist countries.

These days capitalist agriculture is undergoing a profound transformation that calls for a new approach to some problems of agrarian theory.

The starting point of the author is that in our age the predominant factors are those which enhance relatively rapid technical progress in agriculture. Such are, e.g., the increased demand for foodstuffs during and after World War II, the increasing cost of labour relative to machinery,

the diminishing ratio of land rent in the total incomes of agricultural producers, i.e., the expansion of own farming at the expense of the leasing system, etc. Under the effect of factors enhancing technical progress, after World War II a situation came about, for the first time in the history of capitalism, in which the productivity of labour increased at a faster rate in agriculture than in industry.

The spectacularly rapid development of technology has been accompanied for about 30 years by an unprecedented process of concentration. Both the centralization of land and the concentration of production and capital proceed at a rate never experienced before. The pattern of holdings in capitalist countries is nevertheless on the whole fragmented and outdated. For example the size of the bigger part of farms is under 10 or 20 hectares. The situation is much better in the agriculture of the United States and Canada where the average size of farms is almost 200 hectares.

The author predicts that the centralization of land will accelerate in the coming decades. The present agricultural pattern, namely, does not satisfy the requirements of technical progress. It is more and more difficult to utilize the productive equipment economically and profitably with the given farm sizes. Beside the traditional ways of the concentration process there necessarily emerge new forms. Such as, for example, sectoral concentration through specialization, inter-farm concentration through the expansion of collective farming, vertical integration through the entering of industrial and commercial capital into the scene, and so on.

The author points out that the state control of agriculture after the war affected the process of concentration in a controversial manner. On the one hand, the state promoted the emigration of the peasantry from agriculture by means of various structural policy measures, while, on the other hand, it improved the profitability of production with market subsidies to some extent and thereby, really noticeably, the liquidation of smaller farms. The not quite consistent agricultural policy of the state may be ascribed to the fact that acceleration of the liquidation of peasant farms might cause, above a certain limit, political and economic difficulties in the capitalist countries.

The main endeavour of the capitalist state is to foster the adaptation of peasant farming, characterized by outdated patterns of holdings and production, to the monopoly capitalist society. Agriculture is, even in our days, the least concentrated branch of capitalist economy. Consequently, the author stresses, monopolies have not developed in it, moreover, in many advanced capitalist countries big capitalist farms are not even the dominating form in agriculture. The owners of the farms – whether peasant farmers or agricultural capitalists – do not have enough power to enforce their interests against the will of finance-capitalist groups. This, occasionally and at some places, endangers even the pursuing of the capitalist way of agricultural production. Owing to the peculiar situation, the state quite often has to play a mediating and balancing role between the agricultural producers who are in a weak position and the very powerful monopoly capitalists, though it represents primarily the interests of the latter.

Land rent is an important problem of the further development of agricultural production relations. The rent-type income is statistically hard to establish within the farming lease though it is an important viewpoint in the analysis of data, because the lease paid may rise even if the interest paid on the invested capital increases and the rent decreases at the same time. Another problem is that within the rent-type income certain – theoretically distinct – forms cannot be separated, and thus only a logically deduced answer can be given to the question whether the absolute land rent survives in contemporary capitalist agriculture.

Statistical data, selected carefully by the author, testify that the ratio of land rent decreases both within the total agricultural income and the national income in the advanced capitalist countries. This phenomenon is clearly observable in England, the classical country of the capitalist lease system too. From the data in further tables in the book one can read the tendency that the role of capitalist lease decreases in almost all the advanced capitalist countries. The owners of land and their family members are farming usually themselves, with hired workers. The two symptoms, namely, the decreasing ratio of land rent and the diminishing role of capitalist lease, are closely correlated. As a matter of fact, with the lease system on the decline, the monopoly of land ownership is no longer able to enforce such a relatively high price level for agricultural products that would contain, above costs and the average profit of the tenant, even lease charges and therein a land rent.

The author draws the conclusion that under such conditions the owners of land cannot obtain an absolute land rent but can realize at most a differential land rent in the prices of commodities produced at relatively lower costs on lands with higher yields and more advantageously located. Could an absolute land rent develop in the agriculture of countries where the role of capitalist lease is still significant? Aladár Sipos gives the unambiguous answer that this cannot happen since owing to the stormy technical progress in our days, the organic composition of agricultural capital has attained or exceeded the average organic composition of industrial capital. (As is known, in the interpretation of Marx, the relatively low organic composition of agricultural capital is the basis of the absolute land rent.)

How will the capitalists still renting lands pay the lease if no absolute land rent originates puts Aladár Sipos the new question. His answer is that the farming lease may derive from the differential land rent, from the profit itself, perhaps from the wages, and even from the amount of subsidies granted by the monopoly capitalist statė to agriculture. The rent deriving from such sources is by all means a specific and new form, reflecting the relations developed under state monopoly capitalism. Namely, at present non-monopoly capital cannot hope to attain the average rate of profit either in agriculture or in other fields of economic life.

Beside the above main points Aladár Sipos covers a number of other symptoms, trends and relationships. He provides an exhaustive, thorough and logical exposition of contemporary agriculture in advanced capitalist countries.

K. FORGÁCS

MEZNERICS, I.: *Pénzügyi jog a szocialista gazdálkodásban és a nemzetközi kapcsolatokban* (Financial law in the socialist economy and in international relations). Budapest, 1977. Közgazdasági és Jogi Könyvkiadó. 686 p.

Leaving aside the presentation of the old problem of relations between economy and law, in introduction I want to draw the reader's attention only to the fact that an economist examining the relations and rules of the economy cannot avoid to meet different kinds of legal institutions. The economic-politician striving to form the economy must put his ideas into legal acts; the reality of the economy is expressed among others, in the assertion or perhaps the ineffectiveness of the law; the development of the economy needs many times a re-examination or modification of the legal rules. These relations are especially tight in some areas; here belong the world of finances and the relevant financial laws so important in the economy and in control.

Financial law had come into being as a specialized branch of public administration law, dealing – beside some general problems and the budget – mostly with tax law and tax administration. In socialist planned economy the problems and subjects of financial law have necessarily changed and have become something different in respect of the field covered and partly in respect of its quality. This development is clearly and neatly reflected in the book. The author is a scholar with a rich experience of many decades as far as the Hungarian and international financial and banking law is concerned. He had been general manager for twenty years heading the Law Department in the National Bank of Hungary and is presently professor of financial law at the University of Szeged. His earlier work, "Banking Business of Socialist Economy, with Special Regard to East–West Trade" (Leyden–Budapest, 1968. Sijthoff – Akadémiai Kiadó) was reviewed in Acta Oeconomica Vol. 5 Nos 1–2, 1970. (pp. 138–140). The author further developed the theme of this book – taking into account the Western legal regulations in his work "Law of Banking in East–West Trade" (Budapest–Leyden–Dobb's Ferry, New York, 1973. Akadémiai Kiadó – Sijthoff.)

The book consists of ten chapters of rather different dimensions.

Chapter I deals with *financial law* in general terms. The questions of the emergence of the discipline of financial law, the sources of law, the financial legal relationship, and the legal acts are interesting first of all to jurists. Definition of the subject of financial law, *accentuation of the economic character and complexity* of the socialist financial law is, on the other hand, relevant for economists, too.

The subject itself is defined by setting out from an economic starting point and rather widely, as the complexity of the financial activities as well as institutions and methods of the state appearing in the process of the distribution and redistribution of the national income. With this definition even such themes become subjects of the financial law that had not belonged to this field earlier. This especially concerns the prob-

lems of the state monetary system, the so-called financial law of the state enterprises, investment financing, the system of banking and credit, the insurance business.

Chapter II deals with the *state monetary system.* Indeed, it could be claimed that this theme belongs into the framework of political economy. Doubtlessly, however, the elaboration of this theme may also be useful in the framework of financial law. Beside a review of the monetary systems – among them that of the socialist monetary system – it is not indifferent even to the economist to follow the discussion of the legal concept of money and the description of the Hungarian monetary system.

Chapter III enters the traditional sphere of financial law, discussing the problems of *budgetary law* in three parts. In the first part it examines and reviews the questions of the state budget, in the second one the finances and budget of the local councils, in the third one the management of funds of institutes and of some other organizations. Macroeconomic approach is especially characteristic of the part dealing with the state budget. It is reflected in the definition and interpretation of the budget as well as in its discussion as a financial plan, and its relationship with the plan of the national economy, furthermore its links with the different financial balances and company management. The reader receives information – among others – on the emergence of budget law, the basic principles of the budget, the sphere and structure of the budget, the economic contents of the revenues and expenditure and the legal contents and significance of the budget. The book surveys – considering the relationship between the budget and the national economic plan – the planning process of the budget, elaborates its interim modifications, its realization, including the methods, the system of financing, the banking procedures and control. It gives a summary of the different categories of the budgetary organs and the specific features of their management. The book describes the special rules of local council budgets, determined in many aspects by their independent position and tasks. A very useful addition to all these is the description of the management of funds, institutes and other organs, together with a list of all the funds.

The reader educated on earlier works concerning financial law would expect after all this a discussion of taxes and other revenues. Instead of this, Ivan Meznerics's book first describes the finances of the companies, the most important producing and service units of the economy: Chapter IV deals with the *financial law of the companies* in a concise form. The main purpose of this chapter is a description of the system, principles, formation, elements and some sectorial specifics of the income regulation – taxation and subventions – realized through budgetary relations. Beside taxation it pays increased attention to the (budgetary) subsidies, neglected earlier by financial law, elaborating in detail their different species (e.g. investment subsidies, dotations, producer price subventions, export refunds, import subsidies, etc.), as well as to the enterprises' various funds. The specific income regulation system of agriculture is contained in a separate part of this chapter. In a work on financial law it is perhaps unusual, but from the point of view of economics and for the explanation of the financial law of the enterprises it is a fundamentally important part of the book which deals with the relationship between company finances and the price system, starting with the general characteristics of the Hungarian price system, through the different kind of prices, price formation elements, price forms to the questions of price authorities and price control.

The author returns to the traditional field of financial law in chapter V dealing with the *tax law* and making one-fifth of the whole book. The review, a satisfactory systematization and definitely systematic discussion of a tax system that could be hardly said to be a result of an organic development is no small task, but it is solved very successfully and fortunately by the author. After an introduction to the problems of taxation, definition of the fundamental elements of tax law – in itself a delicate task for jurists –, classification of taxes and a review of the statutory regulations regarding the tax law the author deals with taxes first by a *sectoral* approach, and then by classifying them on the basis of their *economic contents,* but emphasizing at the same time some specific features. Following from this concept, the author first describes – among the taxes and similar dues levied on the socialist enterprises the legal rules of the taxes levied on assets and those related to wages, the turnover and commercial taxes and in the end the profit- and profit-related taxes. After this, in a similar classification, he outlines the exceptional taxation of the agricultural enter-

prises, and lastly the taxes of the population, classifying these as personal taxes, property taxes, and turnover taxes. To end this part, the author discusses the taxes levied on enterprises not belonging to the state or cooperative sectors.

Chapter VI lists the problems and rules of the *banking and credit system.* The chapter gives a description of the Hungarian banking system. Employing an economic approach and following modern views the author deals with the role of credit in a socialist economy and outlines the emergence and the actual characteristics of the legal regulations of the credit and financial system. He emphasizes the abolition of the administrative contacts between the enterprises and the bank (since earlier the bank also acted as a public authority) but points out some surviving elements of this kind. He gives an expert description of the basic principles of credit activities as well as the various forms of contractual relations between the bank and companies, the order of settlements and payments as well as credit relations between the enterprises and in this context the question of commercial credit. At the end of this chapter he makes a digression to discussing the specific features of the cooperative sector.

After this – in some respects – general chapter, Chapter VII of the monograph deals with the special problem of *investment financing.* After defining investment and giving a critical analysis of the previous Hungarian investment system, the author tries to outline the characteristics of the present one, touching on the planning of investments on macro-economic level, and their classification as well. After a review of the regulation of the investment process, the author describes in great detail the rules and basic principles of investment financing and its financial resources.

Chapter VIII deals with a marginal field of financial law – the financial system of the *insurance business.* The author defines the concept of state insurance and outlines the different kinds of insurance, the possibilities of covering the damages (budget, company reserves, insurance contracts with an insurance institution). He describes the sectors and forms of insurance, the system of the funds and reserves of the insurance institutions and some specific institutions of the insurance business.

The short Chapter IX may find a place even in the financial law as it was earlier interpreted, i.e. on the basis of the concept which derived it from administrative law, its theme being the system of *financial control.* After outlining the role and the significance of economic and financial control, it reveals the essence of all kinds of regulations concerning the different forms of control, namely: financial control of companies, cooperatives and budgetary organs, internal control, people's control (which is a special institution in socialist countries), banking control, insolvency control, bankruptcy control etc.

The last, rather extensive chapter of the book, Chapter X on *financial law in international relations* is one of the values and characteristic parts of Ivan Meznerics's book both in respect of its contents and in its elaboration. Earlier international financial law had dealt first of all with problems of double taxation; the topics of this part have been significantly extended and differentiated. The discussion on the notion of international financial law is interesting first of all to financial jurists, but the parts on *international tax law, and customs* (tariff) *law* (e.g. the general and Hungarian aspects of tariffs, the statutory regulations of the Hungarian customs law), the different international tariff agreements are worth the attention of economists as well. The *foreign exchange law,* the field of payments agreements are cultivated by the author personally; the chapter deals with the foreign exchange law and its background. In this respect the problem of the recognition of the foreign exchange law of a country by the courts of other countries is discussed in detail. The author outlines the present Hungarian foreign exchange law, describes the role of the foreign exchange control in the present Hungarian system of economic control, discusses the problems of exchange rate regulation, the payments agreements in force, and as a special topic, the order of payments in the mutual trade relations between the socialist countries.

Paying attention to the institutional problems, he gives an interesting picture of the *international financial institutions of the capitalist countries* and their monetary cooperation, the crisis symptoms prevailing in this area for years and the problems emerging in connection with the "demonetization" of gold. After a review of the joint financial and monetary institutions of the socialist countries and their activities he raises – in connection with the socialist integration – the basic problems of the convertibility of the socialist currencies and those of the collective currency of the socialist countries and outlines the perspectives of finan-

cial cooperation among socialist and capitalist countries.

Mainly from practical point of view the index of statutory regulations quoted or referred to in the different chapters is most useful. The references appearing in the notes before the chapters and the main parts of the book give extensive information to the reader on Hungarian and foreign literature. The absence of an index of subjects is partly compensated by the very detailed table of contents.

Á. SCHMIDT

SZENTIVÁNYI, I.: *A pénzintézetek jogállása* (The legal status of banking institutions). Budapest, 1977. Közgazdasági és jogi Könyvkiadó. 162 p.

The role the socialist banking system, comprising all banking institutions in Hungary has changed considerably with the introduction of the new system of economic control and management in 1968. The fact that under the present system of indirect economic control credit and interest policy was given a decisive role, and that the international economic ties of the export–import oriented Hungarian economy have been increasing rapidly entailed that the banking system has become more important, it plays a greater role, and is able to participate more substantially and efficiently in the indirect enforcement of the objectives of the national economy.

The book of I. *Szentiványi* attempts, first of all, to give an answer to the question whether the increasing role of the banks in the present system of Hungarian economic control necessarily involves a change in the 'legal' status of the banks, whether such a change has taken place, and if so, whether this change is satisfactory in the present situation and in the period ahead. In other words, the question is whether the present legal status of the banking institutions is in harmony with the peculiar role they have to play in the new system of economic control, especially in its improved phase.

In order to answer this question the author's examinations focus on the questions to what extent the banking institutions operate as enterprises, and to what extent they perform an economic control function. The monograph summarizes the detailed legal rules concerning Hungarian banks in a complex way, i.e. comprising common, administrative, financial and labour law aspects. Instead of merely describing them, the monograph gives, in a separate chapters, a picture of other socialist and non-socialist banking systems through theoretical and practical problems. (These chapters may provide great help also to the economic policy research work concerning the CMEA and East–West economic cooperation.)

The analysis concludes that the legal status of banking institutions in general, and in the case of individual banks in particular, has not been settled satisfactorily. Qualifying banking institutions as state enterprises produce an ambiguous solution: it is neither good for practice nor is it supported by theory. According to the author, an individual legal status, a separate legal regulation is needed for the banks as entities separate from state enterprises. According to such a regulation, the financial institutions would be institutions performing particular economic control as well as economic functions, operating under a particular management system. Relying on this conclusion the author puts forward elaborated suggestions concerning the improvement of the effective legal regulation of banks. He suggests to establish the *independent category of banking institution*, which could be integrated into the system of Common Law and could perform its activities as a state economic unit having a special legal status. This would allow the bank to act not only as a controlled unit, but as a controlling organ as well, invested with the necessary authority, and, besides, it could carry on economic activities that would differ in nature both from that of organizations financed from the state budget and from the management system of enterprises.

The book consists of the following main parts: The *first part* deals with the foreign banking systems and reviews those in socialist, developed capitalist and developing countries. In this part the book attempts to answer the question what part the banks of different types play in the financial organization of the countries concerned, what position they hold. It attempts to point out the creiteria that may be characteristic of the legal status of the given bank or banking system. Starting from this, it analyzes the questions of ownership relations, organizational forms, supervision, control, incomes regulation, and the nature of the main tasks of the different banks. He arrives at the conclusion that there is a marked tendency (especially in the socialist countries) to regulate banking and,

within this, the question related to the status of banks as clearly as possible. This tendency is gaining momentum, but its full success in unambiguously expressing the special characteristics of banking institutions and in finding the perfect organizational form is yet to come.

The *second part* deals with the legal status of Hungarian banking institutions.

First of all, the state and development of the Hungarian banking system after the liberation is surveyed, pointing out what banking institutions may be regarded as parts of the present banking system. Then the detailed regulations applying to the individual banking institutions are introduced. In his summary the author arrives at the conclusion that, although the banking institutions fall under the regulations applying to state enterprises, in fact their operation is different from that of the latter. Some elements characterizing the operation of state enterprises are missing from the working of a bank. On this respect the book reviews the main enterprise characteristics one after the other (special economic task, profit motive and a related system of incomes regulation, independent wealth, independent management of assets, right to decision-making, collective nature, the possibility of liquidation, registration) and finds that these features are not generally characteristic of the operation of banking insitutions and their comparison with state enterprises points rather to differences than to similarities.

In this part, special attention is paid to the role of banking institutions in the system of economic control. A full account is given of the regulators operated by the banking institution and the regulators applied to it. In his opinion the bank is, partly a controlled and partly a controller organism, but neither feature is so characteristic as to determine the place of the banking institutions at either side of organization of the system of economic control.

In the *closing part* of the book the author propounds his suggestions for the settlement of the legal status of banking institutions mentioned above.

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**To be reviewed in Acta Oeconomica.

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tome XIX, n° 74, avril-juin 1978

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BIBLIOGRAPHIE

Direction-Rédaction	Institut d'Etude du Développement Economique et Social, 58, bd Arago — 75013-PARIS (tel: 331.28.01)
Abonnements et vente	Presses Universitaires de France, 12, rue Jean de Beauvais, 75005-PARIS (tel: 033.48.03) (CCP: PARIS, n° 1302-69) Abonnements 1978 France: 112,00 F, Etranger: 138,00 F.

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Fondo de Cultura Económica—Av. de la Universidad 975 Apartado Postal 44975

Printed in Hungary

A kiadásért felel az Akadémiai Kiadó igazgatója
Műszaki szerkesztő: Botyánszky Pál
A kézirat nyomdába érkezett: 1978. III. 21. – Terjedelem: 10,5 (A/5) ív, 2 ábra
78.5653 Akadémiai Nyomda, Budapest – Felelős vezető: Bernát György

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Periodical of the Hungarian Academy of Sciences

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Le prix de l'abonnement: $ 36.00 par volume.

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HU ISSN 0001—6373

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Index: 26.010

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VOLUME 19
NUMBER 3—4
1977

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IDEGEN NYELVŰ KÖZGAZDASÁGTUDOMÁNYI FOLYÓIRATA

Felelős szerkesztő:
FÖLDI TAMÁS

Szerkesztőség: 1112 Budapest, Budaörsi út 45.
1502 Budapest Pf. 262.

Megjelenik évi 2 kötetben. Megrendelhető az Akadémiai Kiadónál (1363 Bp. Pf. 24.) a külföld részére pedig a Kultura Külkereskedelmi Vállalatnál (1389 Budapest, Postafiók 149).

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K. NÉMETH

LONG-TERM FOREIGN ECONOMIC POLICY AND DEVELOPMENT OF THE PRODUCTION STRUCTURE IN HUNGARY

At the meeting of the Central Committee of the Hungarian Socialist Workers' Party in October 1977 an important resolution was adopted on the directives of long-term foreign economic policy and the development of the production structure. Elaboration of the directives was justified by the world economic changes in recent years. These changes had a particularly unfavourable effect on the economy of small countries, much dependent on foreign economic relations, in need of large imports of energy and raw materials, having a medium-level manufacturing industry, as is also Hungary. The article relies on the author's address to the Central Committee on 20th October 1977.

Hungary's foreign economic relations and the necessity of developing the production structure

What justifies that accelaration of the planned transformation of the production structure and the development of long-term foreign economic relations should be made the central issue of Hungarian economic policy in the coming period? This question must be asked in order to verify, whether from the complicated chain of interrelations we have correctly selected the link that is most important for achieving our socio-political aims.

In the course of the last thirty years the foundations of a modern production structure have been laid down, and foreign economic relations that are indispensable conditions of the planned development of the Hungarian national economy with the given domestic potentials have been established. Important decisions on the development of the national economy can bring the required result also in the future only if lasting foreign economic conditions and influences are taken into consideration. To accelerate the transformation of the production structure – with due consideration to our foreign economic interests – is of decisive importance from several aspects.

Hungary needs imports of primary energy and of most raw materials. The total value of exports approaches 50 per cent of the national income. About half of the output of ten sectors is destined for exports. They are: the pharmaceutical industry, the aluminium industry, the telecommunication equipment and vacuum technical industry, precision engineering, vehicle manufacturing, the shoe industry, animal husbandry, the poultry processing industry, fruit growing and the canning and preserving industry.

In the average of the last fifteen years exports have been growing twice as fast as production, which shows the high degree of dependence on foreign markets. In the future economic growth will depend even more on the ability to increase profitable exports, to create competitive sales possibilities on foreign markets and to maintain them in the long run. This necessitates a basically export-oriented policy that takes into account foreign economic conditions and demands a further increase in the export share of production.

Increased export orientation is indispensable also on account of the growing import requirements of the economy. The energy and raw materials wanted for the expansion of production, the procuring of modern technical equipments and technologies needed for bringing the production structure up-to-date, and the additional demand because of suppressing uneconomical production all add to our import needs. Imports are further increased by the development of international cooperation in production and of specialization serving the improvement of efficiency.

It is through structural development that we can reduce losses deriving from deteriorating terms of trade, and also eliminate deficits, and intensively improve the efficiency of social production. This is the way, namely, to increase the volume and share of products and activities that are suited to economically utilize the available labour and the relatively scarce investment resources. This is the way to attain such export prices in which not only the increased basic material and energy costs are returned, but which contribute adequately also to the expansion of sources of economic growth and to raising the living standards.

Development of the production structure, increasing the share of more efficient manufacturing branches and products are one of the fundamental ways for reducing or even eliminating backwardness in productivity in relation to economically more advanced countries. In industrially more advanced socialist countries productivity exceeds that of the Hungarian industry. Our lag behind advanced capitalist countries is even greater.

The changes in the world economy have meant for our country, among other things, that imported primary energy, raw and basic materials, as well as semi-finished products and investment goods which are carriers of advanced techniques have become more expensive. At the same time, our rising export prices could not follow the rising import prices. In recent years the rise in the prices of Hungarian products sold in Western countries has been lagging much behind the rise in prices achieved by capitalist countries; e.g. in 1976 advanced capitalist countries could raise their prices, even though only to a small extent, while the prices of our products have fallen a little. At the same time, the bulk of imports is composed of such raw materials and investment goods the prices of which will presumably remain high and may even rise further.

All this has caused a considerable worsening of the terms of trade and upset the balance of the Hungarian national economy. A considerable part of the price loss suffered will remain also in the period of the Fifth Five-Year Plan (1976–1980). Because of the delayed assertion of the world market price changes a deterioration of the terms of trade is to be expected also in the trade with socialist countries. Under such circumstances the extent of increased efficiency that earlier enabled us to maintain a satisfactory rate of

economic development and provided for an acceptable balance is no longer enough. In this context the weak points of the Hungarian economy become particularly conspicuous, first of all that the competitiveness of Hungarian products is inadequate.

Up to the 1970s Hungarian industry – supported by socialist economic cooperation – had been developing under relatively favourable conditions of labour and raw material supply, and in secure sales conditions. Changes in the internal conditions of economic development, and particularly the lack of new labour to be drawn into production raised already in the 1970s the economic policy requirement that efficiency in utilizing the available resources should be improved by accelerating the development of the production structure and the product pattern. It was increasingly demanded that selection should be more rigorous in development projects and that, beside fields earmarked for fast development, certain not satisfactorily efficient activities should be restrained and reduced. The requirements of intensive economic development have received an increased role in the Hungarian economic policy objectives and plans.

Changes in the production structure have been considerably promoted in recent years by the implementation of central development programmes. Their effect shows mainly in the development of the pattern of energy utilization, in the growing domestic production of basic materials and, in some fields of manufacturing, in the development of socialist integration. The number of firms is growing in which serious efforts are made for developing a profitable product pattern.

The results notwithstanding, the rate at which change is taking place in the production structure is not satisfactory; a satisfactorily efficient selection could not yet be asserted. It has rarely occurred that a change in structure entailed the elimination of out-of-date and uneconomical activities. E.g. in the engineering industry the share of products whose manufacturing was stopped in 1976 amounted only to 1 per cent. Beside the new capacities and products the old, out-of-date capacities and products have generally subsisted. Thus the number of products has been constantly growing, and it is only in a few fields that an economic scale of production could be attained.

Changed internal and external conditions of economic development have further intensified the structural tensions existing also earlier in the Hungarian economy. Such are e.g. that

– in comparison with the potentials, the product and the export structures require relatively too much energy and raw materials;

– in manufacturing the product pattern is much too wide in comparison with the scale of economical production;

– the food industry has been lagging behind the growth of agriculture; development of certain extractive industries has not been followed by a corresponding growth of processing;

– in the preparation of several development projects the necessary complexity could not be provided for. This is indicated by the lack of harmony between the building and mounting (fitting) industries, and their industrial background and by that between the manufacturing of end products and parts.

These are basically the circumstances that have led the Central Committee of the HSWP to thoroughly investigate the closely interrelated questions of production structure and foreign economic policy and to lay down the economic policy attitude to be taken as well as the main directions of activities.

In accordance with the changed internal and external conditions, in the Fifth Five-Year Plan for 1976–80 it was laid down as the main task to intensively increase the efficiency of social production and to gradually restore the balance of the economy. The main targets of the plan were subordinated to these objectives.

A number of measures have been taken to prepare the ground for fulfilling the plan targets. The changes in economic regulators, an extensive modification of producers' prices, and the taking into account of changes in foreign market prices in the domestic price system aimed at a better coordination of plan and control. For development projects that are quickly paid off, promote profitable exports and favourably influence the product pattern, a credit line of Ft 45 thousand million was appropriated. This is used for development projects that can considerably increase Western exports, such as the expansion of manufacturing at the Tungsram United Incandescent Electric Lamp and Electric Co-Ltd., boosting of motor and rear axles manufacturing at the RÁBA Hungarian Railway Carriage and Machine Works of Győr, development of the metallurgical plant at the Csepel Ironworks, modernisation of production at the Machine Tool Factory, at the LEHEL Refrigerator Factory of Jászberény, at Medicor Works, and at the Hungarian Shipyards and Crane Factory, and the establishment of a new meat combine at Kaposvár, and of a new vegetable oil factory at Martfü.

We cannot rest content with the effect of measures taken. In view of the increased requirements there is only a slight progress in the improvement of the product pattern of exports, in raising profitability, and in foreign trade marketing and prices attained (and paid). Yet all these are basic conditions for a permanent improvement and stabilization of the balance of the Hungarian economy. That is, realization of our economic policy aims, development of the production structure, and a more definite assertion of foreign economic policy necessitate further constant efforts. This must be recognized as a basic necessity and our actions adapted accordingly.

Interrelations between growth rate, equilibrium and structural change

Maintenance of a dynamic economic growth remains a basic social objective. From the socio-political aspect it is the highest growth rate achievable on the basis of productive capacities that may seem the most favourable. Yet in reality the complicated interrelations of economic processes must be taken into account. Therefore, only such growth rate can be planned at which the surplus product is in fact sufficient for satisfying domestic demand, and also allows a continual expansion of profitable exports. In other words, the growth of production must take place with a competitive and economical

product pattern, supplying the assortments required by the population, domestic productive users, and external markets. Otherwise sales may meet with obstacles, which might lead to an accumulation of stocks freezing resources, or enable only such exports as do not even provide for the returns of the import content and thus do not improve but impair the balance of trade.

Therefore, a growing share of economical, high-quality and competitive products, the increase of profitable exports, and the parallel suppression of uneconomical production are key questions also of the realistically achievable rate of economic growth. An acceleration of economic growth that breaks away from actual needs and does not fulfil the efficiency requirements does not contribute either to raising the living standards, or to the expansion of accumulation, and it also impairs the balance of the national economy. Thorough consideration of the conditions and possibilities has led us to the conclusion that we can aim at attaining such growth rate of national income which, though lower than what was achieved in course of the Third and Fourth Five-Year Plans, corresponds to the average growth rate of the past thirty years.

In the new conditions, hovewer, even this more moderate growth rate presents a much more difficult task than it did in previous years. Improvement of the balance of trade requires that home consumption should grow temporarily more slowly than the national income. At the same time, tasks connected with the development of economic structure demand considerable resources. The investment needs of development projects related to primary energy grow extremely fast, and this considerably reduces the development resources available for the transformation of the production structure in manufacturing which is of key importance from the view point of exports. E.g. investments spent on the development of the electric energy industry between 1976–80 are rising much faster than investments into the engineering industry.

With a moderate growth of the part of the national income serving home consumption the questions of distribution – particularly the determination of correct proportions between accumulation and consumption – require very careful consideration. Namely, if we do not want to slow down too much the development of the production structure, the switching over of the national economy to modern technology, and thus the creation of the material basis for long-term development, we have to reckon with the fact and must be prepared for it that the growth rate of living standards can also be but moderate, as is contained in the Five-Year Plan.

It also follows from the above-said that the creation of harmony between raising the living standards, the material basis serving social policy aims, and income regulation presents a more difficult task than previously. Enforcement of the efficiency requirements necessitates a closer and, at the same time, a more stimulating link between the raising of wages and work performances. With the distribution possibilities provided by a more moderate growth rate this will slow down the rate at which funds to be spent on social-policy purposes can be expanded. All this must be taken into account also when scheduling the execution of resolutions of socio-political character. It cannot be stressed enough that with the living standards achieved, and under hardening external and internal

conditions, a rather moderate improvement of living circumstances requires not only more intensive efforts, but is also a considerable achievement.

Economic growth rate, equilibrium and structural change must be evaluated and planned in close relationship with one another. In the following years the requirement must be even more consistently asserted that acceleration of the growth rate should be allowed only if it is founded by the development of the production structure and by higher efficiency, and if, in the final analysis, it improves the equilibrium of the economy.

Efficient utilization of production resources, and changed tasks in the development of the production structure

The main direction in which the production structure is to be transformed is that the products manufactured should become quickly up-to-date and profitable and that the product pattern should shift towards products much in demand on the market and which satisfy high quality requirements. Raw and basic materials processed to a higher degree, up-to-date technological standards, which embody the domestic labour in well saleable products on the markets: this is the only reasonable way of development in circumstances where the procurement of materials and energy necessary for production involve high costs.

In defining our tasks it must also be taken into account that we are weighed down simultaneously by the relative scarcities of labour, of resources for accumulation, and of foreign exchange. Therefore, in order to achieve the planned economic growth we must increase the efficiency of utilization in respect of every element of resources. A continuous increase of the productivity of labour, an improvement in the utilization of fixed assets, and in the saving of materials and energy must be achieved.

These requirements determine the direction as well as the character of the transformation of the production structure. Their fulfilment is an overall task, and particularly in fields where the change is most needed in comparison with the past: thus mainly in energy production and utilization, in the engineering industry, the light industry, agriculture and the food industry.

Energy production, and energy utilization

Because of the fast rise in energy prices it became necessary to revise our earlier energy policy. Before 1973 a considerable source of Hungarian economic growth was – also on the national economic level – the modernization taking place in the domestic energy structure, and the significant increase in the share of highly efficient sources of energy. The changed conditions made it necessary to utilize also those home coal deposits to a greater extent that had been qualified earlier as uneconomic. This provides for a permanent and well-based perspective for the development of coal-mining and requires, at the same time, the solution of important technical development and efficiency problems.

In the changed energy situation a higher share of home resources must be permanently committed for the satisfaction of our increasing needs for energy.

The much increased costs of energy supply affect every field of utilization. Utmost efforts have to be made in order to cope with unfavourable effects, and to increase energy saving to a maximum. This must be strictly kept in view also in decisions concerning the structural development of production. It is indispensable that the programme elaborated for the rational utilization of energy should be adjusted to higher requirements and implemented consistently, in accordance with our possibilities.

Increased tasks of the engineering industry

Scarcity of energy and raw material resources, and their extremely high costs raise the requirement that the share of industrial goods produced by highly qualified labour, with up-to-date technologies and competitively saleable should be increased. Engineering has favourable prospects in this respect, and therefore, this branch must play an eminent role in developing the production structure.

Import possibilities and thus the growth rate of the whole national economy largely depend on the increase of profitable exports of engineering products. However, a fast-rate development of these exports is a difficult and complicated task not only because of the intensive competition on foreign markets, but also on account of its internal conditions and background. Exports of machinery can be economically increased only if we can organize the supply with basic materials and parts of adequate quality, and achieve a higher level of work organization in the whole national economy, a better discipline and flexibility in deliveries and technology. These are key questions of the long-term development of the Hungarian economy, as well as of the intensification of socialist economic integration and of the economic expansion of exports to the dollar area.

The range of Hungarian engineering products is too wide as compared with given conditions, while the bulk of products is of mediocre technical standards. Even Hungarian products of satisfactory technical standards are often unknown on capitalist markets, partly because of their novelty and partly because of deficiencies in market research. To all this are added inadequacies of an economical "technological background industry" of intermediary products and parts, lack of discipline in cooperation relations, and the comparatively low level of trade in machinery, particularly in the fields of supplying spare parts and services. Manufacturing of (spare) parts, requiring high technical knowledge, is a particularly weak spot of Hungarian technical culture. Elimination of the lag in this field is an important condition for the competitiveness of Hungarian industry.

Transformation of the production structure is possible in engineering only through an intensification of selectivity, and the elimination of levelling tendencies in resource allocation.

Traditions and the development in recent years allow to select within engineering such branches of manufacturing, i.e. groups of products and products, which are up-to-

date and in demand on foreign markets. Such can be found e.g. in certain fields of the industries manufacturing road vehicles, agricultural machines, machine tools, precision engineering and telecommunication products, and in the vacuum technical industry. The development of such branches of manufacturing should be promoted whose capacities have been practically built up, or where the completion period of investments is short and inputs are quickly returned.

The most important task facing the engineering industry is to work out proposals on development and reduction and, after the decisions, to start implementing them. In the course of work it must be taken into account that with several groups of products it is in our interest to implement a more resolute selection: to restrain or stop the production of certain products, yet this can be based only on international cooperation, and permanent and secure imports.

In developing the engineering industry the particularity of most manufacturing branches must also be taken into consideration that successful exports are largely dependent on modern marketing and on well organized services which the customer can trust. In this respect Hungarian machine exports have changed a lot and achieved good results, yet we cannot say that it is already capable of satisfying future requirements.

Enforcement of quality requirements in the development of the light industry

The light industry continues to be a most important production branch of Hungary. However, in the relative proportions of the various manufacturing branches and particularly in the product pattern, considerable changes are needed. This relates first of all to the textile and the clothing industries. Quantitative development in these branches must be linked much more to the qualitative transformation of the product pattern.

In the textile and the clothing industries a large-scale extensive development has been achieved in the last decades. Therefore, the weight of the clothing industry is bigger in Hungary than it is in other countries on the same or on a higher development level and this is the source of various contradictions. Imports of raw materials from socialist countries can be increased only to a small extent. In the range of goods produced the share of quality products is comparatively low. It is increasingly difficult to procure the necessary labour, and development also becomes increasingly capital-intensive. The textile industry is at present in that phase of technical development in which fundamental technological machines are increasingly complicated and more expensive. Additional costs are refunded only if we can increase the share of products of higher value. With up-to-date and expensive equipment cheap products cannot be manufactured profitably. We must make efforts to satisfy demand for such products through reliable imports. If the product pattern changes in the direction of higher value and quality, this may drive out from the home market a part of products now imported for this purpose, and may

earn larger income for the country from exports both to socialist and capitalist countries with the demand for labour not increasing. The reconstruction already started must be further continued by asserting these requirements.

Coordinated and dynamic development of agriculture and the food industry

Owing to the potentialities of Hungary agriculture and the food industry will be sectors of great importance for the national economy also in the future. Under changed world economic conditions the role of agricultural raw materials and food products is constantly growing, while our country has favourable potentials for such production. Therefore, a coordinated development of the two sectors is a prominent task.

In the development of large-scale agricultural production based on up-to-date techniques remarkable results have been achieved. Hungarian average yields of wheat and maize are outstanding even by international comparison. While making the results permanent and further increasing them, we are in a position to achieve higher yields also in other branches of plant cultivation. Also the other fundamental branch of agriculture, i.e. animal husbandry should be developed in a better coordinated way. Poultry raising and processing have attained up-to-date standards. In pig-breeding first of all an improvement of efficiency in the use of fodder, and the elimination of cyclical fluctuations are needed. A gradual development must be attained in cattle and sheep raising.

Parallel with the dynamic development of large-scale farms, the output of household plots and auxiliary farms is reckoned with also in the long perspective, particularly in vegetable and fruit growing, as well as in pig-breeding. National economic and individual interests coincide in this respect, too, so that political and economic tools will be used also further on to support production in the household plots and auxiliary farms. In this we expect active and lasting cooperation with large-scale farms.

In the recent past the development of the food industry – and particularly that of warehousing and cold-storage capacities – has lagged behind agricultural development. Reduction and elimination of losses suffered by the national economy as a consequence, and a more profitable selling of the produced raw materials necessitate that the food industry should be developed in a manner better coordinated with agricultural development.

In consideration of expectable world market demand the exports of products of agricultural origin should be further expanded. They play an important role in Hungarian foreign trade with advanced capitalist countries and, to an increasing extent, also in that with socialist countries. Similarly to other sectors of the national economy, the pattern of production, improvement of quality and profitability, the increased share of products processed to a higher degree play an outstanding role here, too. Future investments, as well as the proper selection and development of species and technologies must serve increasingly the aim of growing profitability and returns in foreign exchange.

Increasing the efficiency of scientific research and development

Intensive development of the economy, acceleration of transforming the production structure, and improvement of the competitiveness of products necessitate a more active participation of science in solving these tasks and, especially, an increased exploitation of potentialities inherent in technical and agrarian research and development.

Research and development must be centred mainly on such fields where traditions, potentialities and conditions provide a realistic basis for achieving new scientific results, remarkable also on the international level, and for their profitable utilization; and on such fields where the research requirements of development projects accorded priority by foreign economic policy directives must be fulfilled. With this in view, the unity of the directing process must be guaranteed starting with research up to the practical application of results, i.e. their introduction into production.

The practical implementation of scientific and technical results is proceeding more slowly than would be possible and necessary as well. Scientific research and technical development capacities are fragmented. Research and development are carried on in a much too wide range, beyond the real possibilities, and only a small share of the available funds is used for buying and utilizing foreign results, although practice has shown that the utilization and further development of licences and production know-how is indispensable for creating an efficient production structure.

In order to increase efficiency, the practical implementation of results of scientific research and technical development should be accelerated. A basic condition to this is to pursue a selective policy, similarly to production, also in scientific research and technical development.

It is important that international scientific cooperation should be closely connected to production cooperations, to specialization and cooperation agreements. We must be better prepared for the adaptation of up-to-date foreign scientific and technical results, and for research to serve and follow them. In Hungary about 10 per cent of research and technical development inputs are spent on the purchase of licences and know-how. This percentage is considerably lower than in other countries of a similar development level and size. This also justifies that to further increase the share in research and development inputs of amounts spent on the purchase of licences and know-how. Utilization of the licences at home is also a slow process. It is an important task of research and development activities to promote the adoption and domestic use of foreign research achievements and, if possible, their further development. Besides, attention should be paid also to promoting the selling of Hungarian scientific results on foreign markets.

Not only science has to come nearer to the requirements of the national economy, it is also an important condition of progress in this field that technical development activities in factories and agricultural farms should be better planned, and that demand and readiness for the application of scientific results should be increased. It has to be recognized that one of the most significant reserves of raising the efficiency of production

is to be found in the introduction of new technical achievements and manufacturing processes, as well as in the adoption of up-to-date plant and work organization methods. With a view to intensifying relations between science and practice a change in approach and greater initiative is needed in production firms; and research workers must pay greater attention to the actual possibilities and conditions of applying scientific results in enterprises. In the utilization of scientific results common interests should be promoted: special-purpose associations and unions should be founded with the participation of research institutes and enterprises.

Development of economic cooperation with socialist countries

In the economic development of Hungary an outstanding role is played by the cooperation with socialist countries, and particularly by the economic relations with the Soviet Union. In the recently developed world economic situation the importance of this fact has further increased.

The socialist countries' share in Hungarian foreign trade has amounted to about 60 per cent in recent years. About 90 per cent of the imported primary energy, 70 per cent of raw and basic materials, 77 per cent of investment goods, and about two-thirds of productive parts necessary for production come from socialist countries. On the other hand, about 85 per cent of exported machines, equipments, and productive parts, 70 per cent of consumer articles, and 60 per cent of foodstuffs go to socialist countries.

Taking into consideration the changes occurred in the world economy, in our cooperation with CMEA countries it will be increasingly important to further intensify and faster to develop cooperation in production, scientific research and technical development beyond traditional foreign trade relations. The main form of this is planning cooperation, first of all the elaboration and execution of the so-called target-oriented programmes. At present it is of primary importance to provide for the foundation of a secure raw material and energy supply to the CMEA community.

An adequate growth rate in the production of primary energy and raw materials can be attained definite measures notwithstanding, only in the long run and gradually. Therefore, we must be prepared that, in the medium range, we can cover the increment of our needs for energy and raw materials only to a limited extent from CMEA countries.

The potentials of the Hungarian economy would necessitate a faster progress of cooperation in the manufacturing industries. This could be promoted by expanding cooperation between enterprises, and the development of market and monetary relations.

While the CMEA countries, among them Hungary, increasingly need modern techniques and technologies for their development based on efficiency requirements, they are not yet always able to supply, from their own resources, the techniques and technologies necessary for accelerating technical progress. It must be also taken into consideration that demands on the quality, up-to-dateness and marketability of export articles have been rising also in the trade among socialist countries. Primary energy and

raw materials – considered as shortage articles because of the great demand – as well as certain engineering products representing advanced techniques can be procured at constantly rising prices and only for high-quality products.

Hungary's biggest partner in foreign trade is the Soviet Union, to which about one-third of Hungarian trade is directed. The decisive role of Hungarian–Soviet relations in the development and the stability of the national economy makes it important for us to study more thoroughly in the future the economic development programmes of the Soviet Union, to render cooperation even closer, and to take greater initiative in the fields where domestic potentials and development targets offer mutually advantageous participation.

One quarter of Hungary's foreign trade is transacted with the other European socialist countries. In the extension of economic relations greater efforts must be made to avail ourselves of advantages originating in similar economic potentials and geographical proximity in order to expand production relations: i.e. cooperation and specialization. The identical character of factors impeding development further adds to the necessity of accelerating progress in international cooperation, for which the best possibilities are given in manufacturing.

In the course of our analyses we have come to the conclusion that the development of the socialist economic integration will result in the long run in a considerable improvement of development conditions of the socialist countries, including Hungary, yet, on the other hand we must be aware that in the coming years growing imports will be still needed from Western countries.

Expansion of foreign economic relations with non-socialist countries

The share of advanced capitalist countries in Hungarian foreign trade has been steadily growing in recent years: today it is somewhat more than one-third of the total turnover. Since imports of raw materials have become extremely expensive, and selling possibilities highly difficult, the development rate of this trade must be very carefully considered. In the coming period the possible growth of imports coming from Western countries will be determined by the increase of exportable commodity stocks, competitive and saleable in advanced capitalist countries. This is why the tasks related to the quantitative and qualitative development of exports, and the transformation of the commodity pattern are so important. Significant improvement is needed in the fulfilment of market requirements, in the observance of delivery deadlines, and in establishing new types of forms of relationship equally covering the tasks in development, production and selling. This is important also because, beside constraints resulting from the different nature of the social and economic systems, the development of economic relations is rendered difficult also by other factors, such as the problems of political détente, or prolonged economic difficulties in capitalist countries, sometimes their discriminatory measures.

Beside a careful weighting of expectable difficulties, however, we may set out realistically from the assumption that peaceful co-existence will prevail as a lasting tendency, and this allows as well as necessitates the expansion of economic relations.

It follows from Hungary's foreign policy that we help, as far as we can, the nations liberated from colonial oppression in strengthening their political and economic independence. We are expanding our economic relations with the developing countries on the basis of mutual interests. Exports to these countries are rather low as yet, but of an advantageous composition. Most of our imports from them are much needed basic materials. We make efforts to considerably increase the share of developing countries in Hungarian foreign trade.

It is expedient to import from developing countries most of the raw materials and primary energy not available in socialist countries. Besides, in view of the fact that the expansion of trade is connected with the development of imports, efforts must be made also to increase the imports of semi-finished products, parts, and industrial consumer articles. In harmony with the selective policy at home it is expedient to increase imports based on permanent cooperation from developing countries.

In exports priority will be given to complete equipments, as well as to complex systems of products and services, and with this in view we develop also technical-scientific cooperation, and the training of specialists. In order that economic relations should rely on firm grounds, we strive for the conclusion of long-term agreements with developing countries, for participation in their development programmes, and for the exploitation of various possibilities in production cooperation and joint ventures.

Tasks in developing the system of economic control and management

The big and complex tasks facing us necessitate a development of the system of economic control and management, and an adequate change in approach and behaviour on every level of management. Development of this system is an organic continuation of the practice followed so far, it means a more consistent application of the accepted principles and their adjustment to new conditions. It is the coordination of planned central control with initiative and responsibility based on enterprise independence, and their simultaneous assertion that have to be striven after also in the future. Interest relations have to be consciously directed in a way that individual and enterprise interests increasingly come into harmony with national economic interests and promote the attainment of the social objectives.

Changes in the world economy and increased difficulties in maintaining the balance of trade brought to the surface the deficiencies in economic control and in enterprise behaviour. Such changes in approach and behaviour are needed which result in an increased adaptability of the economy and in a style of economic work changing in harmony with new demands. The direction of changes is mainly determined by the following requirements:

– Intensification of the perspectivic approach is indispensable on every level in order to be able to orientate ourselves also under fast changing conditions, and to be able to develop the economy in accordance with lasting tendencies.

– Technical and economic factors are to be more closely linked in economic activities. Technical progress should be accelerated in a way that expectable home and foreign market conditions should be strictly considered and improvement of economic efficiency better served.

– It has to be achieved that in economic activity complexity should be better observed, that all related effects should be taken into account, and that research and development, expansion of capacities, supply with parts, cooperation and sales should constitute an integrated chain.

– In the case of clashing interests the priority of social interests must prevail. Economic regulation should also be used to achieve that the assertion of enterprise and individual interests promote the fulfilment of tasks facing the enterprises, as well as independent thinking and responsible action.

In harmony with these requirements, and simultaneously with the evolution of independent enterprise initiative, central planning is also to be strengthened within the system of economic control, so that it should determine tasks concretely and coordinated with each other, that these should be expressive of the perspective tendencies of development, and provide a clear programme of action at the same time. A more selective development policy than before requires more careful selection, and a stricter determination of priorities. Greater central initiative serving national economic interests and a more coordinated and better work of the economic control organs are needed.

Both the selection of tasks, and their implementation are to be supported by adequate systems of prices and financing, and by related incentives. Examinations have revealed that the Hungarian price and financial systems are over-complicated, often making it impossible to see clearly, and obscuring real macro-economic interrelations. Individual exceptions are made too often, i.e. supports which have rather a restraining than a stimulating effect. All instruments of economic control: basic price proportions, financial rules and the system of subsidies are in need of considerable simplification. In price formation and in the system of enterprise income formation and withdrawal of uniform normatives should be asserted consistently in order to see more clearly and to provide correct orientation. It should be achieved that the regulators convey the national economic requirements appropriately to units of the economy: the enterprises and cooperatives.

Socio-political tasks

Implementation of the tasks aimed at development of economic structure can be successful only if the conception proving clearly the advantage of changes comprises also a solution of the social problems involved, and if we take more definite steps against phenomena hampering development. E.g. our control system acknowledges, with its wide

range of subsidies, an out-of-date production structure, and makes managers and collectives at times interested in acquiring unjustified subsidies. It may also have a negative effect, if we do not take realistically into account the necessity of regrouping labour force. In the lack of this local interests may intensify, and necessitate reconciliation of interests and measures at a higher level than would be justified otherwise. Thus a slow-down in decision-making and implementation ensues. It may produce a similar effect if party and other organizations are drawn into decision-making and implementation at a later date than it would have been necessary, while their support would be needed for a smooth implementation.

Some progress notwithstanding, there is still much to be done in order that a realistic value judgement might be formulated about the capacities of the Hungarian national economy. In our society levelling efforts, and views hampering mobility are also widespread. Therefore, more resolute action is needed to force back efforts which hinder the regrouping of factors of production to more efficient fields. This has to be promoted

– by strengthening enterprise interests in additional incomes derived from a greater efficiency of labour and assets and by refraining from any direct withdrawal measures against them; by realistically appreciating outstanding achievements and supporting them with the instruments available to the control agencies,

– by letting also compulsory effects assert themselves on the release of production factors by restricting the so-called "life-belt actions" of the state; as a matter of fact, these are mainly undertaken in order to bring the poorly performing enterprises at least near the average profitability level;

– by considering it an important task that economic analysis should be raised to a higher level in state organs as well as in enterprises and cooperatives;

– by striving to stimulate outstanding efficiency, as well as enterprise and individual initiatives instead of the approach which always compares the results in some year to those in the preceding one and thus stimulates the achievement of small but continuous results.

It has been found that in the course of their control and helping activities political and social organs base their evaluation often on the same routine indicators as do economic institutions. It is also wrong if every economic matter is mechanically qualified by them as a political one, thus protecting the real or presumed local interests.

The achievement of economic and social aims depends largely on the improvement of manpower management. The tasks confronting us necessitate it especially that, with the right to work and the free choice of a job remaining unchanged, the observation of obligations should be enforced more strictly, and those neglecting their duty should be sentenced both financially and morally. This is not only the right but also the duty of managers. Such efforts meet with the approval of most workers, and are in harmony with the norms following from the basic principles of a socialist society.

In accordance with the above-said, the choice of jobs must be better coordinated – without infringement of the citizens' right to work – with the national economic interests. It is not the workers who must be restricted in their choice of a job, but rather

the demand for manpower of enterprises, cooperatives and institutions must be controlled in a differentiated manner, and the general demand for labour thus reduced. It will be also expedient to adopt more flexible legal rules providing greater possibilities for the internal regrouping of workers, i.e. for the release of labour that cannot be employed efficiently.

A correct practical interpretation and assertion of the right to work and the free choice of a job means that the law guarantees a given job only for those who do their work in good discipline and to their best abilities. It has been found in several enterprises that this approach entails moral and economic advantages, and arouses by all means the sympathy of good workers. A more resolute attitude is expected also by the public opinion.

The regrouping of cadres necessarily concomitant with the transformation of the product pattern also requires particular attention. To achieve the outlined aims it is necessary that managers who are right men in the right places taking bold initiatives and risks, and relying on the collectives should receive greater support.

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The tasks confronting us are extremely complex. On the national economic level it is the directives of action, the general requirements of economy, and the basic norms of behaviour that can be determined. Relying on them, concrete tasks must be elaborated in every special field, and in every enterprise and cooperative. It is important that what is laid down in the directives should be widely understood, accepted, and appropriately enforced by officials working in the control agencies and by those executing them.

The resolution of the Central Committee of the HSWP adapts a tested economic policy principle to the changed internal and external conditions of building the economy. It is expressive of the people's interests, and formulates the tasks on which the rate of economic development, the creation of the material bases of an advanced socialist society in Hungary depend.

ДОЛГОСРОЧНАЯ ВНЕШНЕЭКОНОМИЧЕСКАЯ ПОЛИТИКА И СОВЕРШЕНСТВОВАНИЕ ПРОИЗВОДСТВЕННОЙ СТРУКТУРЫ В ВЕНГРИИ

К. НЕМЕТ

Статья секретаря ЦК ВСРП написана на основе доклада автора на пленуме ЦК, состоявшемся в октябре 1977 года и посвященном вопросам долгосрочной внешнеэкономической политики страны.

Автор исходит из тесной связи между развитием венгерского народного хозяйства и динамикой его внешнеэкономических связей. Об этом свидетельствуют такие факты, как необходимость импорта подавляющего большинства видов сырья и материалов; как высокий удельный вес продукции, идущей на экспорт, в общем объеме валового продукта. За минув-

шие 15 лет объем экспорта рос вдвое быстрее роста отечественной продукции. Поэтому ясно, что возможности экономического развития страны в будущем все более зависят от расширения экономически эффективного экспорта венгерских товаров, от усиления их конкурентоспособности на внешних рынках. Ориентация на экспорт требует перестройки структуры промышленного производства, повышения удельного веса прогрессивных, экономически эффективных отраслей производства и видов продукции, т. к. лишь таким путем можно уменьшить и ликвидировать отставание в уровне производительности труда от более развитых социалистических и капиталиситческих стран.

Сохранение динамики экономического развития продолжает оставаться основной общественно-политической целью в Венгрии. Учитывая, однако, многосложность общественно-экономических процессов, при планировании темпов экономического развития следует иметь в виду достижение такого прироста общественного продукта, который на деле удовлетворяет внутренние потребности страны и позволяет неуклонно расширять экспорт экономически эффективной продукции. Повышение же темпов экономического роста в отрыве от действительных нужд и от повышения экономической эффективности не служит ни росту народного благосостояния, ни расширению общественного накопления, а ведет к нарушению народнохозяйственного равновесия. Тщательный анализ условий и возможностей венгерского народного хозяйства показывает, что следует ориентироваться на такие темпы роста национального дохода, которые будут несколько ниже темпов роста 1966–1975 гг., но в целом будут соответствовать среднегодовым темпам роста трех минувших десятилетий. Но и достижение таких, относительно умеренных темпов роста в новых условиях хозяйственного развития – задача отнюдь не легкая.

Автор подробно останавливается на задачах совершенствования производства таких отраслей, как энергетика, машиностроение, легкая промышленность, сельское хозяйство и пищевая промышленность. В заключение он рассматривает вопросы развития экономического сотрудничества с социалистическими странами и расширения внешнеэкономических связей с несоциалистическими странами.

Acta Oeconomica Vol. 19(3–4), pp. 255–275 (1977)

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ЛЕНИН О СООТНОШЕНИИ ЭКОНОМИКИ И ПОЛИТИКИ

По случаю 60-ой годовщины Великой Октябрьской социалистической революции автор прослеживает на основе ряда важнейших положений ленинского теоретического наследия формирование и осуществление экономической политики Венгерской социалистической рабочей партии, обращая особое внимание на венгерские национальные особенности, некоторые специфические черты созидательной работы по строительству социализма в Венгрии, ее положительный и отрицательный опыт.

Согласование экономики и политики

Классовая природа и функции социалистического государства коренным образом отличаются от природы и функции капиталистического государства. С победой социалистической революции власть переходит в руки рабочего класса, который осуществляет ее под руководством коммунистической партии и с привлечением своих союзников. По определению В. И. *Ленина,* „политика есть участие в делах государства, направление государства, определение форм, задач, содержания деятельности государства" [1]. Из этого вытекает, что политика включает в себя оценку общественной ситуации, ее анализ, принятие решений и исполнительную деятельность.

Социалистическая политика как система руководства обществом и общественной практикой затрагивает все сферы общественной жизни. В соответствии с этим внутри политики происходит определенная специализация, разделение труда. Так, например, мы говорим о внешней политике, военной политике, внутренней политике, экономической политике, культурной политике и т. д. Эти сферы политики находятся в тесной взаимной связи и взаимодействии друг с другом. Успех политики в основном зависит от того, правильно ли она учитывает в управлении обществом наиболее важные моменты, звенья цепи, очередность их; сочетает ли интересы различных сфер политики в комплексной, последовательной системе. Это не простая задача. Она осуществляется через сложный механизм, постоянную оценку ситуации, обсуждение и решение.

В осуществлении политических целей особая роль принадлежит экономической политике. Согласно формулировке Ленина, „политика есть концентрированное выражение экономики", а также „политика не может не иметь первенства над экономикой" [2]. Это отражает такую взаимную зависимость и органическую взаимосвязь, которая состоит в том, что политика не может быть правильной,

если она не сочетается с правильной экономической политикой и, естественно, наоборот. Политика в целом призвана регулировать осуществление классовых интересов, национальных интересов, интересов больших или меньших общественных групп, в конечном итоге – экономических интересов, направлять их в определенное обществом русло. Таким образом, за политикой как правило стоят общественно-экономические интересы классов, масс, экономические проблемы. Политическая власть – не конечная цель, а средство осуществления классоэых и экономических интеречов.

Само собой разумеется, что ни один замысел экономической политики не имеет шансов на успех, да и смысла, если за ним не стоит общая политическая линия, руководящая роль партии, политическая организационная работа. Уже из этого вытекает примат (первенство) политики перед экономикой, экономической политикой. Однако примат в первую очередь вытекает даже не из этого, а из того, что основной функцией экономической политики является конкретизация общей политической линии в области экономики. Это не означает, однако, простого повторения общих политических целей, а намного большее – четко сформулированные конкретные политические задачи практической деятельности в области производства, технико-экономической деятельности, распределения. Хорошо оправдавшим себя на практике средством этого является система всестороннего социалистического планирования народного хозяйства, которая ставит под контроль экономической реальности различные общественно-политические и материальные запросы.

Экономическая политика черпает общественно-политические цели, главную линию, отправные точки хозяйственной деятельности из общей политики. Однако способы развития производительных сил, реальные масштабы развития, многие черты распределения и не в последнюю очередь механизм их осуществления она выводит не непосредственно из общей политической линии или, положим, из идеологии. Наиболее существенные отправные точки для решения этих вопросов дают экономические науки, экономическое планирование, практические хозяйственные расчеты, научно-технические исследования, изучение международного опыта. На основании их тщательного согласования на высшем партийном и государственном уровне рассматриваются вопросы экономической политики, принимаются решения по вопросам экономической политики и директивы, которые определяют важнейшие регулирующие принципы согласованной разработки народнохозяйственных планов. И наконец, документом, который является детальным изложением экономической политики, становятся народнохозяйственные планы, утвержденные высшим политическим решением, обладающие также юридической силой. Естественно, что в процессе подготовки политических решений обнаруживаются столкновения различных интересов. Часто выясняется, что отдельные цели противоречат друг другу, что часть общих политических пожеланий в некоторых случаях не подтверждается плановыми расчетами. Возникает вопрос: если гармония общих политических целей и экономических возможностей

не возникает сама собой, то каким же образом из различных подходов создается политический синтез? Гармония не только не возникает сама собой, но при всем желании существует опасность, что лица, несущие ответственность за отдельные сферы политики и планирующие их, чрезмерно преувеличат свои специальные аспекты. Экономическое планирование также не лишено опасности преувеличения экономических аспектов. В планировании же экономической политики необходимо стремиться к синтезу, к гармонии. Цели экономического развития требуют политического контроля прежде всего в двух отношениях: соответствуют ли они общественно-политическим требованиям и осуществимы ли практически в данной политической ситуации. Политический контроль также необходим за тем, какое воздействие оказывает запланированное экономическое развитие на области общественной жизни, лежащие вне сферы экономики.

Политический синтез, содержащий гарантию многостороннего политического подхода, создается высшими коллективными органами партии и государства в ходе обсуждений предложений специализированных руководящих органов. Эту функцию не способны выполнить ни один специализированный аппарат, ни одна научная дисциплина, равно как и органы высшего политического руководства не способны принять мудрое, обобщающее решение, не опираясь на профессиональные форумы и научную базу. То есть разработка и дальнейшее развитие правильной политики требует систематического и комплексного экономического, правового, исторического, социально-психологического анализа и исследований. Опыт социалистического строительства в нашей стране показывает, что недостаточное научное и деловое обоснование решений или вообще игнорирование этого приводит к весьма субъективным политическим решениям (достаточно напомнить об отдельных ошибках в экономической политике 1950–1956 гг.). В то же самое время сопоставление хорошо обоснованных специалистами аргументов с многосторонней коллективной мудростью высших политических органов является плодотворной рабочей фазой, и заслуги профессионального аппарата отнюдь не умаляются, если не все его предложения принимаются руководящим политическим органом без изменений.

Разумеется, при разработке общей политики свобода принятия решений руководящих политических органов вовсе не безгранична, и примат политики над экономикой – это такое „оружие", с которым нужно обращаться с большой осторожностью. Этот примат не противоречит оптимальному развитию экономики, однако и не гарантирует его при любых условиях. Что же означает, следовательно, примат политики? Прежде всего он означает такие факторы, как обеспечение прочности политической власти, укрепление хороших отношений между общественными классами, систематическое улучшение жизненных условий по мере прогресса социалистического строительства, постепенное создание материально-технической базы, необходимой для построения развитого социалистического общества, углубление гуманизма и расцвет личности, укрепление понимания отдельными классами и массами определенных новых черт политики и т. д. В конечном итоге,

примат обусловлен тем, что только политика способна к синтезу более широких общественных взаимосвязей с экономическими возможностями.

Намеченные политические цели не должны отрываться от экономической реальности. Это одно из объективных ограничений политики. (Она не может также отрываться и от других сторон общественно-политической реальности, однако в данной статье мы не будем касаться этих вопросов). Если определение политических целей ведется с учетом экономической реальности, то в этом случае политика действительно является концентрированным выражением экономики. Если между ними возникает разрыв, то это ведет к общественной напряженности, а в экономическом росте вместо оптимума происходит определенная деформация. Исторический стиль работы нашей партии – это борьба на два фронта, борьба против любых политических крайностей. Это принесло свои плоды как в разработке экономической политики, так и в ее осуществлении.

Нельзя забывать, что политика – категория классовая и защищает классовые интересы. Недопустима вульгаризация категории политики. Например, когда частные интересы огульно возводятся в ранг гораздо более широкого понятия политики. Необходимо оберегать наш стиль работы от того, чтобы принятие какой-либо важной с точки зрения развития структурной меры откладывалось под предлогом, что это может вызвать местный конфликт. Таким образом, если внутри данного общественного класса возникает столкновение интересов, то в этом случае политика решает в пользу политики, то есть класса (а следовательно, большинтсва). Это правильный подход и при разрешении конфликтов между народнохозяйственными и групповыми интересами. В то же время в этом заключается ответ на то, если в случае столкновения интересов механизм управления экономикой или система представительства интересов не берут на себя инициативу принятия правильного решения или не решаются на это, то политика, политический механизм должен для защиты интересов большинства воспользоваться политическими средствами и, учтя обстановку, способствовать решению социальных и человеческих проблем на местах, добиться понимания и поддержки людей в данном вопросе.

Исторический опыт социалистического строительства дал не один пример того, что в случае неблагоприятного совпадения определенных условий может возникнуть политический конфликт, политический кризис и даже вооруженное контрреволюционное выступление. В октябре 1956 года политический кризис в Венгрии вылился в вооруженное восстание. В других исторических условиях (однако при многих общих чертах) разразился вооруженный контрреволюционный мятеж против Советской власти в России в 1921 г. (Кронштадт). Ленин указал на ведущую роль контрреволюционных сил и привлек внимание к тому, что – по чистой „случайности" – парижские газеты писали о восстании в Кронштадте за две недели до кронштадтских событий. Мятеж был подавлен, однако Ленин продолжал глубоко анализировать политический кризис, анализировать причины недовольства масс и поставил на повестку дня разработку новых мер,

новой экономической политики. От политики, соответствующей периоду гражданской войны, необходимо было перейти к такой политике, на основе которой можно было успешно продвинуть мирную работу по восстановлению экономики, социалистическое строительство. Это был НЭП. Таков исторический опыт научной разработки политики, великолепный пример согласования политики и экономики.

Можно задать вопрос: какое отношение имеют кронштадтское восстание и политический кризис в Советской России в 1921 г. к политике ВСРП?. Между контрреволюцией 1956 года, которая была побеждена силами социализма под руководством ВСРП, и Кронштадтом нельзя провести непосредственной параллели. Параллель состоит в том, что руководство ВСРП применило ленинский стиль политического анализа, проведя после контрреволюционного вооруженного выступления многосторонний анализ не только деятельности классовых врагов и предателей, но и более глубоких причин политического кризиса, причин и условий недовольства масс и их дезориентации. В результате этого анализа был сделан вывод о том, что контрреволюционные и ревизионистские силы не могли бы привести народную демократию в Венгрии к кризисной ситуации, если бы Венгерская партия трудящихся как правящая партия не допустила бы грубых ошибок и искажений. Одна из самых тяжелых ошибок ВПТ состояла в том, что начиная с 1949 года в политическом руководстве господствовал субъективизм, политика оторвалась, в частности, и от экономической реальности.

Далее параллель с ленинским стилем состоит в том, что руководство ВСРП с самого начала подходило к политике комплексно, учитывало тесную взаимосвязь различных сторон политики, боролось за укрепление власти, одновременно закладывая основу этого — союзническую политику, приняло меры к повышению доходов рабочего класса и крестьянства, мобилизовало на производство, на лучшее стимулирование экономического строительства и на совершенствование управления экономикой. 20 лет тому назад на Всевенгерской партийной конференции ВСРП в Отчетном докладе ЦК ВСРП Я. Кадар говодил: „Неправильно то, что разрешение хозяйственных задач и вопросы партийного строительства отделяются друг от друга. Нельзя как следует разрешить ни хозяйственные вопросы, ни задачи партийного строительства, если они будут друг от друга отделены" [3].

Центральный Комитет ВСРП осуществил пересмотр политической линии ВПТ, разработал собственную политику исправления ошибок, заложения основ социализма, а затем строительства развитого социалистического общества. Далее я попытаюсь на основании опыта ВСРП осветить некоторые важные вопросы согласования политики и экономики, специфику и определенные новые черты этого.

Темпы роста, сбланси рованность, эффективность

Ни один политический шаг ВСРП не давал оснований сомневаться в том, что партия высоко оценивает результаты, достигнутые в социалистическом строительстве до 1956 года, в том числе и в годы, отягощенные ошибками. Власть

была социалистической властью. В хозяйственном строительстве, в создании материально-технической базы социализма, в быстром росте занятости, в области культуры были достигнуты действительно значительные результаты. Несмотря на имевшие место в отдельные годы спады, значительно возросли доходы и потребление населения. Но признание этих положительных сторон не могло замедлить исправления ошибок и решения новых проблем дальнейшего развития.

Как известно, ВСРП получила весьма тяжелое наследство по вопросу о темпах роста и равновесии. По этому вопросу в требованиях политики к экономике произошли коренные изменения. Субъективизм, чрезмерное форсирование роста, нереальная спешка в социалистических преобразованиях, подвергнутый справедливой критике подход к проблеме экономической сбалансированности сменился учетом экономической реальности и изменения условий. Необходимо также добавить, что во второй половине 50-х годов сложилось иное, более благоприятное для нашей страны международное положение, способствующее созидательной деятельности по строительству социализма. ВСРП с самого начала открыто провозгласила свои намерения создать здоровые пропорции между капиталовложениями и потреблением, между производством и заработной платой, между покупательной способностью и товарным покрытием, указала на необходимость выработки на научной основе правильных пропорций народного хозяйства. На основании критического анализа экономической политики ВПТ Центральный Комитет ВСРП сделал и уже в 1957 году обнародовал вывод о том, что социалистическое строительство, экономическое развитие – если этому не препятствуют какие-либо особые условия – должны сопровождаться систематическим ростом жизненного уровня населения. Новый подход экономической политики к вопросу жизненного уровня сложился на основании целого ряда политических директив ВСРП. Напомним о решении ЦК ВСРП 1958 г. об отдельных задачах, связанных с рабочим классом, которое было принято после соответствующего повышения заработной платы и определило на длительную перспективу задачи в области доходов и социальной политики, а также поставило задачу разработки теперь уже успешно осуществленной 15-летней программы жилищного строительства. Краеугольным камнем нашей экономической политики и планирования, определившим их характер, стало лучшее удовлетворение потребностей людей как конечная цель экономической деятельности. Это, в частности, потребовало изменений в распределении национального дохода, по сравнению с критическим периодом 50-х годов, а именно – сокращения доли накопления и увеличения доли потребления. Данные пропорции распределения национального дохода, естественно, не воспринимаются как установленные раз и навсегда и применительно к любым условиям.

При распределении ресурсов не следует впадать в какую бы то ни было односторонность. Следует постоянно заботиться о создании базы производства и услуг, необходимой для повышения уровня жизни в более далеком будущем.

Распределение использованного национального дохода в процентах
(в сопоставимых ценах)

	1958–1960	1961–1965	1966–1970	1971–1975
Потребление	84,0	78,8	76,5	75,6
Накопление	16,0	21,2	23,5	24,4

Главным образом, этим объясняется постепенное возрастание доли национального дохода, идущей на накопления.

Вот уже 20 лет как ВСРП взяла на свои плечи ответственность как правящая партия социалистического государства. За этот период были два-три таких года, когда ощущались трудности экономического роста и потребление и реальные доходы населения возрастали в весьма скромных размерах, однако не было ни одного года, когда уровень жизни, доходы, потребление рабочего класса и всех трудящихся не повышались бы, хотя бы в скромном масштабе. Реальные доходы и потребление населения к 1976 году возросли в 2,3–2,4 раза, по сравнению с 1957 г. Это соответствовало общей политической линии и было правильным также и с чисто экономической точки зрения как путь стимулирования труда. По сравнению с уровнем развития страны темпы жилищного строительства в Венгрии можно охарактеризовать как весьма высокие. За последние 20 лет из совокупных капиталовложений в народное хозяйство на строительство жилья было затрачено приблизительно столько же, сколько на развитие второй по важности народнохозяйственной отрасли – сельского хозяйства. Прежде всего этим объясняется то, что в нашей стране за последние 20 лет доля непроизводственных капиталовложений в совокупном фонде капиталовложений была стабильно высокой и составляла 27–31 процента.

Наша экономическая политика по-прежнему придает решающее значение созданию материально-технической производственной базы социализма как средства социалистического строительства; ее рост был значительным в каждом пятилетнем периоде. При более скромном росте народного потребления материально-техническая база могла бы развиваться более динамично, однако эта возможность была отвергнута. В 1957–1975 гг. основные фонды промышленности возросли в четыре раза, сельского хозяйства – в 3,2 раза. Крупные сельскохозяйственные предприятия были полностью поставлены на новую техническую базу, был модернизирован также транспорт страны. Постепенно все возрастающее значение в экономике получило развитие отраслей обслуживания, что необходимо для обеспечения эффективного функционирования основных отраслей и создания удобств для населения.

После победы, одержанной в гражданской войне, в период перехода к мирной созидательной работе по строительству социализма Ленин констатировал: „Сейчас главное свое воздействие на международную революцию мы оказываем

своей хозяйственной политикой . . . На это поприще борьба перенесена во всемирном масштабе" [4]. В вопросе о темпах экономического роста наша партия не отказалась от требования быстрых темпов роста, учитывая стоящую перед нами историческую задачу в соревновании двух общественных систем и наши национальные интересы. Однако мы отказались от чрезмерного форсирования темпов, поставив на первый план гармонию темпов роста и сбалансированность экономики. Темпы роста венгерской экономики в 1957–1976 гг. – выражая их темпами роста национального дохода – в среднем составили 5,8 процента в год, что выше, чем в экономически развитых капиталистических странах, хотя среди социалистических стран мы не превышаем среднего уровня. В отношении уровня экономического развития наша страна относится к той группе стран мира, включающей около 20 государств, которую принято называть экономически среднеразвитой и которая следует после десяти наиболее развитых стран. Согласно сравнительному анализу, проведенному в рамках ООН, если принять валовой национальный продукт Венгрии в расчете на душу ее населения за 100, то этот показатель в США равен 250, Франции – 190, ФРГ – 180, Англии – 160, Японии – 150. Стоимость приходящегося на душу населения валового национального продукта в Венгрии в 1970 году составила около 1900 долларов (что на сегодняшний день, учитывая значительную девальвацию доллара, естественно, намного больше). За прошедшие годы это различие несколько сократилось. Отставание Венгрии от наиболее развитых стран весьма велико, и даже для достижения уровня стран, находящихся непосредственно перед нами, потребуется длительное время и упорный труд. Для этого, в частности, необходимы значительные капиталовложения, широкая реконструкция, направленная на повышение технологического уровня и связанная с распространением автоматизации технологических процессов.

Ведущей отраслью народного хозяйства была и остается промышленность, которая является главным фактором экономического роста и технического прогресса. Характерные для начального периода социалистической индустриализации чрезвычайно высокие количественные темпы роста позже не могли быть сохранены, поскольку, с одной стороны, мы сознательно отказались от чрезмерного форсирования темпов, не сочетавшихся должным образом с качеством продукции, а с другой стороны, вследствие исчерпания ресурсов рабочей силы объективная возможность быстрых темпов развития благодаря созданию новых рабочих мест в промышленности постепенно сужалась. В 1957–1976 гг. промышленное производство в серднем возрастало на 7,3 процента в год, и Венгрия приблизилась к более развитым странам. Сегодня 35 процентов всех работающих занято в промышленности. В 1975 г. объем промышленного производства в Венгрии в целом на 18 процентов был больше, чем в Австрии, однако в расчете на душу населения его уровень был на 16 процентов ниже.

Изменения, естественно, произошли не сразу, а постепенно, и за прошедшие после контрреволюции 1956 г. 10–12 лет (более точный срок указать трудно)

новый подход к вопросам равновесия и темпов роста привел к глубоками изменениям в хозяйственной практике.

Из разнообразных факторов экономической сбалансированности наибольший успех был достигнут в упорной борьбе с товарным дефицитом. Это видно по улучшению товарного снабжения населения. В Венгрии нет такого – имеющего существенное значение в повседневной жизни – товара, снабжение которым не было бы постоянным и надежным. Это имеет свою экономико- производственную основу. Согласно принципу, соблюдаемому венгерской экономической политикой, повышение жизненного уровня нереально, если рост заработной платы не имеет реального товарного обеспечения. Мы являемся сторонниками пусть более скромного, но обеспеченного развития.

Улучшилась пропорциональность и в производственных процессах; за последние 10–15 лет не было случая, чтобы непрерывный ход производства был бы серьезно нарушен (если не считать стихийных бедствий). За этим качественным прогрессом не всегда поспевала деятельность в области капитального строительства, где не каждый год удавалось соблюсти требование сбалансированности, случалось превышение общего объема капитального строительства, по сравнению с планом, при одновременном затягивании завершения важных строительных объектов. И наконец, наиболее трудно поддающийся и требующий еще значительного усилия элемент равновесия – это внешнеторговый баланс. Решение этого вопроса сложнее, чем внутренних экономических проблем, поскольку, кроме относительной технической отсталости, здесь, естественно, значительную роль играют такие внешние силы, которые стоят вне сферы влияния нашей политики. Международное экономическое сотрудничество занимает важное место в венгерской экономической политике. Международное разделение труда рассматривается ею как одна из форм общественного разделения труда, являющаяся положительным фактором технико-экономического развития страны, которую можно и нужно разумно использовать, хотя при этом не следует недооценивать и нынешние серьезные отрицательные внешнеэкономические воздействия, во многих отношениях затрудняющие развитие международных связей. Это требует от венгерской экономики большей приспособляемости, а от хозяйственников и инженерно-технических работников – широкого международного кругозора и знаний.

В политической практике ВСРП хорошим примером знания положения и правильной оценки реальности является учет новейших мировых хозяйственных явлений и сделанные из этого необходимые выводы в экономической политике. Следует иметь в виду также и то, что за время практической деятельности ВСРП мировое капиталистическое хозяйство еще ни разу не испытывало экономического кризиса такой глубины и продолжительности, как кризис середины 70-х годов, к чему прибавилось значительное повышение цен на энергоносители и на сырье и материалы. За годы социалистического строительства в Венгрии мы впервые столкнулись с такой степенью ухудшения условий торговли. (В истории советской экономики можно найти пример значительного ухудшения пропорции

индекса экспортных и импортных цен во внешней торговле с капиталистическими странами вследствие мирового кризиса тридцатых годов. Однако у Венгрии не было возможности использовать примененный тогда Советским Союзом метод решения). Рост цен на мировом капиталистическом рынке постепенно был учтен и во взаимной торговле социалистических стран, что также имело неблагоприятное для венгерской экономики последствие. Эти нарушающие равновесие условия нужно было учесть при разработке пятилетнего плана на 1975–1980 гг.

Определение правильного пути, легшего в основу пятилетнего плана, не пришло само собой и не является решением по готовому рецепту. Партия встала перед реальными условиями, замедляющими и противостоящими развитию. В разработке решения основное место занимало требование неуклонного продолжения экономического развития применительно к реальным условиям. Предусмотренные более медленные темпы внутреннего использования национального дохода на потребление и накопление по сравнению с темпами экономического роста, усиленное увеличение экспорта при сохранении безусловно необходимых темпов роста импорта, значительное повышение степени экономической эффективности экспорта и народного хозяйства в целом – это такая формула решения, которая открывает наиболее благоприятный выход как в политическом, так и в экономическом отношении. Вследствие некоторого отставания показателей первого года пятилетки от запланированных наши задачи еще более усложнились и их выполнение потребует большего напряжения, чем предполагалось ранее, однако необходимо целенаправленно стремиться к их осуществлению, концентрировать силы и возможности на их выполнении.

Трактовка взаимосвязи между количественными факторами и экономической эффективностью и их ранжирование в политике также прошло через ряд изменений, прежде всего в тесной связи со свертыванием товарного дефицита. В резолюции УШ съезда ВСРП (1962 г.) указывалось: „Руководящим принципом нашей хозяйственной деятельности является повышение экономической эффективности, увеличение производительности труда" [5]. „Производительность труда, – писал Ленин, – это, в последнем счете, самое главное для победы нового общественного строя. Капитализм может быть окончательно побежден ... тем, что социализм создает новую, гораздо более высокую производительность труда" [6]. Это, актуальное и сегодня, ленинское положение не всегда имело одинаковое значение и возможности для осуществления в ходе социалистического строительства. Оглядываясь на пройденный путь, можно отметить, что с прогрессом социалистического строительства роль производительности труда, экономической эффективности возрастала. Указание VIII съезда ВСРП по вопросу экономической эффективности для Венгрии не было ни запоздавшим, ни преждевременным. Это была политическая установка, в концентрированной форме указавшая на ту перемену, которая произошла затем в венгерской экономике во второй половине 60-х годов, – на переход от экстенсивного к интенсивному экономическому развитию. Я хотел бы подчеркнуть, что политические указания VIII съезда послу-

жили обнадеживающим толчком для экономических наук, для партийных органов, и в последующие годы в относительно короткий срок была проведена подготовка реформы управления народным хозяйством, произошло значительное развитие деятельности партии и государства в области организации экономики.

В период строительства развитого социалистического общества значение рентабельности, эффективности в формировании методов развития экономики и хозяйствования поднялось на еще более высокую ступень, поскольку другой альтернативы экономического роста не существует. И раньше это была важная, желательная категория. Однако теперь это означает гораздо большее – необходимость. На более ранних этапах социалистического строительства мы располагали экстенсивными резервами для приближения к производственному уровню более развитых экономически капиталистических стран, теперь эти резервы по существу исчерпаны. Хотя мы еще располагаем значительными внутренними резервами, наше дальнейшее здоровое развитие требует ускорения технического прогресса. А это, кроме соответствующей инвестиционной деятельности, требует постоянного совершенствования методов ведения хозяйства, его организации в целях лучшего использования возможностей, предоставляемых социалистическими производственными отношениями. Еще не полностью использованный фактор нашего роста – это углубление международного социалистического разделения труда.

Аграрная политика

Хотя в данной статье говорится прежде всего об опыте ВСРП, в связи с аграрной политикой желательно подчеркнуть, что Венгерская коммунистическая партия в 1945 году вела весьма продуманную и успешную аграрную политику, например, по осуществлению земельной реформы. Позднее по вопросу коллективизации и натуральных продовольственных поставок в политике ВПТ возникли тяжелые искажения, которые неблагоприятно повлияли на союз рабочего класса и крестьянства, а также на производство и потребление. ВСРП отказалась от системы обязательных поставок государству и отдала предпочтение торговым методам. Эта позиция была правильным применением ленинского НЭП'а в венгерских условиях, признанием того факта, что крестьянин как мелкотоварный производитель одновременно является тружеником и торговцем и поэтому политический классовый союз и экономические связи с ним необходимо строить именно на этой основе. После 1956 г. мы были свидетелями того, какой плодотворной была эта мера как с точки зрения стимулирования производства, так и с политико-психологической точки зрения.

Весьма глубокими были и изменения аграрной политики партии в подходе к проведению коллективизации. Одна из отправных точек этого подхода состояла в том, что коллективизация не должна отрываться от своей экономической цели, то есть от требования большей производительности, что нашло свое выражение в лозунге т.н. двойной задачи – социалистического преобразования при увеличе-

нии сельскохозяйственной продукции. С другой стороны, открывшее путь массовой коллективизации заявление ЦК ВСРП 1958 г. отвергло одностороннее „экономическое" понимание коллективизации, которое, ссылаясь на недостаток экономических ресурсов, отложило бы коллективизацию на неопределенное время. Это было типичное столкновение первенства политики с узкоэкономическим подходом. Однако партия отвергла и метод экономического принуждения, заявив об осуждении привлечения хотя бы одного венгерского крестьянина в кооператив против его воли, и строго следила за соблюдением этого. Мы следовали ленинскому принципу добровольности.

Успешное осуществление коллективизации, решение двойной задачи, сокращение времени неустойчивого положения, сопровождающего период коллективизации, стали возможны потому, что оценка задач происходила на основе широких политических горизонтов, а решения принимались в оптимальные сроки, с учетом экономических факторов, однако без сведения их только к хозяйственным расчетам и материально-техническим вопросам. Успешная коллективизация сельского хозяйства ознаменовала начало целого ряда успехов аграрной политики ВСРП.

Ленинский кооперативный план содержал однозначное указание о необходимости государственной финансовой поддержки кооперативов. В достижениях венгерского сельского хозяйства (добавим, во всей созидательной экономической деятельности) большую роль играла планомерная производственная и социальная поддержка крупных социалистических сельскохозяйственных предприятий. Таким образом, отказ от „экономизма" не был проявлением скупости по отношению к сельскому хозяйству и крестьянству. В общих народнохозяйственных капиталовложениях доля сельского хозяйства в период 2-го пятилетнего плана (1961–1965 гг.) составила 17 процентов, в период 3-го пятилетнего плана (1966–1970 гг.) 18 процентов. В период 4-го (1971–1975 гг.) и 5-го (1976–1980 гг.) пятилетнего планов эта доля сократилась до 15 и 12 процентов. Был принят принцип одновременного развития промышленности и сельского хозяйства, который состоял в достижении гармоничных темпов роста сельского хозяйства и промышленности, сокращении исторически унаследованного разрыва между этими двумя важнейшими отраслями народного хозяйства.

Позитивное воздействие на развитие сельского хозяйства оказало признание того, что крупное хозяйство представляет собой не простую кооперацию, а благоприятную форму для применения развитой техники и организации труда. После коллективизации в сравнительно короткие сроки кооперптивы укрепились и хозяйственно. Для второй половины 60-х годов и 70 гг. характерны быстрые темпы индустриализации крупного селькохозяйственного производства, достижение выдающихся результатов в производстве пшеницы и кукурузы, а также в птицеводстве.

Достижения сельского хозяйства неотделимы от стимулирования сельскохозяйственного труда и вообще от хозяйственного механизма сельского хозяй-

ства, который с самого начала был весьма гибким и обеспечивал возможность проявления инициативы, определяемой местными условиями, а также традиций. Постепенное преимущественное распространение получила денежная оплата труда. Крестьянство скоро начало убеждаться в том, что положение политики партии о постепенном сближении доходов крестьянства и рабочих – это не просто обещание, а быстро осуществляемый процесс. Это видно и из того, что к концу 60-х годов крестьянство догнало рабочий класс по величине среднего реального дохода. (Это выравнивание доходов следует понимать с учетом значительных доходов крестьянства от приусадебных хозяйств, так как доходы крестьян, поступающие из общего хозяйства кооперативов, гораздо ниже заработка промышленных рабочих). Сократился уход крестьянства из деревни в город, возросло и стабилизировалось количество специалистов, имеющих специальное сельскохозяйственное образование. В сельском хозяйстве сформировался необходимый для использования развитой техники собственный стабильный слой интеллигенции.

Не без дискуссий, но выдержала испытание временем и политика по отношению к приусадебным и подсобным хозяйствам. Не раз в связи с политикой по отношению к приусадебным хозяйствам высказывалось опасение в том, не делаются ли из-за недальновидности, экономических интересов уступки в социалистических идеалах. К тому же развитие техники, к счастью, сказалось и на приусадебных хозяйствах. После неоднократного повышения закупочных цен, создавших рентабельность сельскохозяйственного производства, часть приусадебных и подсобных хозяйств перешла от разведения 1–2 голов на разведение десятков голов скота на договорных началах, естественно, надеясь и получая значительные доходы.

Необходимо было дать ответ и на это новое явление в приусадебном хозяйствовании, и этот ответ был дан, причем положительный. В ходе дискуссии уяснилось, что эта деятельность означает добровольно взятый на себя дополнительный труд, доход от которого по праву принадлежит тому, кто его выполняет, а разумное налогообложение необходимо проводить весьма обдуманно. Добавим к этому, что ни одна из социалистических стран еще не позволила себе роскошь отказа от продукции приусадебных и подсобных хозяйств. Более того, в экономической политике находит все большее распространение стремление к налаживанию производственно-технического и закупочного сотрудничества между приусадебными и коллективными хозяйствами, с одной стороны, и потребительской кооперацией, с другой, с целью лучшего, более прогрессивного использования возможностей приусадебных хозяйств и обеспечения надежности их производства. Сотрудничество по производству и сбыту с коллективными хозяйствами является важным условием продуктивности труда в подсобных и приусадебных хозяйствах, большой роли получаемых из этих хозяйств личных доходов и относительно высокой степени товарности их производства – эти хозяйства сбывают 51 процент своей продукции.

Подводя итоги, можно сказать, что большим достижением аграрной политики является решение во второй половине 60-х гг. зернового вопроса (как по продовольственному, так и фуражному зерну), а в 70-е годы – достижение высокого уровня производства мяса; за исключением цикличности продукции свиноводства, в целом колебания сельскохозяйственного производства уменьшились. Теперь необходимо добиться значительного успеха в овощеводстве и плодоводстве (в хранении и доставке овощей и фруктов), а также в некоторых других областях. Вообще, в сельском хозяйстве в целом необходимо более критически подходить к оценке производственных затрат, то есть необходимо и здесь повысить экономическую эффективность и уровень руководства.

Хозяйственный механизм

Начавшаяся в 1968 г. реформа системы хозяйственного управления, основные черты которой неоднократно утверждались высшими органами партии, еще более углубила научную обоснованность и практическую боеспособность политики ВСРП. XI съезд ВСРП дал следующую оценку результатам семи лет проведения реформы: „Опыт, накопленный более чем за семь лет, показывает, что совершенствование системы хозяйственного управления было правильным и необходимым. Намеченные тогда главные цели были достигнуты: еще более укрепился наш социалистический строй, ускорились темпы строительства социалистического общества в нашей стране, продолжалось дальнейшее развитие социалистических отношений собственности и производительных сил, повысилась самостоятельность социалистических предприятий, возросла плановость экономики, получили дальнейшее развитие современные методы социалистического планового ведения хозяйства" [7].

По сравнению с предыдущим периодом, в деятельности ВСРП с самого начала укреплялся экономический подход. Уже в 1957 г. на Всевенгерском партийном совещании ВСРП высказалась за развитие практики планового хозяйствования и сочла обоснованным сокращение чрезмерной централизации экономического планирования и решений и усиление самостоятельности и заинтересованности предприятий. В то же самое время она отвергла ревизионистские взгляды, которые означали бы подрыв планового хозяйства и лишили бы государство его организаторской функции в экономике. На этой принципиальной основе в планирование и методы хозяйственного управления был внесен целый ряд упрощений и поправок. Эти поправки оказались жизнеспособными. Через несколько лет – в середине 60-х годов – было осознано, что в период строительства развитого социалистического общества нужно поднять наше плановое хозяйство, то есть основной механизм осуществления экономической политики, на более высокую ступень, что в системе управления народным хозяйством назрела необходимость в комплексном пересмотре типа реформы. Это было третье наиболее значительное

политическое свершение ВСРП после укрепления власти и успешной коллективизации. Реформа системы управления экономикой была рождена практикой социалистического строительства и теоретическим анализом. Они вместе взятые побудили к глубокому, научно обоснованному совершенствованию системы планового хозяйства. Кроме того, начиная приблизительно с середины 60-х годов многие социалистические страны, в том числе и Советский Союз, осуществили хозяйственную реформу или подобные изменения с целью поднять социалистическое плановое хозяйство на более высокую ступень.

Венгерская реформа хозяйственного управления также была большой школой согласования политики и экономики (добавим, что этот экзамен был успешно выдержан), однако ее разработка и практическое осуществление в первые годы не обошлись без дискуссий и трудностей, а в некоторых случаях и определенных конфликтов.

В ходе разработки новой системы управления хозяйством был такой этап, на котором ударение ставилось на научно-экономическом подходе, на лучшем понимании экономических законов и механизма их действия, на методах хозяйствования. Стоит вспомнить узловые пункты научных исследований и дискуссий, так как с точки зрения будущего их еще рано сдавать в архив. Дискуссия велась по вопросам: 1. система и роль цен; 2. способ сочетания самостоятельности предприятий и государственного управления, включая вопрос о необходимости обязательной разбивки показателей народнохозяйственных планов по отдельным предприятиям; 3. формы материальной заинтересованности, дифференцированное материальное стимулирование коллективов предприятий в зависимости от их прибылей.

Высказывались опасения в том, не будет ли в результате планируемой реформы хозяйственного управления нанесен ущерб функции социалистического государства как организатора экономики и открыт путь рыночной стихийности. Безусловно, что на многие принципиальные, а еще в большей степени – методологические вопросы мы не могли найти ответ в произведениях Ленина, но и не были совсем лишены ленинских указаний. Так, одну из отправных точек представило положение Ленина по вопросу о материальной заинтересованности: „Не на энтузиазме непосредственно, а при помощи энтузиазма, рожденного великой революцией, на личном интересе, на личной заинтересованности, на хозяйственном расчете" [8]. И далее: „Надо построить всякую крупную отрасль народного хозяйства на личной заинтересованности" [9]. На смену чрезмерной централизации пришел обеспечивающий большую самостоятельность предприятий принцип „хозяйственного расчета". Об этом Ленин, в частности, писал следующее: „Перевод госпредприятий на так называемый хозяйственный расчет ... в ближайшем будущем неминуемо этот тип станет преобладающим, если не исключительным. Фактически это означает, в обстановке допущенной и развивающейся свободы торговли, перевод госпредприятий взначительной степени на коммерческие ... основания ... в связи с настоятельнеишею необходимостью повысить производи-

тельность труда, добиться безубыточности и прибыльности каждого предприятия" [10].

Общеизвестно, что цитируемые слова Ленина были сказаны в начальный период социалистического строительства, однако в научной марксистско-ленинской литературе не оспаривается, что они содержат указания, выходящие за рамки тогдашней исторической обстановки и применимые к перспективным задачам социалистического строительства.

А если, в соответствии с ленинскими указаниями, государственные предприятия и тресты работают на коммерческой основе, если государство сделало их заинтересованными в получении доходов, превышающих затраты, то тогда неизбежно существование категории прибыли как важной меры хозяйствования. Такой хозяйственный расчет предполагает экономически реальные цены, поэтому придавалось такое большое значение правильному формированию системы цен. Сказанное выше подтверждает, что в ходе комплексного совершенствования системы управления экономикой мы исходили из ленинских указаний и опыта венгерского социалистического планового хозяйства. Был использован также и практический опыт братских стран по развитию социалистического планового хозяйства. Не было сомнений в том, что функцию социалистического государства как организатора производства следует сохранить как одно из достижений социалистического планового хозяйства и поднять ее под руководством партии на более высокий уровень в отношении конкретных методов, форм и средств стимулирования. Уже „отправные принципы" Центрального Комитета дали четкий ответ на то, что не может быть и речи о дезэтатизации экономики, то есть о передаче государством управления государственными предприятиями местным коллективам.

После разработки концепции системы управления экономикой на повестку дня встал вопрос о ее практическом осуществлении, прежде всего путем согласования концепций с общими политическими требованиями, с политической практикой и экономической реальностью. Таким образом, мы пришли к ряду критериев, заключавшихся в том, что реформа должна представлять собой последовательный переход, что необходимо сохранить полную занятость, что нужен определенный „период терпения" существования нерентабельных предприятий, что нужно сохранить и развить систему социального обеспечения, что необходимо защитить потребителя от чрезмерного повышения цен, обеспечить гарантии против инфляции и т. д. Особенно актуально было то, что нерентабельные или работавшие с небольшой прибылью предприятия получили время для проведения хозяйственно-технических мероприятий с целью улучшения их хозяйственной деятельности. Поэтому в систему экономических регуляторов были сознательно заложены – как в большинстве случаев предполагалось, временные – льготы или ограничения, которые в повседневном словоупотреблении получили название „тормозов" системы хозяйственного управления.

По сравнению с прежней новая система хозяйственного управления предоставила больший простор для развертывания экономической эффективности, для гибкого применения экономических законов, однако в органической связи с диктуемыми политической ситуацией границами. Первенство политики ни в чем не подвергалось сомнению. Под воздействием нового управления хозяйством экономическое развитие в целом ускорилось, ускорилось также повышение жизненного уровня, в венгерском плановом хозяйстве в целом усилилась планомерность, сельское хозяйство на протяжении нескольких лет добилось выдающихся успехов, успешно осуществлялись особо важные программы по развитию промышленности, прекрасные результаты были достигнуты в улучшении внешнеторгового баланса. Произошел поворот в чувствительности производителей к воздействиям внешнего рынка. В отдельные годы, когда внешний рынок позволял это, венгерские предприятия улучшали свои пропорции цен экспорта и импорта. Было проведено сокращение рабочего времени в промышленности и строительстве. Произошли разительные изменения в использовании ресурсов, ускорился оборот оборотных средств. Оживилась самостоятельность предприятий, приобрела размах коммерческая и торговая инициатива передовых предприятий. Все это значительные достижения. Однако в общественном сознании эти результаты не получили нужного отражения и в части общественного мнения на первый план выдвинулись тогда подлинные или мнимые проблемы функционирования управления экономикой. Было бы ошибкой считать, что это в достаточной мере объясняется лишь некоторым отставанием по времени в отражении положительных экономических процессов в сознании. Речь идет о другом и о большем. Я попытаюсь выделить некоторые из проблем, повлиявших на это.

Ныне, по прошествии нескольких лет, мы уже можем судить, что в недостатках функционирования системы экономического управления, помимо прочих причин, безусловно сыграло свою роль и то, что нажим государства в интересах повышения экономической эффективности сложился не так, как предполагалось; что система экономических регуляторов не обеспечивала должного доведения до предприятий требований по повышению эффективности. Нужно считать естественным и даже определенным достижением, прогрессом, что в условиях новой системы экономического управления в отличие от прежней практики, возросла инициатива предприятий, цехов, и с ростом их заинтересованности согласование и столкновение интересов стало важным организующим принципом. Остававшиеся раньше скрытыми столкновения интересов теперь, в новых условиях, вышли на поверхность, а уже вскрытую проблему разрешить легче, хотя понятно и то, что это получило более широкий общественный отзвук: ведь предприятия выдвигали друг против друга множество реальных или мнимых „претензий". Это уже само по себе могло вызвать у некоторых впечатление, будто бы развитие системы экономического управления породило массу экономических забот.

Хозяйственники и прежде всего руководители предприятий требовали, с одной стороны, стабилизации экономических регуляторов или смягчения отдель-

ных „тормозов", а с другой стороны, выдвигали множество правомерных или неправомерных с точки зрения предприятий поправок. На смену „торгам о плановых показателях" начали заступать „торги о регуляторах". В части общественного мнения больший отзвук получили те стороны, которыми предприятия были недовольны, чем те, которые были выгодны им и государству. Естественно, и среди экономических регуляторов были ошибочные и спорные решения. Например, метод дифференцированного распределения участия в прибылях между тремя категориями работников предприятий оказался ошибочным и в скором времени был изменен. Повсеместное применение принципа регулирования заработной платы на основе средней зарплаты по предприятиям также имело больше недостатков, чем предполагалось. Формы свободного ценообразования на практике кое-где использовались произвольно.

В государственном управлении экономическими процессами – у части ведомственных органов – появилась неуверенность относительно правильности вмешательства в хозяйственную практику предприятий, в других местах с опозданием принимались меры против расхлябанности. В течение нескольких лет регулирование прибылей государственных крупных предприятий было слишком жестким из-за соображений предосторожности и в интересах государственного бюджета. Это неблагоприятно сказывалось на росте личных доходов рабочих крупной промышленности, по сравнению с доходами кооперативного крестьянства и рабочих более мелких предприятий, что необходимо было исправить.

В этот период доходы населения поднялись на такой уровень, который вызвал массовые и заметные изменения в личном потреблении (строительство дач, покупка автомашин и т. д.). Природа этих явлений сначала не была достаточно принципиально уяснена обществом. В общественной реакции сыграло роль также то, что в этот период в некоторых областях усилились формы поведения, противоречащие нашим социалистическим идеалам: стяжательство, индивидуализм, погоня за символами статуса и т. д. В отдельных же областях экономики, главным образом в отдельных кооперативах, имели место нарушения в хозяйственной деятельности.

Даже из этого беглого обзора ясно, что действительно было много проблем, а местами и неурядиц, однако необходимо четко видеть и понимать, что это были проблемы развития и что еще важнее: дискуссии и конфликты ставили под вопрос не правильность основных общественно-экономических процессов, а в основном частные вопросы, а чаще всего – периферийные вопросы. Естественно, высказывались и мнения, в которых проявилось недостаточное понимание основных процессов и преувеличение общественно-экономических проблем данной области, можно было встретить и преувеличенные представления о возможностях экономических мероприятий государства и непродуманные поспешные требования принятия административных мер. Часть общественного мнения ошибочно относила огульно на счет системы экономического управления различные новые или негативные явления, приписывая их „созданию групповых интересов". Но

„групповые интересы" были созданы отнюдь не хозяйственной реформой, она всего лишь ускорила и усилила их проявление. Можно было встретиться по вопросам политики цен и с мнениями, явно пренебрегающими действием экономических законов. Часть работников аппарата опасалась, что длинная вереница предложений по изменениям и различные импровизации нарушат цельность системы экономического управления, функционирующей в сущности весьма успешно. Другие же боялись, что задержка с внесением некоторых поправок вызовет социальную, а возможно и политическую напряженность. Очевидно, что в подходах к этим вопросам проявлялись существенные различия. Различный подход прежде всего вытекал из разного знания обстановки и недостатка комплексной оценки новых явлений, из поисков решений на основе частных истин. В спорах об экономических регуляторах нередко отходили на задний план такие объективные экономические обстоятельства, как исчерпание резервов рабочей силы, изменение внешнеэкономических условий, вернее часть общественного мнения некоторое время рассматривала эти явления через призму регуляторов.

Необходимо было в новых, более сложных условиях осуществить согласование политики и экономики, их синтез. Между X и XI съездами ВСРП был проведен широкий комплексный анализ экономической политики и системы экономического управления, были определены дальнейшие задачи и необходимые изменения. По этим вопросам на ноябрьском пленуме ЦК ВСРП (1972 г.) были приняты важные, оказавшие благоприятное воздействие на общественное мнение решения. Их выполнение было успешным, что прежде всего объясняется тем, что Центральный Комитет действовал не по наитию, а дал анализ проблем и принял решения в комплексной взаимосвязи, опираясь на соответствующие аналитические материалы. Этот же стиль – расчет на много лет вперед – характерен для решений, разработанных с частичным учетом мировых хозяйственных эффектов, в связи с 5-м пятилетним планом развития народного хозяйства на 1976–1980 гг., затрагивающих развитие системы экономического управления, которые были приняты после XI съезда партии. По наиболее спорным политическим проблемам благодаря этому улеглись страсти и усилилось единство действий партии.

Партия сохранила важнейшие устои реформы: гибкую систему оптовых и розничных цен, принцип заинтересованности в прибыли и стимулирования через прибыль, самостоятельное планирование предприятий в рамках подчиненности народнохозяйственным планам. В связи с системой ценообразования следует особо подчеркнуть, что в такой „открытой экономике", как венгерская, недопустимо, чтобы цены связали по рукам и ногам хозяйственную деятельность. Этот экономический тезис сегодня приобрел уже ранг политической силы. Основное требование, чтобы цены соответствующим образом отражали соотношения отечественных и международных звтрат и стимулировали более эффективное ведение хозяйства. Эффективная же хозяйственная деятельность осуществима лишь при реальных ценах.

Таким образом, когда, с одной стороны, по политическим, с другой стороны, по экономическим соображениям в системе управления экономикой были приняты меры по изменению некоторых регуляторов в направлении усиления централизованного управления и контроля, основные устои реформы также укрепились и выдержали испытание. Хозяйственная инициатива получила новый размах. Если в прошедшие годы были правильны определенные изменения экономического управления, то и в будущем следует оставить открытой возможность дальнейшего совершенствования хозяйственного управления, стимулировать к этому. Путь, по которому нужно идти, – это дальнейшее укрепление в политически реальных рамках экономической последовательности системы управления, ее стимулов более эффективной работы, при одновременном углублении научной обоснованности народнохозяйственного планирования и усилении эффективности централизованного руководства. Особенно неотложны задачи по ускорению технического прогресса, по существенному улучшению использования рабочей силы, организации производства, по стимулированию углубления международного разделения труда. В венгерской экономике еще значительны неиспользованные внутренние потенциальные ресурсы. В этих существенных, и можно без преувличения сказать, эпохальных с точки зрения экономической истории проблемах венгерская система экономического управления ни до, ни после ее корректировки не оказала воздействия нужной степени и силы, которое стимулировало бы и побуждало к действиям.

В настоящее время во многих братских странах ведутся поиски возможностей повышения эффективности системы управления экономикой. Ведут эти исследования и венгерские экономисты и специалисты-хозяйственники. На XI съезде ВСРП Я. Кадар сказал: „Если какой-либо экономический регулятор и постановление, которые раньше были правильными и оказывали положительное воздействие, в новых условиях действуют вразрез с интересами народного хозяйства, следует без промедления осуществлять необходимые изменения. Вносимые время от времени коррективы не ослабляют, а напротив, укрепляют нашу систему хозяйственного управления; именно этого требует гибкая экономическая политика" [11]. Эта гибкость была характерна для экономической политики венгерской партии в прошедшие два десятилетия, и мы стремимся продолжить ее и в стоящий перед нами период.

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LENIN ABOUT THE RELATIONSHIP BETWEEN ECONOMY AND POLICY

J. BÁLINT

Relying on the 20-year practice of the Hungarian Socialist Workers' Party the author summarizes the experiences in the coordination of politics and economy. His theoretical starting-point is Lenin's well-known teaching about the relationship between politics and economy. He attempts to present the complicated mechanism of collating politics and economy in the activities of the Party and the State. He interprets the priority of politics over the economy by stating that it is not unlimited but must always remain within the limits of economic reality.

Thus, in determining the growth rate of the economy, Hungarian economic policy attributes primary importance to the requirement of national economic equilibrium and subordinates the growth rate to the former, recognizing the necessity of fast economic growth in the building of socialism. This approach had an important role in that the shortage economy had practically ceased in the practice of Hungarian Planned economy by the mid-1960s.

It was an important feature of the collectivization of Hungarian agriculture that a continuous increase of production could be achieved parallel with collectivization. After collectivization – following Lenin's instructions – the Party and the State made large-scale efforts to build up the new material-technical basis of agriculture, to encourage agricultural work, and to reward it both financially and morally. This definitely contributed to the fact that peasants' per capita real income reached the level of that of workers' by the late 1960s. Through the development of Hungarian agriculture the problem of bread grain, as well as the satisfaction of basic needs for fodder was successfully solved together with the continuous supply of the population with meat, dairy-products and other basic foodstuffs.

By the mid-1960s it became clear for the Hungarian Socialist Workers' Party that the time for transition from the extensive to the so-called intensive type of economic development had come, when the main factor of economic growth was to increase economic efficiency. It was also clearly recognized that this necessitated a comprehensive and thorough transformation of the economic control and management system. The reform was implemented in 1968, following manysided scientific and political disputes and coordination of opinions. In the years following the reform – partly because of new phenomena, and partly because of deficiencies in certain elements of economic control – new disputes developed about a number of questions of economic control. As a final result of the discussions – in which both the economic and the political approach had their due place – the leading organs of the Hungarian Socialist Workers' Party came to the conclusion that the reform had basically stood the test, its basic principles were right. It is on these foundations that it is always necessary to correct certain elements of economic control in a way necessitated by the conditions of economic growth. The last such important new requirement has been adjustment to the negative effects of world economy on Hungary (the rise in raw material prices). This fact must be seriously considered in the practice of the Hungarian economic control system.

Acta Oeconomica Vol. 19(3–4), pp. 277–297 (1977)

P. ERDŐS – F. MOLNÁR

A METHOD FOR ESTIMATING THE INCOME, CONSUMPTION AND SAVINGS OF SOCIAL GROUPS

(BASED ON USA STATISTICS)

The official statistics of capitalist countries fail to supply a number of data indispensable for a Marxist analysis of business fluctuations. The authors attempted to develop a method for satisfactorily approximating the most relevant missing figures. The method outlined in the article is based on macroeconomic balance sheets first published by M. *Kalecki* and on a hypothesis assuming that the personal savings of wage and salary earners were (in the period under study) negatively correlated with the actual state of business.

The authors of this paper have undertaken a research project covering several years. They want to confront the capitalist economy of the seventies with economic theory, first of all some of the theses, in a book by one of the authors, concerning certain controversial problems of the political economy of capitalism. (1)

In order to do the job, the functioning of the capitalist economy in the above-mentioned period is not simply registered, but also theoretically analyzed. This cannot be an analysis of billions of economic facts, it has to be an analysis of this or that aggregate model, i.e., an analysis of a comprehensive and by the same token simplified conception of reality, describing with a certain accuracy those characteristics of the economy under study which are regarded as most relevant from the point of view.

It is also obvious that the subject of our analysis will not be a model of the type found in "pure" theory. What we need, is not a model built of mathematical symbols or of numbers chosen at will. We have to work with actual figures and these had to be taken from published statistics.*

*We should not commit the error of believing that by studying national account statistics, collected with scientific conscience and without errors, we are really studying things to be simply regarded as facts. It is well known, that one may arrive at different indices of prices or national income depending on the weighting system used or the method of identifying the goods making up national income. These indices do not indicate facts above any doubt, but only show us how certain indicators, relating to certain facts, change over a period of time if we register certain facts by using certain methods (for instance given weights) which themselves lack accurate definition. A statistical time series, even one based exclusively on absolutely reliable documents cannot eliminate the inaccuracies inherent in index numbers relating to a set of changing composition. Such an indicator describes something by a scalar quantity that in principle could be described only by a multidimensional vector. If, for example, this is labeled "national income" this means, that even in the optimal case, the time series relates to something that like many other similar series, more of less different from this one – we are justified to call a series describing the changes of national income in time.

In this paper we use United States' statistical data. We do so, not only because in most cases it is the American economy which has the strongest effect on the economies of other developed capitalist countries, but also – and first of all – because this is the best, and most detailed statistical material for any capitalist country known to us.

In these statistics besides figures relating to many hundred (aggregate) categories, we also find national balance sheets, yearly and quarterly, in the form of time series from 1929 to the present. From these we have to take our "facts". These statistics, of course, are not and cannot be based completely or even to a greater extent on documents. The cause, or the main cause of this is not to be found in the fact, that nobody can guarantee that the data provided by the firms are not distorted by interests, real or imagined, or by the fact that the sanctity of business secrets might hinder the thorough checking of the data, but because these data also comprise the many millions of small businesses, unable to deliver detailed figures. Therefore a considerable part of official statistics is based on estimates drawn from assumed relationships or balance sheet identities. This is what we have to contend ourselves with and the more so, as the macroeconomic balance sheets of the US economy – from the point of view of their builders – reflect reasonably well the economic reality of that country.

As we said: *from the point of view of their builders.* But we have, exactly as regards the most important economic relationships, differing points of view. Official US statistics contain a large amount of figures, but none relating to the amount or the rate of surplus value, to the margin or overall rate of profits, to the respective shares of capitalists and workers in taxes paid, to the amount of consumption and saving by these two classes, etc. Exactly the data relating to the income of classes are missing. The existence of classes is taken into account by these statistics only to the extent of an absolutely unavoidable minimum. We, however, have to confront – by the use of western statistics – the laws of our political economy, based on class categories, with the processes that have taken place in the capitalist economy of the seventies. While doing this, we are very much aware of the fact that these laws, formulated on different levels of concreteness, are even in their most concrete form still far too abstract as compared with the richness of reality. It is thus clear, that our task is far from simple.

The difficulties

In this paper we try to show, by elaborating a partial problem, the methods by which we still hope to cope with our task reasonably well.

The economies of developed capitalist countries, in the early seventies, showed an almost uninterrupted increase in the rate of inflation. This seems to have played a considerable role in bringing about the crisis of the end of 1973. The inflation was only mitigated but not stopped by the crisis itself and by antiinflationary government measures. The coincidence of economic contraction with a general increase in prices, which seemed – with the exception of the aftermath of some great catastrophe – an impos-

sibility before World War II became a repeated phenomenon in the American economy, at least since the recession of 1954. But only in the seventies was a serious recession accompanied by serious inflation. It is obvious, that we have to analyze the interrelationship between production, demand and inflation, hence, *inter alia,* we have to show the relative importance of the most relevant factors that maintain and from time to time even speed up the process of inflation.

The most appropriate tool for analyzing this latter problem seems to be the so-called p_c formula of the price level of consumer goods,* i.e., some extended form of the same formula. This formula, however – besides using the category of consumer goods sold, which is neutral as regards class-concept – is based even in its simplest form on class-concepts, namely: the spendable income of wage and salary earners and the volume of non wage earners' personal consumption.

If we want to put this formula to practical use, we also have to take into account the net – positive or negative – savings of wage earners. Official statistics contain no such data, but we have to find a way of estimating them at least approximately. Without achieving this, we should be unable to fill the p_c formula with actual figures. The first difficulty we meet, originates in the fact that, while the theoretical formula knows only capitalists and workers, in reality the borderline between classes is much more indistinct. In the official American statistics no borderlines between classes are drawn, but we also would be in serious trouble if we had to draw some absolute, unambiguous borderline between classes – even if all the data were available. Official US statistics, however, also offer some help. They present money income by type of income. But this is not so simple either. The time series of income and consumption include "imputations". For example: as anybody living in an apartment house pays rent, it is inferred that people living in their own house "pay" imputed rent to themselves, and this forms a part of their consumption and simultaneously of their income. (Income in kind is also regarded as imputed income.) We, however, thinking in the categories of the p_c formula, have to make our calculation in terms of market purchases. For this we need data, excluding imputations. We had a lot of trouble mastering the labyrinth of US statistics, but among the more than 100 tables of U. S. National Income and Product Accounts there is one (Table 8.3) which gives data excluding imputations, and so we have succeeded in performing all the necessary calculations with data, exluding imputations. We could, for example, calculate the total amount of wages and salaries, excluding imputations, etc.

The category of "wages and salaries" in the official statistics, however, pertains to a *form* of income and not to an unambiguous class-income. Henry Ford III, the manufacturer of automobiles also receives a salary – besides dividends and the like –; his salary is

*The theoretical background of this formula was first elaborated by P. Erdős in (2). In its barest, most simplified form the formula says, that the price level of consumption goods can be expressed as a fraction the numerator of which contains the sum of all money wages and the denominator the total volume of consumption goods purchased less the volume of capitalists' consumption. I. e. $p_c = W/(C-c_c)$. The idea is, that "workers spend what they earn", while the volume of capitalists' consumption is more or less inelastic against business fluctuations.

also included under the heading "salaries" (wages and salaries are not given separately in the statistics). On the other hand: the statistics present data of "profit type return" and also some components of this item. But in these the sidewalk shoeshine or the poorest farmer are regarded also as entrepreneurs, their income is labeled profit type income. Or: in pure Marxian economics interest is regarded as a part of profit, a capitalist income. In the United States, however, many workers have saving deposits, they receive interest on them. We had to start from the fact, that the number of working people who cannot be regarded as capitalists is very great, while the Fords and their ilk are very few. Thus we do not commit a considerable error giving the total sum of wages and salaries to those, who do not receive also wages and salaries as something additional, but *live* on them. We gave almost the total profit type income to non wage earners (we do not necessarily regard them all as capitalists, as many of them belong to so-called intermediate social strata). We allocated a part of interest to wage earners (see all these later in some detail).

This summary handling of certain items might already raise some suspicions about the usefullness of figures arrived at by such methods, that is we have worked with figures, the meaning of which is not defined exactly. And this is not the main difficulty, which we are going to turn to now. For example, in our p_c formula we do not need the total sum of wages and salaries, only the part that wage and salary earners spend on personal consumption. Hence we have to subtract the direct taxes and the contributions for social insurance they pay from the total amount. The same had to be done with "capitalists", income as well if, for filling in our p_c formula, we needed also that part of their income they could have spent on consumption. But we do not need this (later however, in another relationship we shall.) Instead we should know and present to our readers the *volume* of their consumption. If we tried to estimate these data by some rule of thumb, the errors would most probably be much greater, than those in the figures arrived at by the above summary methods.

It seems obvious that those who prepared the official statistics must also have faced similar problems, although they had the advantage of having their more or less proven methods of estimation. But from where were these methods derived? Certain econometric methods were clearly often used. But behind these there is always a theoretical assumption relating to the relationships between the economic variables to be estimated. The statisticians stick to these as long as the time series calculated with their help seem to be more or less consistent with each other or with other data. The assumptions are changed where necessary. We too, need similar methods. In our opinion, we did succeed in finding a usable starting point.

Our working hypothesis

Our hypothesis was as follows. Although we do not know who are the exact recievers of the flow of money that we obtain as the result of a resonably good estimation for the spendable money income of wage earners, this indicator has to behave as the income of people living by the sale of their labour power would behave, since the

greatest part of this income accrues to "real" workers and employees. As a first approximation this would mean, that this group spent its income completely and spent nothing but this income. This, however, would be an unreal assumption. Working people who buy dwellings do not pay cash as also the well-to-do incur mortgage debts. Cars and other more valuable consumer durables are generally bought on instalment credit. It is precisely such purchases of dwellings and consumer durables that are most sensitive to business fluctuations: they show a sharp decrease during and even immediately before business contractions. When working people buy relatively many homes, cars and other consumer durables, they usually spend more then their current earnings, hence during such periods their net savings will be negative. And also the other way round: it is well known from economic literature, that – at least in the period under study – during the recessions, in times of high unemployment, the share of savings in personal money income was unusually high. The cause of this, as far as working people are concerned, is quite obvious: they do not incur new, heavy debts in time of great economic uncertainty. On the contrary: they save for a rainy day, for a possible period of unemployment. Hence we are probably not mistaken assuming that the net savings of working people will be negligible only as an average of several years. In the period under study their saving (the saving of the group as a whole) will be negative in the "good" and positive in the "bad" years. This fact is easy to explain, since there are times when they buy many houses, cars, etc. and this temporarily involves negative net saving i. e. dissaving. As regards, on the other hand, the consumption of non wage earners, we might assume, that if purchases of houses and consumer durables are subtracted from their total personal consumption expenditures, the volume of the remaining part will show a high degree of inelasticity. More accurately: it will change at lower rates than total GNP. This is our hypothesis. With its help we intend to estimate the probable values of our unknown variables.

The essentials of our method

The following macroeconomic balance sheet was formulated by *Kalecki* (3):

	Gross investment
Gross profits	+Export surplus
net of taxes	+Budget deficit
	–Workers' saving
	+Capitalists' consumption

This might also be written in the form of the following equation: Capitalists' consumption – workers' saving – gross profits net of taxes – gross investment – export surplus – budget deficit. The data for gross investment, export surplus and budget deficit are found in the official statistics, while the amount of gross profits can be given approximately by the method outlined previously. Thus our unknown items are: 1. capitalists' consumption. 2. deductions (taxes, etc.) from profits and 3. saving by wage and salary earners.

Kaleckian balance sheet No. 1 (Billions of dollars. Excluding imputations)

	1968	1969	1970	1971	1972	1973	1974	1975	1976
					Left hand side				
1. Proprietors' income	61.9	64.7	63.6	66.1	74.3	90.2	83.7	83.2	84.9
2. Rental income of persons	8.1	7.9	8.3	9.0	10.0	11.1	12.0	12.6	13.1
3. Corporate profits	85.8	81.4	67.9	77.2	92.1	99.1	83.6	99.3	128.1
4. Other profit type income	–0.3	0.7	2.3	4.3	1.0	3.2	12.5	22.5	29.0
5. Total profit type income	155.5	154.7	148.1	156.6	177.4	203.6	191.8	217.6	255.1
6. Net interest	2.5	3.3	6.9	9.1	8.6	8.6	17.7	20.3	24.3
7. Capital consumption allowances	59.6	64.9	69.8	75.0	82.8	89.5	99.5	110.0	119.1
8. Compensation of employees	517.0	568.6	600.4	647.6	712.4	796.4	872.4	926.6	1032.2
9. Business transfer payments	3.4	3.8	4.0	4.2	4.7	5.4	5.9	7.0	8.1
10. Indirect business taxes	67.4	73.6	79.6	87.5	93.9	101.8	109.0	117.7	127.2
11. Statistical discrepancy	–0.6	–3.3	–2.1	1.3	1.7	2.6	5.8	5.9	5.5
12. Gross national product (5+6+7+8+9++10+11)	804.8	865.6	906.6	981.4	1081.6	1207.7	1302.1	1405.1	1571.5

	1968	1969	1970	1971	1972	1973	1974	1975	1976
					Right hand side				
13. Gross private domestic investment	102.7	116.0	111.0	118.9	138.2	169.3	170.3	144.9	184.7
14. Net exports of goods and services	2.3	1.8	3.9	1.6	−3.3	7.1	6.0	20.4	7.8
15. Government purchases of goods and services	197.3	206.2	216.8	231.5	250.7	266.8	299.8	336.2	358.9
16. Personal consumption expenditures	502.6	541.8	574.9	629.4	696.0	764.5	825.9	903.7	1020.1
16.a. By wage earners	451.7	486.7	517.8	567.6	630.0	693.2	747.6	818.4	926.4
16.b. By non wage earners	50.9	54.9	57.1	61.7	66.0	71.4	78.3	85.3	93.7
17. Gross national product	804.9	865.8	906.6	981.4	1081.6	1207.7	1302.0	1405.2	1571.5

Kaleckian balance sheet No. 2 (Billions of dollars. Exluding imputations.)

	1968	1969	1970	1971	1972	1973	1974	1975	1976
					Left hand side				
1. Non wage earners' gross income	230.5	237.6	235.7	258.3	286.6	323.3	328.4	371.0	422.4
2. Deductions from non wage earners' gross income	61.2	63.2	59.0	63.7	71.5	80.3	87.3	90.7	110.1
3. Non wage earners' spendable income (1–2)	169.3	174.4	176.6	194.6	215.1	243.0	241.1	280.3	312.3
4. Wage earners' income	578.9	637.4	689.9	746.0	821.2	919.9	1020.6	1111.8	1235.3
5. Deductions from wage earners' income	136.7	161.9	167.5	176.2	206.0	233.5	266.0	267.8	307.9
6. Wage earners' spendable income (4–5)	442.2	475.5	522.4	569.8	615.2	686.4	754.6	844.0	927.4
7. Other government payments	2.1	2.1	2.2	2.4	2.4	2.6	3.7	3.1	3.2
8. Statistical discrepancy	–0.6	–3.3	–2.1	1.3	1.7	2.6	5.8	5.9	5.5
9. GNP – government receipts + government non purchase payments (3+6+7+8)	613.0	648.7	699.2	768.1	834.4	934.6	1005.2	1133.3	1248.4

	1968	1969	1970	1971	1972	1973	1974	1975	1976
					Right hand side				
10. Gross private domestic investment	102.7	116.0	111.0	118.9	138.2	169.3	170.3	144.9	184.7
11. Net exports of goods and services	2.3	1.8	3.9	1.6	–3.3	7.1	6.0	20.4	7.8
12. Government deficit, national income and product accounts	5.5	–10.7	9.4	18.3	3.5	–6.3	3.2	64.3	35.6
13. Personal consumption expenditures	502.6	541.8	574.9	629.4	696.0	764.5	825.9	903.7	1020.1
13.a. By wage earners	451.7	486.7	517.8	567.6	630.0	693.2	747.6	818.4	926.4
13.b. By non wage earners	50.9	54.9	57.1	61.7	66.0	71.4	78.3	85.3	93.7
14. GNP – government receipts + government non purchase payments	613.1	648.9	699.2	768.2	834.4	934.6	1005.4	1133.3	1248.2

Kaleckian balance sheet No. 3 (Billions of dollars. Excluding imputations.)

	1968	1969	1970	1971	1972	1973	1974	1975	1976
					Left hand side				
1. Non wage earners' spendable income	169.3	174.4	176.6	194.6	215.1	243.0	241.1	280.3	312.3
					Right hand side				
2. Gross private domestic investment	102.7	116.0	111.0	118.9	138.2	169.3	170.3	144.9	184.7
3. Net exports of goods and services	2.3	1.8	3.9	1.6	–3.3	7.1	6.0	20.4	7.8
4. Government deficit, corrected	3.4	–12.8	7.2	15.9	1.1	–8.9	0.0	61.2	32.4
5. Non wage earners' consumption	50.9	54.9	57.1	61.7	66.0	71.4	78.3	85.3	93.7
6. Less: Wage earners' saving	–10.2	–12.1	3.5	1.1	–15.8	–8.0	6.7	24.7	–0.1
7. Less: Wage earners' transfers to foreigners	0.8	0.9	1.1	1.1	1.0	1.3	1.0	0.9	0.9
8. Less: Statistical discrepancy	–0.6	–3.3	–2.1	1.3	1.7	2.6	5.8	5.9	5.5
	169.3	174.4	176.7	194.6	215.1	243.0	241.1	280.3	312.3

Personal consumption by social groups

Year	Non wage earners				Wage earners			
	Billions of dollars	Index 1968 = 100	Per cent change from preceding year	Percentage share in total consumption	Billions of dollars	Index 1968 = 100	Per cent change from preceding year	Percentage share in total consumption
	A: billions of dollars. Excluding imputations							
1968	50.9	100.0	–	10.1	451.7	100.0	–	89.9
1969	54.9	107.9	7.9	10.1	486.7	107.7	7.7	89.9
1970	57.1	112.2	4.0	9.9	517.8	114.6	6.4	90.1
1971	61.7	121.2	8.1	9.8	567.6	125.7	9.6	90.2
1972	66.0	129.7	7.0	9.5	630.0	139.5	11.0	90.5
1973	71.4	140.3	8.2	9.3	693.2	153.5	10.0	90.7
1974	78.3	153.8	9.7	9.5	742.6	165.5	7.8	90.5
1975	85.3	167.6	8.9	9.4	818.4	181.2	9.5	90.6
1976	93.7	184.1	9.8	9.2	926.4	205.1	13.2	90.8
	B: billions of 1972 dollars. Excluding imputations							
	Billions of 1972 dollars				Billions of 1972 dollars			
1968	58.9	100.0	–	9.9	536.8	100.0	–	90.1
1969	60.0	101.9	1.9	9.8	552.5	102.9	2.9	90.2
1970	60.4	102.5	0.7	9.7	561.7	104.6	1.7	90.3
1971	63.1	107.1	4.5	9.7	589.2	109.8	4.9	90.3
1972	66.0	172.1	4.6	9.5	630.0	117.4	6.9	90.5
1973	67.7	114.9	2.6	9.4	654.7	122.0	3.9	90.6
1974	67.2	114.1	–0.7	9.5	639.3	119.1	–2.4	90.5
1975	67.5	114.6	0.4	9.5	645.2	120.2	0.9	90.5
1976	70.4	119.5	4.3	9.2	692.6	129.0	7.3	90.8

Knowing all these, we proceded the following way: we variated consumption by capitalists in a series of computations within certain limits, and combined each assumed value of capitalists' consumption with different amounts – again within certain limits – of deductions from profits. Thus we obtained quite a number of hypothetical time series for workers' savings. The result was, that only a few of these showed positive saving in "bad" and negative saving in "good" years. Moreover, the time series conforming with the above assumption and also not giving absolutely improbable values in other respects, were found within a very narrow band.

We also had another starting point. Not only taxes but also some other items had to be deducted from profits, of which, however, taxes are by far the greatest item. On the basis of an American (non government) publication we were able to make a reasonable estimate about the percentage tax burden of different types of income (4). Thus we had a reliable base for estimating the deductions from profits. It turns out, that this estimate was well in line with the most probable ones in our time series, obtained by a method of trial and error. Thus we have the not unjustified hope, that our model can be reasonably used in analyzing the economic processes of the seventies and arrive by its help at results qualitatively good and even quantitatively of acceptable accuracy.

When making our actual calculations, we, of course, met many complications, but, in substance, we proceded as outlined above.

On the following pages we present the main steps of our calculations is some detail. We hope that, by doing so, we render what is said above more understandable and – perhaps – more plausible as well.

Our methods in detail

In constructing our model we started from one of Kalecki's macroeconomic balance sheets, the original form of which was as follows: (5)

	Gross investment
Gross profits net of taxes	Export surplus
Wages, salaries and	Budget deficit
transfers net of taxes	Capitalists' consumption
Gross national product	Gross national product
minus taxes plus transfers	minus taxes plus transfers

This was the balance sheet we had to fill in using the data of official US statistics.*

The balance sheet is, however, over-simplified in its original form. We had to make it conform with the categories in the US National Accounts. Kalecki's "gross profits"

*The sources of the data were – if not stated otherwise – the official publications of the Department of Commerce of the United States (6) (7).

item comparises all incomes of capitalists, including capital consumption allowances (hence the label gross) US statistics give the figures for the gross national product and its components, but the latter are not subdivided into gross profits and wages and salaries. This approximate subdivision had to be done by ourselves. In the American statistics the components of gross national product as a sum of incomes are: 1. Compensation of employees, 2. Profit type return, 3. Net interest, 4. Indirect business taxes, 5. Statistical discrepancy, 6. Capital consumption allowances. We regarded profit type returns and the far greater part of net interest (see later) as profits. The former consists of corporate profits, proprietors' income (income of non corporate businesses such as: farmers, one-person firms and professional people) and rental income of persons. A provisionally unquantified share (p) in net interest was supposed to accrue to wage and salary earners.

The lion's share of interest paid by government was also regarded as capitalists' income, being mainly interest on government securities and thus the share of wage earners (q) in it must be small. The item: "Subsidies less current surplus of government enterprises" was also regarded as profits. We termed the sum of the above items, not being entirely capitalists' income in the strict sense of the term, non wage earners' income.

As regards wages and salaries: this item consists of compensation of employees plus transfers, all to be found in the statistics (Kalecki's balance sheet knows only of government transfers, but business transfer payments ought to be included into Kalecki's "wages and salaries" as well).

Kalecki mentions among deductions only taxes. In reality we have to deduct the following items from gross income: from the gross income of non wage earners: direct taxes paid by firms and personal taxes paid by non wage earners. These include corporate profit taxes (figuring in the statistics), taxes paid by non wage earners on their income (dividends, interest) and also the personal income tax of non corporate businesses. The item also includes other personal (gift, estate, etc.) taxes and certain non tax payments to government (fines, etc.). The sum of all these together we call x.

Besides these, non wage earners pay personal contributions for social insurance (y). Thus by adding to all incomes accruing to non wage earners the amount of capital consumption allowances and deducting from it corporate profit taxes plus the sum of x, y, q and p, we have arrived at the item figuring in Kalecki's balance sheet as "gross profits minus taxes".

We also had to deduct the direct taxes they pay from wage earners' income. In the statistics we could find the amount of total "personal tax and non tax payments". By subtracting y from this, we obtain the amount of direct taxes paid by wage earners. From their compensation we also have to deduct employer contributions for social insurance, directly paid by the employer. Workers never lay their hands on them, although formally, they are a part of wages and salaries. This is also given in the statistics.

Personal contributions for social insurance are also to be deducted from wage earners' income. These equal: total personal contributions for social insurance minus y.

Thus we arrive at the spendable income of wage earners. This corresponds to Kelecki's "Wages and Salaries minus taxes".

Beside the spendable income of wage earners and non wage earners the left hand side of the balance sheet consists of a few other items, which, although numerically small, are, however, indispensable to make it completely conform with US statistics. These include government transfers not taken into account in non wage earners' income (for example transfers to foreigners) and the statistical discrepancy. Together with these the left hand side equals "Gross national product minus government receipts plus government transfers" (government receipts corresponding in reality to Kalecki's "taxes").

The right hand side of the balance sheet was easier for us. In the official statistics we find: the export surplus (net exports), gross investment (gross private domestic investment) the budget deficit (government deficit, National Income and Product Account) and the total of personal consumption expenditures. Within these latter one, however, we are unable at this stage to separate non wage earners' and wage earners' consumption.

We should mention here, that the purchase of owner occupied dwellings (family homes, apartments, mobile homes) we do include into personal consumption since houses are "the largest and most durable type of consumer goods." (8) Luckily it can be found in the official statistics in these terms as well. (See: table 8.3 line 4. in the U. S. National Income and Product Accounts.)

Thus Kalecki's balance sheet filled in according to the categories of US statistics is as follows:

1. Non wage earners'[a] gross[b] income
2. Deductions from non wage earners' gross income[c]
3. Non wage earners' spendable income (1–2)
4. Wage earners' income[d]
5. Deductions from wage earners' income[e]
6. Wage earners' spendable income (4–5)
7. Other government payments[f]
8. Statistical discrepancy
9. GNP – government receipts + government non purchase payments (3+6+7+8)
10. Gross private domestic investment
11. Net exports of goods and services
12. Government deficit, national income and product account
13. Personal consumption expenditures[g]
14. GNP – government receipts + government non purchase payments

a More accurately: income of capitalist firms and non wage earners'. Components: corporate profits, proprietors' income, rental income of persons, capital consumption allowances, the overwhelming share of net interest, subsidies less current surplus of government enterprises, interest received from government.

b Includes capital consumption allowances

c Components: corporate profit tax, direct personal taxes (x) and personal contributions for social insurance (y) of non wage earners, the part of government interest and net interest accruing to wage earners (q + p)

d Compensation of employees, transfer payments received from business and government, wage earners' share in interest mentioned above (q + p)

e Components: Wage earners' direct personal taxes (total personal taxes – x), employers' contribution for social insurance, wage earners' personal contributions for social insurance (total contributions – y)

f Government transfer payments to foreigners and government wage accruals less disbursements.

g Contrary to Kalecki's original balance sheet, here non wage earners' (capitalists') and wage earners' (workers') consumption do not figure separately. Includes also net purchase of owner occupied dwellings and of buildings owned and occupied by nonprofit institutions, as in Table 8.3 line 6., US National Income and Product Accounts.

For the sake of illustration see the above Kaleckian balance sheet filled in with actual figures for the year 1972 (billions of dollars, excluding imputations.)

1. Non wage earners' gross income	286.6	10. Gross private domestic investment	138.2
2. Deductions from non wage earners' gross income	41.5+ +x+y+q+p	11. Net exports of goods and services	–3.3
3. Non wage earners' spendable income (1–2)	245.1– –x–q–p	12. Government deficit	3.5
4. Wage earners' income	817.1+ +q+p	13. Personal consumption expenditures	696.0
5. Deductions from wage earners' income	231.9– –x–y		
6. Wage earners' spendable income (–4–5)	585.2+ +x+y+q+p		
7. Other government payments	2.4		
8. Statistical discrepancy	1.7		
9. GNP-government receipts + government non purchase payments 834.4 (3+6+7+8)		14. GNP-government receipts + government non purchase payments	834.4

It is clear from the above balance sheet, that as x, y, q and p figure in the respective income of non wage earners and wage earners with contrary signs – resp. + they do not appear in the totals. Thus our balance sheet will be in equilibrium wether we estimated the values of these items (which are not to be obtained directly from official statistics) correctly or not.

But we needed this balance sheet only to check wether our interpretation of the categories in the US National Accounts are correct or not. What we really needed was Kalecki's balance sheet deducible from the above, showing the components of profits (non wage earners' gross income) and in this the items x, y, q and p figure also in the totals.

We get this latter from the former balance sheet by subtracting from both sides Wage earners' spendable income, together with items 7., (Other government payments) and 8., (Statistical discrepancy) (the last two having been neglected in Kalecki's original

balance sheet). On the right hand side we get a new item: government deficit, corrected* being the difference between Government deficit and Other government payments. In order to render our balance sheet conform with that of Kalecki, when subtracting Wage earners' spendable income from the right hand side, we should remember that Personal consumption expenditures equal Non wage earners' consumption + Wage earners' consumption. On the other hand, wage earners use their spendable income for consumption, transfers to foreigners and saving. Taking all these into account, we arrive at the following balance sheet**:

1. Non wage earners' spendable income	2. Gross private domestic investment
	3. Net exports of goods and services
	4. Government deficit, corrected
	5. Non wage earners' consumption (c)
	6. –Wage earners' saving (S_w)
	7. –Wage earners' transfers to foreigners
	8. –Statistical discrepancy

Our estimating equation

Trying to fill this balance sheet as well with actual data – using once again 1972 figures – we might write (billions of dollars, excluding imputations):

1. 245.1 –x–y–q–p	2. 138.2
	3. –3.3
	4. 1.1
	5. c
	6. – S_w
	7. –1.0
	8. –1.7

Here we use symbols only for the items Non wage earners' consumption (c) and Wage earners' saving (S_w) as their values are not present in official US statistics. Thus, we can derive the following equation from the balance sheet: S_w + statistical discrepancy (1,7) = 110,1 – (x + y + q + p) – c. The sum (x + y + q + p) we will call e (e = estimated data). We can write out such equations also for the years 1969–1975 and thus arrive at the following time series:

*This is really the domestic deficit, as Other government payments consist practically of transfers to foreigners.

**Namely: (Non wage earners' consumption + Wage earners' consumption ⟨–⟩ Wage earners' consumption, saving and transfers to foreigners) = Non wage earners' consumption – Wage earners' saving and transfers to foreigners.

$$
\begin{aligned}
&1969 : S_{w69} - 3.3 = 92.0 \\
&1970 : S_{w70} - 2.1 = 78.0 \\
&1971 : S_{w71} + 1.3 = \ 83.1 - (x_t + y_t + q_t + p_t) - c_t \\
&1972 : S_{w72} + 1.7 = 110.1 \qquad \text{(lower index t indicates that this} \\
&1973 : S_{w73} + 2.6 = 105.8 \qquad \text{data should be calculated at the} \\
&1974 : S_{w74} + 5.8 = 100.7 \qquad \text{value of the given year)} \\
&1975 : S_{w75} + 5.9 = \ 95.2
\end{aligned}
$$

The sum $(x_t + y_t + q_t + p_t)$ we will call e_t.

Among the four items making up e_t the direct personal taxes of non wage earners' are by far the greatest. In estimating their values the Pechman and Okner book on the tax burden borne by different types of incomes already referred to was of great assistance. With its help we calculated the amount of x for all the years of the above time series. As far as y is concerned, we could borrow the amounts of personal contribution for social insurance from official statistics paid by the self employed, i. e. by the owners of one-person firms and members of the professions. To this we also added a fraction of supplementary medical insurance contribution payments. As regards net interest, we assumed that wage earners obtained 30 per cent of the total of this small item (this is our p). From interest paid by government, which consists mainly of interest on government securities, we credited wage earners' with ten per cent of the total (this is our q) – and even this might be too much. All in all the most probable amount of x is about 75–80 per cent of total e. Thus the possible error in our estimate of the sum (y + q + p) is most probably much smaller than the possible error in estimating x.

By using the above method we obtained a series for the values of e we regarded as most probable. Its value for 1972* turned out to be 30 millions. Then, we made calculations also with several series of hypothetical values for e between 21 and 39 billions for the same year; for the other years (1969–75) we estimated the e values in accordance with the series of index numbers obtained from the original estimates thought to be the most probable, thus obtaining seven hypothetical time series.

Similarly: we estimated the most probable values of non wage earners' consumption for the year 1972 as 60 billion dollars excluding and 66 billions including the purchase of dwellings, and from this we calculated – on the basis of official statistics on total personal consumption expenditures, total purchases of owner occupied dwellings and of consumer durables – the respective value of non wage earners' consumption for the years of our time series. This was, however, only one of the variants calculated. Beside this we also computed several other variants assuming hypothetical values for non wage earners' consumption for the year 1972 between 50 and 75 billions (excluding purchases of dwellings) combining those with assumed values of purchases of dwellings for the same year of 4,6 and 8 billions, thus obtaining 15 variants. By combining these with the above

*This year was chosen, because official US statistics present volumes (data at constant prices) in 1972 dollars.

seven we elaborated 7 x 15 = 105 variants. But what we really were in need of were not these separate values of e and c but the sum e + c. In this respect only few of the 105 variants gave substantially different values.

In the following chart we present S_w as a function of e and c. (Charts 1, 2, 3. and 4.)

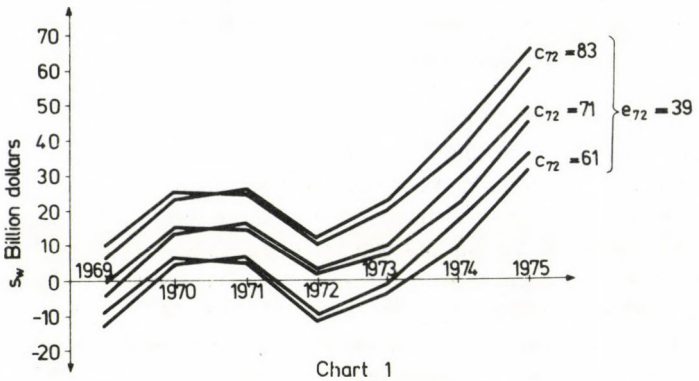

Chart 1

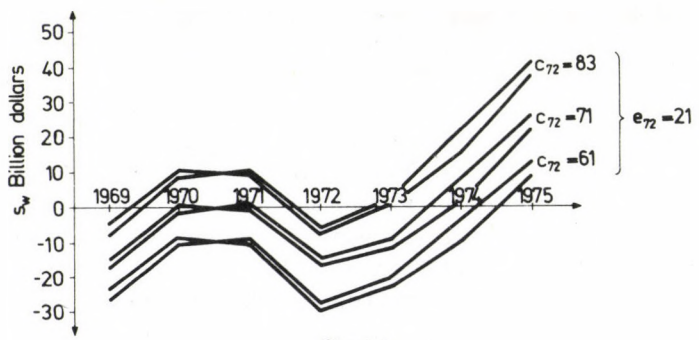

Chart 2

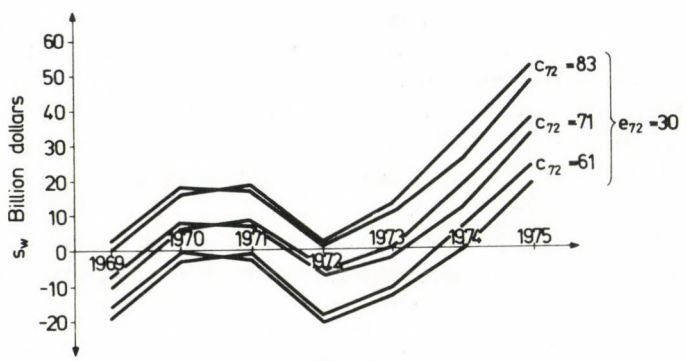

Chart 3

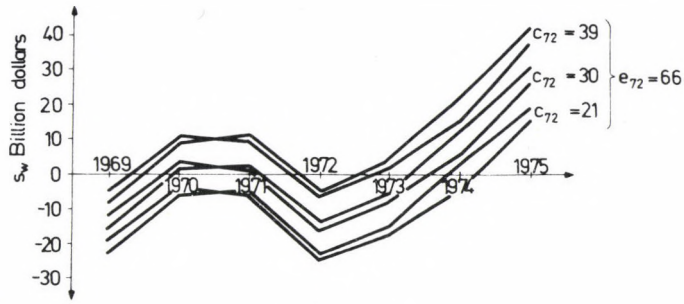

Chart 4

In the above charts S_w curves are represented by bands, the width of each being equal to the statistical discrepancy as given in official statistics (having in some years positive and in other ones negative values).

In each of the first three charts S_w is presented as a function of some constant c value (a high, a middle and a low one respectively). In the last chart the value c regarded as most probable is coupled with different e values.

Conclusions

In chart 1. only the lowest curve (c_{72} = 61 billions; e_{72} = 39 billions) conforms to the hypothesis that net saving by wage earners is negative in the "good" years (1969, 1972 and 1973) but positive in the bad ones (1970, to some extent 1971 and of course 1974 and 1975). In this curve, however, the amount of dissaving by wage earners' for the year 1969 is much greater than that for the overheated year 1973, and this makes the acceptability of this curve somewhat questionable.

In chart 2. only the uppermost curve (c_{72} = 83 e_{72} = 21 billions) seems to be acceptable, but in this there appears no dissaving for 1973 and, besides that, also the value S_w for 1975 – about 40 billions – seems to represent an irrealistically large share of total individual saving (including the saving of non corporate business as well), amounting to 60 billion in that year.

Among the curves in chart 3. the middle one (c_{72} = 71 billions; e_{72} = 30 billions) would seem to be acceptable if the amount of dissaving for the year 1973 were also reasonable.

The middle curve of chart 4. (c_{72} = 66 billions; e_{72} = 60 billions) seems acceptable in all respects. Although it shows somewhat small savings for 1970, we should not forget that the recession of that year was very mild, its depth being far from that of 1974; real wages did not fall, thus there was no cause for wage earners' to increase savings considerably in fear of the future.

Thus non wage earners' consumption in 1972 ought to have been between 60 and 70 billion while the value of e was most probably between 30 and 32 billion. (If in the meantime no more reliable figures will be published, we intend to use these estimates in our planned book).

On the following pages we present three Kaleckian balance sheets filled in with actual figures for the years 1968–1976. In these we have accepted the values: c = 66 billions and e = 30 billions for the year 1972. We also present data of consumption by the two social groups for the same period – estimated by the same method – both in current and in constant (1972) dollars.

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МЕТОД ОЦЕНКИ ДОХОДОВ, ПОТРЕБЛЕНИЯ И СБЕРЕЖЕНИЙ КЛАССОВ НА ОСНОВАНИИ СТАТИСТИЧЕСКИХ ДАННЫХ ПО США

П. ЭРДЁШ–Ф. МОЛНАР

Перед авторами статьи Институтом экономики ВАН была поставлена задача дать анализ спорных теоретических положений политической экономии современного капитализма и конкретизировать их в свете тех трудностей, которые пережила и переживает экономика капиталистического мира в 1970-х годах. Однако официальная статистика капиталистических стран не содержит многие из тех данных, знание которых необходимо для марксистского анализа конъюнктурных колубаний в этих странах и прежде всего их причин. Авторы поэтому попытались разработать метод, с помощью которого можно, несмотря на это, получить достаточно хорошее представление об этих данных. Предложенный ими метод, изложение которого дано в статье, отправляется из отпределенных общих черт балансов национальных хозяйств, которые были впервые обнародованы Калецким. Собственно методологическая новизна заключается в применении тезиса, состоящего в том, что на протяжении анализируемого десятилетия личные сбережения живущих на зарплату – в позитивном или негативном смысле – находились

в отрицательной корреляции с направлением конъюнктуры: в периоды быстрого экономического роста трудящиеся задолжались, а в период спадов – не полностью тратили свои текущие доходы. По мнению авторов, с помощью примененного метода с приемлемой для анализа конъюнктуры точностью можно оценить важнейшие данные, которые не содержит официальная статистика.

В приложении к статье содержатся три вида рассчитанных на основе представленного метода серий баланса национального хозяйства, вместе с оценкой данных о расходуемых доходах живущих на зарплату, мелких самостоятельных производителей и капиталистов, об их потреблении и об их сбережениях. Все эти данные рассчитаны применительно к США на 1969–1975 гг.

Acta Oeconomica Vol. 19(3–4), pp. 299–317 (1977)

B. CSIKÓS-NAGY

INFLATION THEORY AND ANTI-INFLATION POLICY

Between Aug. 28–Sept. 3. 1975 the International Economic Association organized a conference in Saltsjöbaden under the title "Inflation theory and anti-inflation policy". Selected studies, submitted to the conference, were published also in Hungarian edited by Béla Csikós-Nagy. The editor also wrote an introductory study to the Hungarian edition. This is now published in English.

The word "inflation" comes from the English expression "inflated". It was used for the first time in the civil war between North and South of the United States. It was to mark the state when coined (metallic) money had an agio over uncovered paper-money and, parallel with it, prices were rising, though to different degrees, but generally [1]. That is, the expression "inflation" began to be used in the phase of development of monetary economy when paper money gained ground beside metal currency. Therefore, the first analysis of inflation was directed at the special process of *"doubling"* prices.

This remark about the development of the concept of inflation is not intended to be an introduction to the history of theory. Only those elements of the history of theory will be used that may provide useful information for a better understanding of the inflationary phenomena of our age. From this viewpoint it seems sufficient to centre our attention on the turning points connected with the changes *in the concept of inflation.* On these grounds three main theoretical directions may be distinguished. According to them inflation is either

– abundance of money or
– excess demand or
– rising price level.

The order of sequence is also a chronological one. Identification of inflation with abundance of money had been the prevailing standpoint up to the 1890s, and its identification with excess demand prevailed up to the 1950s. In the last decades, however, the view has been spreading in which the sign of equality is put between inflation and rising price level. *Thus, the concept has broken away from the original word.*

Association with the *concept of value* presents itself spontaneously. Value as the amount of labour expended on producing commodities has become the starting-point for understanding the price phenomenon. If one denies the hypothesis of the labour theory of value, as is done by the marginal utility school and, in general, by the recent non-Marxist price theories, *Cassel* is right in suggesting that the word "value" should be eliminated from the terminology of economics, and only the exchange relations should be

studied. [2] In the same way, why should we need the concept of inflation if we identify with a rising price level? The expression may not have been born at all, if we had interpreted the concept according to the now prevailing view.

The *value concept was incorporated into the body of economic knowledge by the English classical school, and the concept of inflation by the quantity theory of money.* The connexion between value and inflation is created by the value of money, i. e. its possible deterioration. Turning over the pages of old textbooks one finds shades of difference – sometimes even important ones – in the interpretation of inflation. We are mentioning it only for illustration's sake that Liefmann considered inflation as the effect of multiplying money on prices [3], while Cassel considered it to be oversaturation [4] of the market with paper money. The former one indicates a state, the latter a process. There was agrement, however, in that inflation as well as deflation amount to an upsetting of the general equilibrium (abundance and scarcity of money resp.) brought about as a rule, by economic (monetary) policy.

With the value of money interpreted as price level, inflationary monetary policy is an instrument to raise the price level, and deflationary policy is one to lower it. Both directions of the changes in price level start in such a case from the *side of money.* But the price level may change also under the effect of factors that appear on the side of commodities. What is more, if we look at changes in prices placed within the framework of general equilibrium, price tendencies and changes in price proportions can be interpreted only as changes in value relations. This accounts for the fact that old economic textbooks separated the comprehensive analysis of prices from the analysis of inflation and deflation; the latter was considered as a special manifestation of changes in prices induced by monetary regulation.

Interpretation of inflation as *excess demand* is a new explanation for a rising price level determined from the side of money. This change was brought about by *Wicksell* [5]. It was upon this basis that *Novozhilov* formulated his theory of repressed inflation. [6] According to the quantity theory of money, if the quantity of money grows – under orherwise unchanged conditions – the price level will be rising as a consequence. Wicksell deduced the price effect starting from the side of money not directly from the change in the quantity of money, but from relations between demand and supply. The difference is important. An increase in the quantity of money is economically justifiable, if it is in proportion with the expansion of the economy; if the ratio of money savings is growing, or, in general, the velocity of money circulation slows down. In the final analysis, the inflationary effect on the price level exerted from the side of money can be based only on the fact that more goods are demanded and more services required than the supply determined at the given price level.

For Wicksell – thinking in terms of the free market model – it seemed only natural that excess demand should lead to rising prices. Novozhilov again had in mind the situation prevailing in the Soviet Union in the period of transition from War Communism (barter economy) to the New Economic Policy (commodity economy). In the period of transition a policy of low prices was pursued. These were prices adjusted to the level of

wages paid for producing the goods; they did not – or hardly – realize any social net income. The makers of price policy were guided by the intention to open the market wide for workers earning low wages. On analyzing the situation, Novozhilov found that the policy of low prices functioned similarly to inflation, with the difference that rising prices were replaced by a growing shortage of goods. He called the emerging situation credit inflation.

In analyzing the controlled economy during World War II the Western dispute recalled the dispute in the Soviet Union in the 1920s. The difference is in terminology: shortage of goods was replaced by inflationary gap, [7, 8] and credit inflation by repressed inflation [9].

Manifestations of repressed inflation are concealed price increases, forced purchases, and forced saving. These phenomena are found even today in socialist economies, in consequence of excess demand being institutionally incorporated into the economy of most socialist societies. Economists of socialist countries regularly indicate the presence of inflationary pressure, although they generally avoid the word "inflation". In case the state controls prices, it may be assumed that it observes factors affecting value relations, that is, this control follows – at least in its tendency – the change in prices determined from the side of commodities. In this case, however, inflationary pressure can be determined only from the side of money. In other words: repressed inflation fits into the framework of the excess demand theory. If there is excess demand, it is exactly as a function of free price movement or official price control that a distinction can be made between open and repressed inflation.

A rising price level has become permanent in market economies after World War II. Permanent excess demand has also played a role in it. Under such circumstances a separate analysis of the commodity side and of the money side i. e. such approach to the problem as is capable of drawing the line between inflationary price movements and price movements determined by changes in production and consumption relations has, of course, become more difficult. It seemed easier also from the point of view of econometric model construction if inflation was simply identified with a rising price level. This is what *J. M. Clark* did when he examined the development of prices and wages on commission of the American Banker Association [10]. As a result of the activity of Clark and others the view has become general that

– slow, accelerated and galopping inflation should be distinguished, depending on the yearly rate of the rise in price level

– as a function of causes behind the rising price level cost-push inflation and demand-pull inflation should be distinguished from each other.

It follows from the nature of things when price movements are fitted into the framework of inflation theory, that cost aspect need also to be drawn into the sphere of examination. This expansion is held important by Western economists mainly in regard of wages and import prices. The concept of "structural inflation" was born, which explains the changes in relative prices and the increasing costs of individual products and, in

particular of services, as a function of proportional wage development and differentiated productivity growth.

Phillips published a study in 1958 in wich he considered his three hypotheses in relation to Great Britain as statistically proven:

1. There is a non-linear relationship between the rate of unemployment and the change in the wage level. Wages increase faster in the case of full employment, when demand for labour is considerable, than is the decrease of wages in case of a high degree of unemployment.

2. The extent of changes in wages depends on the changes in demand for labour. The workers' position in validating their demand for higher wages is better if demand for labour is on the increase (or unemployment decreases).

3. The cost of living affects wages only if consumer prices increase considerably. If the cost of living increases by a few per cents only the rise in the consumer price level neutralizes only the difference between the improving rate of productivity and the rate of wage increase. If, however, the cost of living rises considerably, the price–wage spiral will start functioning. [11]

Today's theories of inflation are based on the Phillips curves or their further developed versions.

Price movements determined from the commodity side

Some consider it only a matter of convention what economic content is attributed to various concepts, such as e. g. inflation. According to their opinion, the problem of inflation may be analyzed in the framework of various investigation systems; the important thing is only to reveal the causes of the rising price level, and to find instruments for overcoming inflation, having in mind also economic efficiency. In fact, however, concepts, classifications, etc. determine thinking. Correct concepts and correct classifications help to get to know the real world. And this is important, since scientific research concerned with inflation is to serve economic policy. It is with this in mind that we have to answer the question whether the modern concept of inflation is a further development of the old one, or its deformation; whether the shift from price analysis on the *commodity and money side* to the analysis of *demand and cost inflation* might be considered a forward step.

Let us start *from the price relations of a given date,* at which we assume that there is no excess demand and prices are controlled by the market, so that they function as equilibrium prices. Looking at them from the supply side, these prices deviate from the socially measured value. This is necessarily so, because

– the market price can maintain the equilibrium between demand and supply only in its movement around input;

– the various kinds of products are in a substitution relationship with each other. Their relative prices are influenced by the consumer through a comparison of use values.

That is why, beside other things, the theory of value can be interpreted only together with the rent theory;

– it is one of the characteristics of the production process that several products may be obtained parallelly. Products are classified accordingly into primary products, secondary products and waste; and primary products obtained simultaneously are called twin products. In such manufacturing processes the inputs by products cannot be determined at all in many cases, and relative prices only as a function of substitution relationships.

Looking at it from the *demand* side the assumption seems sufficient that we may reckon with consumer sovereignty, and the supply structure will be adequately adjusted to the demand structure.

Now the question is what price movements are brought about in the short run, in the long run, and secularly by the changes taking place in production and consumption relations (on the commodity side). We continue to assume general equilibrium, that is one in which a change in the quantity of money and/or on the velocity of money circulation (the money side) does not induce price movements.

In the short run, such price movements are obviously characteristic as are natural concomitants of the equilibrium function of price in a smoothly developing economy. Price analyses of such type are concerned with changes connected partly with the seasonal movement of prices and partly with their movements around value. These short-term price movements do not lead, as a rule, to changes in the price level (and thus in the value of money). Let us add immediately: some representatives of the quantity theory of money examined the price movements determined by changes in production and consumption relations only in the short run, and this is how they came to the conclusion that, *looking at it from the commodity side, only a change in price proportions can take place.* Accordingly, if there is a change in price level, it can be traced back only to causes on the money side. [12, 13, 14]

Representatives of the quantity theory of money are inclined to underestimate the autonomous laws of real processes taking place in the economy, and to interpret, as far as possible, every important change of state as a reflexion of monetary processes. Thereby, however, they almost supplied the grounds for the change in the theory of inflation, according to which inflation is interpreted no more as inflation of the currency, but as a rise in the price level. And this happened in spite of the considerable amount of knowledge which had accumulated when the quantity theory of money was still flourishing in respect of the long-range price trends asserting themselves as a result of changes in production and consumption relations.

The scientific examination of *long-range price trends* is based upon the laws of returns characteristic of production factors. It was the diminishing returns of land, and the increasing returns of capital that gave grounds for such opinion that the trend of prices is rising with regard to agricultural products (minerals) and falling as regards industrial products [15]. Thus, in the long run the commodity side induces also a change in the price level (in the value of money). In the interpretation of the laws of returns this

must clearly come to expression – in an advanced period of industrialization – in a declining price level (in the increasing value of money). From this viewpoint not only a rising price level, but even an unchanged one would indicate the presence of inflation. If, namely, as a consequence of changes in production and consumption relations, the price level must fall, but this does not happen, then it is on the money side that causes must be assumed which shift price movements out of their natural trend.

We have come to a point at which a question constantly discussed in socialist countries comes to the centre of attention. *Marx* analyzed thoroughly the long-term price trends of the last century in the free-market capitalist system and formulated the thesis of the *diminishing tendency of value*. Since price is the money form of value, many think it natural if the socialist state asserts this tendency through planned pricing. That is why a rising price level is qualified *a priori* as bad, and a falling price tendency as good. It has been found in practice, however, that those socialist countries which consider precisely this as the most important requirement to be raised against price policy, can at most set the objective of a full or relative stability of the consumer price level, but even that only by increasingly resorting to budgetary price subsidies.

Socialist countries *raise the state purchase price level of agricultural products* from time to time. Beside improving the self-financing capacity of agriculture they do this mainly in order to bring about and maintain income parity between workers and peasants.

In Western Europe this had been achieved at an earlier date. Historically the gap between agricultural and industrial prices was created in Europe by the low world market price of agricultural goods. With such price relations it would have been impossible to ensure the continuity of agricultural production in Europe.

The industrial price level was raised from time to time in most European socialist countries, as a consequence not only of rising wages but also of changes in socio-economic conditions. The creation of facilities for research and development, the acceleration of technical progress and environmental protection increased costs. In certain productive branches low-cost technologies had to be discarded; the workers were no longer willing to undertake the type of labour they represented. This led to wage rises, in the first stage, and to inevitable changes in technology in the second. The urgent need of the masses for commodities and services can sometimes be met only with higher-cost technologies than those previously employed.

The socialist countries do not regard a rise in the price level as representing inflation. The elimination or narrowing of the gap between agricultural and industrial prices has relaxed increasingly acute social tensions and has contributed in no small measure to enhancing general social stability and to equilibrium. If there is a sufficient volume of commodities to satisfy the increasing purchasing power of the peasantry, why should that be described as an inflation? If it were, any changes which increase social stability by maintaining economic equilibrium should be regarded as upsetting economic stability. Similarly, if a rise in industrial production costs due to acceleration of the rates of technological development, of environmental protection and of increasingly

demanding social requirements and other similar factors were to be described as inflation, this would imply an identification of economic stability with the preservation of historically evolved conditions of production. In this case only such changes in conditions might be considered compatible with economic stability as would decrease specific input and absolutely none that would increase it.

In describing the mechanism of the capitalistic mode of production in the last century, Marx analyzed thoroughly the factors appearing on the product side which are carriers of changes in value (in price). He examined such free-market economy, in which only such organizational measures are taken, such technologies and modernization processes are introduced as a result of which the change in the organic composition of capital (increase in the share of constant capital) simultaneously leads to a reduction of the input per unit of product, that is, of the value of the commodity. In the free-market capitalist system of the last century this was almost forced by the keen competition, and made possible by the oligocentrally organized world economy, the industrial reserve-army and, consequently, by the weak position of the working class.

Nor can it be left out of consideration, *that Marx explained the tendency of decreasing value and price in the framework of a critical analysis of capitalism.* If the capitalist could reduce value of the product by technological development, he was forced by competition to express this in a reduced price. At the same time, the tendency of decreasing price was closely related to the reduction of wages. In this model the product price follows the decreasing tendency of product value, while wages follow the decreasing tendency of the value of labour power with unchanged working hours, and maybe with an increased intensity of work.

In this model, the value of labour power and thus wages diminish through the reduction of the price level as a function of the living costs.

All this may be enough to make it clear that in analyzing price movements determined from the product side we cannot rest content with taking into account the long-term changes in production and consumption relations. Attention must be extended also to *secular changes.* Therefore, our task would be to compare the general political, social and economic relations of the 19th century with those of the 20th and to examine, whether new conditions have come about for value and price movements in this century. Scientific research still owes us such an analysis. In this study we cannot do it. We can but suggest what fundamental and thorough changes have been (and are still) taking place.

– The world economy is not oligocentrally but polycentrally organized.

– National economies develop under relations of conflict and fight between the different socio-economic systems.

In the accelerated technological development competition renders the time factor more determinant than profitability.

– Because of increasing scarcity of non-renewable resources, or which are renewable only to a limited extent, the kind of rationality is undergoing a transformation which enables the minimization of input while wasting resources.

– Politics puts the price category at the service of equalization; it wishes to achieve in this way an international redistribution of national incomes in favour of developing countries.

– The relationship between society and economy is changing in a manner, which reduces social mobility.

– Demand for full employment and equity is growing stronger.

– Social expectations (towards labour safety, environmental protection, improvement of working conditions, etc.) raise demands on technology in a changed manner.

The opinion seems justified according to which the tendency of value (price) cannot be determined on the basis of criteria characteristic of the last century. What is more, the hypothesis also seems justified that *the commodity side determines a rising tendency of the value (price) level.* Insofar as the price level is rising, exactly because of changing production and consumption relations, why should it be considered inflation? This is without justification, just as it is to qualify the falling tendency of prices in the last century a deflationary process. After all, the general process of socio-economic development cannot be formulated as a system in which inflation and deflation are alternating.

There are, of course, we must repeat, people who consider this merely a question of convention. It is even more characteristic that certain expressions spread in the wake of a scientific fashion, giving thus the semblance of modernity. Let us remark against the prevailing tendency, that the substitution of an inflation-deflation analysis for a comprehensive analysis of price movements is a *retrograde* step.

Price stability

Up to the world economic crises of the 1920s and 1930s neoclassic schools presented the capitalist market economy as a harmonic system in which capital goods always find investment possibility providing for enough profit, so that development takes place with a satisfactory rate of employment [16]. The regularly recurring crisis was interpreted as a natural phenomenon and held for compatible with the equilibrium [17]. Crisis – it was said – was objectively necessary: it was so to say *the natural price of economic development,* since in the general course of development the economy needs periodical self-clearing.

The traditional theory of crisis was no longer tenable after the Great Depression between the two World Wars. With this also the scientific opinion failed which judged any state intervention into the economy harmful from the outset. Revision of the traditional economics was carried out by *Keynes* forty years ago [18]. The objective necessity of *an anti-cyclical economic policy* found general approval. Its justification is recognized today even by those who otherwise do not deem the presence of the state desirable in the economy. At the same time, the neo-classic school hold the state's function acceptable for the solution of a single task only, which is to guarantee, by controlling the quantity of money in circulation, an economic development free from crisis [19]. According to their

opinion the government (the central bank) does not solve even this task well. That is how the old dispute about crisis has transformed into a dispute about inflation. The same economic reasoning which four decades ago qualified the crisis as the *natural price* of economic development, now qualifies inflation as the same for an economic growth free from crisis. Inflation is inevitably present – says *Röpke* – if full employment and economic growth have priority over equilibrium [20].

Facts are stubborn things. They constantly remind us of deviations between reality and what we would like things to be. Inflation is disturbed equilibrium which first arbitrarily redistributes incomes and then breaks up the economy. Such a state can be, of course, maintained transitorily, but the situation must be overcome sooner or later either by currency reform or stabilization measures independent of the former. Political economy – studied as a scientific discipline applied either to the socialist or the capitalist society – cannot be based on a hypothesis of socio-economic disequilibrium and, particularly, it cannot be built upon a theoretical system of inflation carrying elements of irrationality. If we denied the efficiency of a stabilization policy, science would offer mankind only the following alternatives: *either recurrent crisis and unemployment with stability, or regular economic growth and full employment with inflation.* This is, indeed, the theory of *permanent* inflation. Yet science cannot represent economic development as an ever renewing process of irregularities. In economic life irregularities may appear and may be present from time to time. Scientific examination has to be extended so as to cover them. *The initial hypothesis cannot be, however, anything but stability.*

Policy is obliged sooner or later to solve the problem of inflation. Yet it is not indifferent whether this is done with the support of the schools prevailing in economics, or by denying them. Economics has to mediate the information that can enable us to develop the economy by observing rationality. Stability in regard of prices may be formulated as *price stability*. Economic stability itself is, as a matter of course, a wider concept. Economic policy may set various aims in order to eliminate or at least ease the widely different kinds of unevenness e. g. in economic growth. But we shall now centre our attention on questions of price stability.

Interpretations not only of inflation but also of price stability are different. Those who qualify a rising price level as inflation put a sign of equality between price stability and unchanged price level. What is more, those who view price movements in the real income-determining role of prices, may interpret even the changes in relative prices with an unchanged price level as a destabilising factor. This is because, as a consequence of changes in relative prices, money incomes of different sizes are transformed into real incomes in changed proportions. This is a consequence of the income-redistribution effect of changes in relative prices i. e. of the fact that there is considerable difference between the consumption pattern of families with low, medium, or high income, or of those with no children, with one child or more children, etc. Therefore, in the interpretation of price stability one might reach the standpoint of freezing the prices. Otherwise, let us remark: whoever objects to the price having a role in the income distribution process should object also to a reduction of the price level concomitant with changes in relative prices.

Namely, if the additional financial funds available for the consumers raise the standard of living through price reduction, additional purchasing power is brought about in a differentiated manner depending on the consumption patterns.

Maybe the question should not be put in the form, what is price stability, but rather: *what are the limits to price movements set by economic stability?* Only such interpretation of economic stability seems reasonable which does not put obstacles in the way of the development of the production forces, and is not in conflict with the political, social, and economic conditions that are determinant for economic growth. Consequently, price movements accompanying changes in production and consumption relations should be recognized as justified. The price of a product may rise or fall in comparison with that of other products, either because relative input or because relative demand grows or decreases. These changes must be expressed in price movements, unless the phenomenon is only transitory. In the latter case it is exactly price stability that may render it desirable that the government should take temporary counterbalancing (financial) measures. Therefore, price movements induced from the commodity side are justifiable, since they reflect only the objective changes because of which relative shortages of some products necessarily grow or decrease. Society must not neglect them.

Thus, in first approximation stability may be formulated as a demand on financial policy: surplus money starting excess demand should not be issued, and growth based on equilibrium should be guaranteed. Yet two qualifications should be added right now:

– Scientific examination cannot leave out of consideration the economic relations in which excess demand appears. Steps may be taken against monetary policy giving rise to excess demand, but it must be taken into account as a possible alternative.

– From the consumer's point of view it is indifferent, whether in the process of his money income transforming into real income the loss caused by a price rise is interpreted as being compatible with price stability, or as an inflationary process. Nor can politics qualify the price movements in this manner. As a consequence, from the viewpoint of wage and income relations every kind of price movement is reduced to a common denominator.

It was *Lerner* who first put forward the theory that rendered the assumption feasible according to which a *price rise without inflation was possible.*

According to Lerner we can imagine a state of affairs in which there is a continuous increase in demand in relation to supply, and a continuous rise in prices; a process which is generally foreseen. We can then have rising prices without any of the evils that we dislike in inflation. Inflation is dangerous not because of the price rise but because of the lack of foresight, and because thus its offsetting is missing. In the case of a foreseen price rise there is no excess demand. People know they will spend more money in the future, but they also will have to pay higher prices. The expected demand can be equal to the expected supply [20].

Anti-inflationary policy of socialist countries

Socialist economy is characterised by *stability of consumer prices.* Socialist countries consider consumer price stability an important element of social stability. It is rather a difference in judgement that some countries interpret stability as consumer price level maintenance (Soviet Union); other countries regard a slow price rise taking place through fashion articles and industrial products embodying new technologies compatible with stability (Czechoslovakia); and others again which, keeping in view relative price stability, lay a greater stress on the function of equilibrium prices (Hungary).

The socialist countries endeavour to follow the *Lerner formula.* The rise in the price level, under central control, takes place in harmony with the trend of relative incomes, in the form of *planned pricing.* The price and incomes policy is institutionally integrated into the central control of the economy. A restrictive foreign exchange policy makes it even possible to arrange a relationship between the world market price (the C. M. E. A. contractual price) and the domestic price in a centrally organized system. Yugoslavia is an exception from this rule, partly because it is the market price which best suits the system of workers' self-management and partly because the dinar is a convertible currency. As a consequence, the effect of inflation on the world market upon the Yugoslav economy assumes the same form as in most market economies.

The criteria of planned pricing are different in the cases of agricultural procurement, of industrial production and of consumer goods. They vary also from country to country since there are differences in economic mechanisms, and thus also in the role of price to be played in the planned process of development. In all socialist countries, however, the criteria of price regulation are the same. All socialist countries try to proceed with full regard for the principle of *complexity.* When agricultural procurement prices or industrial producer prices are changed, they always consider the effect such changes are likely to have on the productive branches concerned. In some cases price changes must not be permitted to effect the viability of the productive branch in question; in others, price changes may be aimed at providing new conditions for enterprise decisions. It is always in terms of such considerations that decisions regarding prices are linked up with changes in the monetary regulators, such as taxes, subsidies, credit terms, and the like.

If one does not regard price movements within the control of planned pricing and offset by measures of incomes policy as inflation, then inflatory manifestations comprise

(1) any rise in the price level not planned and therefore not covered by incomes policy;

(2) any disguised price rise;

(3) any forced purchase; and

(4) any forced saving.

The possibility of an *unplanned rise in the price level* is a consequence of the mixed price mechanism. Even in those socialist countries in which prices are fixed in the widest sense, this is enforced in detail only for those products and for those services which are

sold in socialist (state and cooperative) retail trade. It goes without saying that there are controlled prices (for public services, for example) outside this sphere; but there is also a free market on which small producers sell their goods (for instance the Kolkhoz market in the Soviet Union). Furthermore, some socialist countries (Poland, Czechoslovakia, Hungary), permit the pricing of certain non-staple commodities and services manufactured by state enterprises and/or cooperatives, to be subject to determination by the enterprise concerned. If, under this system, there is a rise in the price level and the consumer price plan fails to take it into consideration, which implies that it is not offset in incomes, then the price rise must be regarded as a form of inflation.

A disguised price rise represents a rise in the price level that is not measured by price statistics. This may happen even when the price is most scrupulously calculated. Price statistics constructed in the traditional form are neutral or indifferent to changes in quality and to changes in assortment. The price level may rise even without the price of a single product changing, partly by putting commodities of an inferior quality on the market, partly by withdrawing certain types of goods from the market and replacing then by new types only slightly different, but sold at disproportionately higher prices. It is mostly the manufacturing and the commercial enterprises themselves that are in a position to check whether both the prices and the quality comply to official regulations. If, however, there is excess demand, this supervisory function becomes much less effective.

Forced purchase is a situation in which consumer preference is restricted. The consumer is unable to find the assortment of goods on the market which he wants. Naturally, no country can rely for her supply on factors of production she does not possess. Nor can a country resort to international division of labour to improve her supply beyond the point where she is capable of keeping her international balance of payments in equilibrium. Forced purchase is a situation which indicates a *deterioration in commodity supply*, caused by an imbalance and by inflationary pressure.

Furthermore, with the growth of productive forces, and with a rising living standard as its result, the pattern of consumption changes and the supply structure has to follow in its track. Demand for more expensive types of goods causes a rise in the average prices of various commodity groups affected. But such a rise in average prices must not be considered as an indicator of forced purchases. In the case of excess demand, on the other hand, as part of a general rise of average prices, the quality factor contributes to the elements of inflationary pressure.

Forced savings indicate that there is a shortage within a field of non-substitutable products combined with definite demand. The consumer is reluctant to spend money reserved for certain definite goods on any commodity available on the market and prefers to save his income in the hope that the desired goods will be available later.

In the case of excess demand inflationary pressure asserts itself naturally *not only in the sphere of consumer articles, but also in that of means of production.* This is not changed at all by the opinion that when means of production are managed centrally, they

are not commodities, and the money available for the purchase of means of production only replaces direct allocation.*

It is impossible to distribute all the means of production centrally. Furthermore, in a system of central quotas the specifications and technical parameters of every product cannot be described in the same detail as they appear in the form of commodities in relations between enterprises. Accordingly, control by plan directives has to assume that the most essential criteria of the means of production, including their use value, will be enforced in the enterprises' contractual relations. This in itself gives opportunity for manifestations of an inflationary pressure.

In the field of the means of production the opportunities for disguised price rises, induced by excess demand, are still more favourable, because the authorities can regulate the price of components, subunits, special-purpose machines, all of them produced with widely varying technical parameters only indirectly and by normative prescriptions. In the field of the means of production the inflationary pressure appears also in various new forms, of which the excessive stocks of unfinished products, disturbances in the organization of production and investment, delays in the completion of new projects, etc. are typical examples.

Excess demand causes difficulties also in the *management of labour.* Excess demand in the consumer market, in itself, has an adverse effect on labour discipline, preventing as it does the workers from freely using their wages. Excess demand for means of production creates bottlenecks in plants; imbalances within enterprises prevent the most rational use of the available manpower; the result is underemployment within the factory, in varying degrees.

In socialist countries *inflationary pressure is not only felt but also regularly analyzed* during the preparation of the yearly plans. Planning, of whatever type, begins with a critical analysis of the actual economic situation, with summing up the experience accumulated in the course of a continuous observation of trade in the means of production as well as in consumer goods. The information used for operative market supervision includes the utilization of capacities, the state of order books, reports on delays in deliveries, changes in stocks, and so on. This means that the targets for economic growth which planning attempts to fix for the medium or the long range on the basis of the system of economic balances is preceded by an analysis of the past real processes. It is this analysis which must provide an answer to the question whether economic growth can go on under conditions of equilibrium or under conditions of disequilibrium with the abolition, mitigation, continuance, or even enhancement of the inflationary pressure.

*Such views have been recently expressed in the Soviet Union by V. *Kulikov* and N. *Shekhet.* For the whole problem see [22].

Anti-inflationary policy of capitalist countries

In the case of a monetary policy maintaining excess demand an effective stabilization policy may be only one in which, in addition to the instruments of monetary and budget policy, also those of price- and incomes policy and those of production and distribution policy are used. This implies, however, that the government does not restrict its activity to the elimination of serious troubles encountered in the economy, but that it fully takes control of the economy. It remains, of course, an open question, what changes there are with a capitalistic mode of production for an efficient state control of the economy. Scientific discussions are today carried on more about the question, whether the government can go beyond the limits set by market-conformity.

The adoption of a price and incomes policy raises a more serious dilemma than that of an *anti-cyclical economic policy.* When the armoury of instruments of anti-cyclical policy are developed the reconciliation of market mechanism with state intervention is based on the principle of *market-conformity.* This policy, therefore, has not changed the fact that the market-clearing function of the price was asserted as an effect of demand- and supply factors, though in the new situation the market is rather only a technical framework for process control, in which the state financial policy is determinant.

As opposed to this, with the adoption of a *price and incomes policy* capitalist production cannot be organized any more in a way conforming to the market, since direct regulators are institutionally incorporated into the market mechanism. This restriction has been for long applied by capitalist countries in agriculture. But economics – in which agriculture used to be one of the most important fields of examination – has grown into a discipline centred on consumption and industry for several decades. Price and incomes policy is in conflict with the traditional theses of economics thus interpreted, although the latter are intertwined with the ideology of the bourgeois democracy. This is the dilemma that accompanies the scientific examination of accelerated inflation and discussions of anti-inflationary policy in the capitalist world.

Western economists' attention is centred first of all on what happens in the Anglo–Saxon world: in Great Britain, where the classical theory was born; and in the United States of America which is the leading power of the capitalist world. In these two countries the so-called *three-phase version of the anti-inflationary programme* was tried out. In the first short-term period prices and wages are frozen, in the second short-term phase selection principles are laid down for price and wage movements. In the third (and consolidated) period it is social responsibility that motivates the attitude towards stabilization. This programme, however, has failed to fulfil hopes attached to it.

If in monetary policy the main control principle is "stop and go", there is also a strong disposition to adopt in price and incomes policy a system of alternating freezing and release. But already the "stop and go" raises an increasingly difficult problem. This is because the market does not react any more with such obviousness and sensitivity on changing market conditions as is assumed by monetary policy. Also the social medium is in a process of transformation. Mobility is changing into immobility, flexibility into

rigidity. And what is more: if enterprises may assume that the "stop" policy has to change into "go" policy at a certain point, decisions will not agree with the assumptions of monetary policy. Summing up: the social background behind the rules of the game of monetary policy is gradually dropping out.

What holds for monetary policy holds even more for price and incomes policy. Price is a delicate phenomenon. Enterprise behaviour becomes particularly irrational if in an inflationary process they may assume that price and incomes policy applies the alternating system of freezing and release. Even in a medium-developed and not too large national economy the number of commodities that have to be distinguished with regard to prices may amount to several millions. Owing to technical progress, changes in fashion, and other factors the exchange of products is extremely fast. Various kinds and assortments of products are in a substitution relationship with each other. Under such conditions price and incomes control *requires a high degree of organization and competence.* We must not forget that the ability of price control to function depends not only on whether anti-inflationary policy is successful, but also on whether it does not impair rational economy. The latter one is more determinant if the problem is interpreted not as a transitory price-stop measure, but as a state activity which is organically built into economic policy. It is not difficult to formulate the principles of selective price and incomes policy in legal terms. It is much more complicated to apply these principles in practice. The high degree of organisation and competence required there to is hardly to be expected from an institution established for a short transitory period.

Let us add that the problem which governments are faced with cannot be circumvented by appealing to social responsibility in the hope that the *self-discipline of market actors* will render anti-inflationary behaviour prevailing. It is found even in socialist countries that the enterprise can interpret the interest of society only on basis of the legal rules that set the limits to its freedom of decision. This is even more characteristic in a market economy. It is not possible to use the driving force of the free market, and simultaneously entertain the hope that the market behaviour of those participating will be governed not by market laws but by moral philosophy.

A number of arguments may be advanced againts stabilization policy. Nevertheless, no clear conclusion might be drawn without clarifying other possible alternatives. Such scientific analysis is rendered difficult by the fact that in market economies an increasing number of instruments are used in open and disguised forms which are not in conformity with the market. Thus, as a matter of fact, two questions ought to be answered: 1. Why have stabilization programmes not led to success so far? 2. What situation would develop, if economic policy really gave a free way to market forces?

Comparison of open and repressed inflation

Accelerated inflation in industrially advanced capitalist countries brought to the foreground the comparative study of open and repressed inflation. Economists of the Western world who take a stand for the free market consider, as a matter of course, open

inflation as a better alternative that repressed inflation. This is supported also by the historical background of the theory of repressed inflation. The reason is that this theory was connected to the critical analysis of measures taken in the Soviet Union after the liquidation of war communism, and in the Western world it has existed from the very outset as a theory of restrictive war economy. This historical background of economic thought allows to draw erroneous conclusions in judging the inflationary pressure existing in a socialist economy.

The theory of repressed inflation based on a war situation was expounded most thoroughly by Bent *Hansen.* In such a situation the fixing of prices and wages is associated with an extensive *system of rationing and coupons.* Using two basic diagrams and models for perfect competition and for monopolies Hansen attempted to emphasize the significance of the inflationary gap caused by the administrative freezing of prices and wages. This may in part explain the fact that, when analyzing the inflationary pressure under socialism Western economists are prone to exaggerate its negative effect [23, 24, 25, 26]. According to them a socialist economy should be regarded as one in a state of *permanent mobilization;* that is, essentially an economy of the same type as a restrictive war economy. But a socialist economy cannot be described in this way.

Hansen's models had – even in regard of the new situation – certain weak points. *Hagger,* thinking of situations nearer to reality, considered the reexamination of the model important in case of a looser price control situation. He set out from the point that the aim of price and incomes policy is partly to freeze prices but partly to mitigate the inflationary pressure [27]. It was among others, *Polak* who outlined a price control model zo be used under conditions of war where the state strictly controls prices but not with a price freeze. He distinguished between autonomous price increased and official price adjustments. Prices are controlled in a manner regulated by the state with the aim of compensating to some extent the effect of previous price rises. [28] But all this will not alter the essence. These debates about price and wage control alternatives deal with the possible restricted war economy of a fundamentally market system.

The socialist countries control prices and wages in a fundamentally different situation. In all the European socialist countries the *consumption of the population takes place under free trade, without rationing.* As a general rule the only field outside the market is the distribution of flats. Rents in socialist countries are low and enable even people in the lower income brackets to live in comfortable flats. Low rents necessarily create excess demand which makes it necessary that new and empty flats shall be centrally allocated. But this does not necessarily mean an excess demand on the macroeconomic level. What is relevant is here rather that under socialist conditions, as they are interpreted in our time, housing is a transitional category between public consumption and individual consumption; it has a price but it is not the price that controls distribution.

Free trade establishes certain definite requirements to be met by price control. If the administratively guaranteed price level is divorced from the equilibrium level, it not only restricts the function of money, as a means of payment, but weakens the operation of planned pricing as a whole. In this connection it is worth-while to draw attention to

what *Lerner* said in a note to his paper, when he used the term 'suppressed' inflation. Machlup reminded him that Röpke preferred the term 'repressed inflation' to 'suppressed inflation' because Röpke wanted to argue that prices could not be kept down for long [29].

From the point of view of the inflationary pressure under socialism the category of the *means of production* must be judged by different criteria. When, namely, the means of production are centrally distributed, so that the allocative function of price is replaced by a system of quotas, the incorrect assumption is that price need not play a compensatory role. Thus, in the sphere of the means of production the inflationary pressure may be considerably greater that in the field of consumption. It is perhaps precisely for this reason that *Kraus* stated that the price to be paid for abandoning central plan directives and for shifting to control through economic instruments must be the release of the inflationary spiral [30]. This hypothesis has not, however, been verified by the experience of the socialist countries.

Large-scale experiments are going on in some regions of the Soviet Union with the introduction of free trade in the means of production and in some other commodity groups. When choosing the regions and groups of products, the initial assumption was that demand at the given level shall not exceed the demand as limited previously by quotas. Experience has proved that with free trade demand even tends to diminish. This may be attributed to the fact that with free trade enterprises are disposed to keep their inventories at the justified level and to adapt their purchases to the production programme already specified. We may in this respect refer to the example of Hungary where the 1968 economic reform abolished the quota system for the means of production; allocation was kept only with the so-called shortage materials – and this did not release any inflationary spiral. An economic reform of this type, namely, does not merely activate the price function, but, as an organic element in the reform, at the same time the criteria for state planning are also revised.

Merely the freeing of price movements would not put an end to excess demand in socialist countries. The changing of a repressed into an open inflation would bring matters from bad to worse. It is not the prices that should be liberated: excess demand must be abolished. The presence of *inflationary pressure is not necessary in a socialist economy.* It can be abolished, or at least minimised if the state [1] determines the resources to be assigned from the national income to growth in harmony with the requirement for equilibrium, [2] creates more direct relations between producer and consumer, and finally, [3] ensures harmony between demand and supply with a flexible price mechanism.

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ТЕОРИЯ ИНФЛЯЦИИ И АНТИИНФЛЯЦИОННАЯ ПОЛИТИКА

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28 августа – 3 сентября 1975 года Международное экономическое общество провело в Сальтшёбаден конферефцию на тему „Теория инфляции и антиинфляционная политика". Избранные доклады конференции были опубликованы и на венгерском языке под редакцией автора статьи. Автор написал вступительную статью к венгерскому изданию, которая публикуется сейчас на английском языке.

В статье прежде всего анализируется понятие инфляции. Автор указывает на изменения этого понятия. На таком основании он подразделяет три основных теоретических на-

правления: инфляция – 1. обесценение денег, 2. чрезмерный спрос, 3. повышение уровня цен. Он отмечает, что отождествление инфляции с обесценением денег являлось господствующим взглядом до 90-х гг. прошлого столетия, а с чрезмерным спросом – до 50-х годов нашего столетия. В последние же годы все больше сторонников приобретает взгляд, который приравнивает инфляцию к повышению уровня цен.

Автор проводит параллель между изменениями, происшедшими в трактовке понятия инфляции, и изменениями по отношению к понятию стоимости. Понятие стоимости как трудовой стоимости было отправной точкой для понимания явлений экономики. Позднее буржуазные теории цен заменили объективную стоимость субъективной стоимостью. Это сделала теория предельной полезности. Однако уже тогда был прав Кассель, который предложил исключить выражение стоимость из экономического словаря и сосредоточить внимание науки только на изучении отношений обмена. Точно так же, для чего нужно понятие инфляции, подчеркивает автор, если его отождествляют с повышением уровня цен. Он указывает, что как со стороны денег, так и со стороны цены одинаково могут возникнуть факторы, под влиянием которых уровень цен понижается или повышается. Замена всестороннего анализа движения цен анализом инфляции – дефляции, по мнению автора, является шагом назад.

Далее статья рассматривает вопросы антиинфляционной политики социалистических стран, а также капиталистических стран. Он анализирует проявления сдерживаемой инфляции. Наконец, он дает сравнительный анализ открытой и сдерживаемой инфляции.

Acta Oeconomica Vol. 19(3–4), pp. 319–342 (1977)

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ON THE CHANGES OF THE RATE AND SHARE OF PROFITS

The author proves that the secular movement of the average rate of profit cannot be understood by relying on the method of analysis applied in Marxist economics up to now. He shows that a) the value-composition of capital need not necessarily rise over a longer period, b) initially, the growing value-composition of capital increases the rate of profit, c) over a longer period the size of the rate of profit does not depend on the value-composition, d) the rate of economic growth is an important factor determining the rate of profit, e) the movement of the rate of profit might be understood only through an analysis of the growth process, f) it is the medium-term fluctuations and the non-declining tendencies of the rate of profit that are of importance.

The problem of the rate of profit in contemporary Marxist literature

It is a fact of common knowledge that the study of the development of the average rate of profit is of outstanding significance in Marxist economics, and the declining tendency of the average rate of profit is considered highly important by many an economist. This is demonstrated well by the work of Joseph M. *Gillmann:* "The falling rate of profit". This author sets forth the view that a precondition for the overthrow of capitalism is the outbreak of increasingly violent conflicts, the source of which is the tension caused by the falling rate of profit. He also emphasizes that the decline in the rate of profit is adding to the deepening of the economic crises. According to Gillman, if the rate of profit showed an upward trend in the long run, "the successive cyclical peaks and troughs of the profit rate would tend to be rising and the effect could be a mitigation of the crisis-generating forces, rather than a tendency to aggravate and sharpen them. In that case, also, successive business depressions could be expected to grow shallower and recovery easier".*

The declining tendency of the rate of profit is generally linked up with the increase in the organic composition of capital. Following *Marx* it is a widespread practice to set out from the basic formula of the rate of profit $p' = \frac{m}{c + v}$, where "m" represents the produced and realized profit – assuming an equality of surplus value and profits on the social scale –, whereas "c" in the denominator represents capital stock of the means of

*See [6, p. 6].

production, and "v" capital advanced for wage-payments. After dividing both the numerator and denominator of the fraction by "v" we get $\frac{\frac{m}{v}}{\frac{c}{v}+1}$

If, however, we find the capital advanced for wage-payments in the denominator of the initial fraction, it is problematic what kind of "v" should be used for division. However, let us disregard this problem for a while to reach the starting point of our examination i. e. the size of the rate of profit depends on the quotient of the rate of surplus value and the fraction c/v, whereas the development of the rate of profit depends on the relative change of the rate of surplus value and of the fraction c/v. And this is the point where problems keep cropping up!

The traditional explanation for the falling tendency of the rate of profit is the following: in the numerator we find the rate of surplus value, while in the denominator the organic composition of capital, and since organic composition as a rule increases more rapidly than the rate of surplus value – as the increase of the latter is subject to various restrictions – the rate of profit necessarily tends to decrease.

I am not going into details concerning the problem of the seriour difficulties arising in the course of the interpretation of the organic composition of capital. Organic composition is generally understood to be something like this: Due to technological progress ever more means of production are moved by the worker. This growing volume of means of production can be expressed in terms of constant prices. The volume of the means of production at constant prices per worker is the organic composition of capital. This volume per worker is growing, therefore organic composition increases. The following items are generally classed among the means of production moved: elements of fixed capital stock, e. g. machines, buildings, materials and energy used up within a single production cycle, as well as material stocks advanced as safety reserves. There are also other theories differing to a certain extent from the above, but at any rate, the organic composition of capital may be conceived in the described way, too. And since the volume of the means of production per worker actually does increase on a social average, organic composition actually increases due to and reflecting technological progress. Yet, nobody knows the extent of this increase.

Incidentally, the notion of organic composition infers the comparison of things hardly commensurable. Technological progress involves the procession of more and more material within a unit of time, consequently the volume of capital in the form of materials increases as well. But do we have to talk about the use of more machines of greater volume? Hardly, if at all. In the course of technological progress actually new equipments of an enhanced productivity potential come into being, and these are different from the old equipment. In that case quantitative comparisons would not make any sense. It is meaningless to consider whether the new equipment of greater productivity potential is more than the old one. The new equipment is naturally suitable for processing more material. In this respect it is possible to draw a quantitative comparison.

However, materials constitute but a part a of the capital invested in production and besides, the use-value of the materials used up or tied up in production is not stationary either. It is therefore absurd – especially in the long run – to demand even an approximate indication of the increase in the volume of capital moved by a worker within a unit of time or invested in production. Accordingly, it is impossible to draw even an approximately exact picture of the growth of the organic composition of capital and of the extent of this growth. It follows that if the value of the fraction m/v increases, this increase cannot be contrasted with the growth of the organic composition of capital as the extent of the increase of the latter is a factor unknown.

However, this is not our most serious concern. The crux of the matter is that the development of the rate of profit is influenced not by the organic composition of capital but by the value composition of capital. What is important, is not the extent of increase in the volume of the means of production per worker but the relative changes in the value of capital stock of the means of production as compared to the value of labour force employed. Supposing that price ratios adapt themselves to the cost-ratios, the significance of the c/v ratio in the development of the rate of profit lies in the fact how the amount of capital stock of the means of production in current prices changes as compared to the wages within a unit of time (practically a year). (For the sake of simplicity let the annual number of returns of circulating capital be 1.) This being granted, the ratio may grow, diminish, or remain unchanged as function of time and technological progress. Within relatively shorter periods of time the value composition of capital (disregarding the changes in the extent of statistical cumulation) either increases or decreases. As regards long periods of time increase and decrease tend to become balanced, i. e. the longer the period under review, the more an unchanged value composition of capital should be reckoned with. This, however, is rather a nerve-racking suggestion for dogmatics since as a rule they regard the thesis according to which the rate of surplus value increases during a longer period of time as an axiom. However, the rate of surplus value increasing in time divided by a value composition of capital of a non-increasing quotient tends to result in an increasing rate of profit. This seems an unbearable thought for the dogmatic theoretician, and even if at long last he himself has perceived that the value composition of capital do not has to increase in time (i. e. he has realized that it is not the organic but the value composition of capital which has an effect on the average rate of profit) he will not admit this perception. Indicentally, he shudders at the thought that instead of growing, the rate of surplus value may even diminish.

The problems ought to be clarified prior to treating the subject on its merits: 1. Why is the rate of profit influenced by the value composition of capital? 2. How is it possible that despite technological progress the value composition of capital may diminish?

The first question is easy to be anaswered. In the denominator of the fraction of the basic equation of the rate of profit we find the value or the amount of capital stock on current prices. Nothing else could figure here since the rate of profit expresses precisely the fact: what amount of advanced capital value realized the given profits. Thus, if both

the denominator and the numerator of the fraction $\frac{m}{c+v}$ is divided by "v", the fraction c/v can be nothing else but the value composition of capital. It is of no importance therefore what *volume* of invested capital goods realize profits – we are interested in the problem how much these capital goods have cost.

Though answering the second question seems more difficult, here, too, the solution is simple. The value composition of capital could be of an increasing tendency only if an increasing share of gross social labour were used in the production department I, and within that of elements of fixed capital, and a constantly decreasing part of it in the production of department II. All things considered, the value of capital embodied in capital goods is a function of labour used up in department I; naturally errors originating from statistical cumulations should always be erased. As regards value "v", it basically depends on the amount of labour used up in department II. (If capitalist consumption absorbed always an identical percentage of the production of department II, value "v" would always change precisely at the same rate as the quantity of labour used up in department II.) Since the personal consumption of the capitalist class is presumably inflexible, value "v" – regarding its movement – is to a certain and small extent of an increasing tendency as compared to the quantity of labour used up in department II. For this very reasson – since in the long run no such law asserts itself according to which the share of department I (disregarding statistical cumulation) should increase in relation to that of department II – the value composition of capital has not to increase either over a long period. However, as regards relatively shorter periods, both the increase and decrease of the value composition of capital may occur pending on which department of production grows faster.

In Hungary, too, it has been proved that in the long-run the faster growth of department I, as against department II, is by no means an absolute necessity. At the same time, however, the traditional mode of demonstration of the falling tendency of the profit rate has been "liquidated" as well (although not deliberately). The sound and correct ideas on the development of the two departments of production have entered the minds, but often only one cell of them, while in another cell the earlier notions on the value and organic composition of capital still hold out, and concepts about the factors determining the movement of the rate of profit are dominant in a third one. Often it does not even attract attention whether new and old ideas are conflicting with each other. Neither is the custom widespread enough that if some new knowledge has been arrived at, its consequences on our theoretical system as a whole should be studied without delay.

Simplifying assumptions

The problem of the development of the rate of profit being rather an intricate one, it has been tried to adopt the possibly simplest forms of examination. To make things easier, the basic formula of the rate of profit, i. e. $p' = \frac{m}{c+v}$ is used as a starting point.

In addition to this basic equation used as a point of departure, some other simplifications are made use of. First, the money-capital advanced on "v" is left out of consideration because its significance within the total of invested capital is almost irrelevant. Since it is the fixed capital which makes up for the greater share of invested constant capital, a fraction has been chosen as a starting point in the denominator of which only fixed capital figures in the place of "c". Henceforth this value will be marked "C". Owing to the fact that we are dealing with the movement of the average rate of profit realized on the social level, it should continuously be kept in mind on what the magnitude of the rate of profit depends at the level of macro-economics. It is well-known that on the macro level profits are a function of the capitalists' accumulation and consumption expenditures, and further that the development of the magnitude of profits is influenced by the savings of the workers as well as the movement of budget and foreign trade balances. On the other hand, we also know that the longer the period under review, the less the development of the magnitude of profits is influenced by the budget and trade balances or the workers' savings. For this reason only the purchases of capitalists will be taken into consideration, and of these initially merely their accumulation expenses. As a matter of fact, the personal consumption of the capitalists is a relatively inflexible volume and is not characterized by the fluctuating movement to be observed in the case of accumulation expenditures. At a later phase the personal consumption of capitalists will also be drawn into the domain of examinations to a certain extent. Within capitalists' accumulation net investments represent the greater part, amounting to about 80 to 90 per cent of total accumulation, and besides, it is correct to confront not the total of accumulation but only net investments with the value of fixed capital stock represented in the denominator. Thus, it is only net investments which figure in the numerator, and fixed capital tied up in production in the denominator. Accordingly, the formula of the rate of profit in the initial model of examination will be $\frac{m_{ca}}{C}$ where m_{ca} represents net fixed capital investment, and "C" total fixed capital invested in production.

In addition to the rate of profit the movement of the share of profit will be analyzed as well. The share of profits allow for a two-way interpretation. Profits realized on the social level can be related partly to the value of GNP; in that case it is examined how much per cent of GNP is made up of profits. However, as a rule capitalists are not interested in this percentage but in the ratio of profits to the prime cost, e. g. how much per cent can they include in the price as profits above the prime cost. The increase in this ratio is advantageous, whereas decrease of the same is disadvantageous to the capitalist. As it will be observed, the movement of the rate of profit and the share of profits is not necessarily of the same direction: the rate of profit may diminish while the share of profits remains stationary.

At first sight I may seem to adopt too many simplifying assumptions, so many of them that it can reflect the real situation but in a distorted way. Actually, however, the heart of the matter can be represented much more unambiguously on the basis of the simplifying assumptions listed above. But there ought not to be any qualms: I am going to

touch shortly upon the problem what kind of changes are induced in the overall picture by loosening the abstractions, how many new elements may it add to our present knowledge on the movements of the rate and share of profits.

The effect of changes in capital intensity on the rate of profit

In the denominator of the fraction $\frac{m_{ca}}{C}$ it is fixed capital which represents total capital stock. The rate of profit equals in this case the percentage ratio of profits to total fixed capital. The first thing to come to mind is the notion that the development of the rate of profit depends on the changes in the capital intensity of production. This latter factor actually exerts influence on both the amount of capital stock and profits. The magnitude of profits can be derived on the macro level from the spendings of the capitalist class, whereas changes in capital intensity necessarily effect the development of the capitalists' investments and within that their net investment inputs. Particulary in the short-term, capital intensity may undergo changes for various reasons not to be analyzed in the present paper. At any rate, I am going to assume such kind of changes in capital intensity which bring about the increase or decrease of expenditures of the capitalist class as a consequence of the relative increase or decrease in the capital investment outlays as compared to the unit of production. Changes of capital intensity due to cyclical fluctuations and a changing degree of capacity utilization will not be examined here since this causes but short-term fluctuations in the rate of profit. As a matter of fact, my ultimate object is the understanding of the long-term movements of the rate of profit. For the most part I am going to examine the sort of movements in the rate and share of profit caused by increasing capital intensity, whereas the effects of decreasing capital intensity will be rather based on inference.

Though only net investment is to be found in the numerator of the simplified equation of the rate of profit, the effects of changes in capital intensity can be traced only by constructing a model which reflects not only net investments but the movement of replacements as well. The reason for this is that, owing to increasing capital intensity, replacement is not enough to carry into effect simple reproduction: for this, further net investment is necessary. In other words, in that case simple reproduction has to be covered partly by investments financed out of the national income. The part of the national income purchased by capitalists is growing, consequently the share of profits in the national income is increasing. On the other hand, the increase of the value of capital stock will assume greater dimensions not only because of the faster rise of normal net investment but also on account of the fact that the value of investment ensuring the maintenance of simple reproduction will be higher than it could be inferred from the depreciation funds. As long as capital intensity increases, the rise of the value of fixed capital stock will be faster – even in the case of maintaining simple reproduction – than

it would be otherwise. The problem arises: how much faster will it be? This can easily be shown if a model is constructed – assuming stationary fixed capital intensity at the first stage – in which both the value of replacement and of net investment is annually plotted. Care should be taken in this model that replacements in the years following depreciation time are to be equal to the value of gross investment in each of these years. For instance if the value of gross investment in the first year of the experimental model will be 100, in case of a 10-years' depreciation time only the value of replacements will be 100 in the llth year, while gross investment will exceed by far this value. In the llth year it is the fixed capital invested as part of the gross investments of the lst year which is replaced. (Here it is presumed that all elements of the fixed capital are of identical lifetime.)

Suppose the lifetime of fixed capital in the model is 10 years. Let us assume in the case of the initial model that capital intensity of production is constant, and on the basis of a unit of capital value a unit value of product is turned out all through the years. Capital stocks showed in the individual years should reflect existent fixed capital as on January 1; this naturally depends on the value of investment of the previous year. Suppose the annual growth rate of production, and with it of fixed capital stock, is 10 per cent. Since the lifetime of fixed capital is 10 years, and because the replacement of used-up fixed capital is separately taken into account, it is not the 1st year of the model which will be high-lighted but the llth one, as the replacement of all fixed capital invested in the lst year of the model will be effected in the llth year. Investment determining replacement can be apprehended only if the lst year is reviewed by looking back upon it from the llth year. Growth and investment will be steady all the while.

Suppose the value of capital stock on January 1 of the llth year is 1000 units. Following from the above hypothesis, the value of capital stock in the lst year will be 385.54 units. Since we are dealing with a steady growth of 10 per cent, we are getting a diminishing geometrical progression if looking back from the llth year upon the lst one. The quotient of this geometrical progression is 0.90909 because $909.09 \times 1.1 = 1000$, and $1000 \times 0.90909^{10} = 385.54$

In accordance with our hypothesis, net investment amounts annually to 10 per cent of the value of fixed capital stock. Thus the value of net investment in the llth year will be 100, and the value of fixed capital in the 12th year 1100, whereas in the lst year it will amount to 38.55, i. e. to 10 per cent of the value of fixed capital stock in the first year. But, how much is the amount of investment effected in the llth year as replacement? Exactly as much as gross investment in the lst year. However, to calculate this, we have to know how much replacement amounted in the first year. This, in turn, depends on the gross investment effected ten years previously. If we want to understand therefore the factors determining replacement, we have to look back in time, and if possible to a maximum span of time. The determining of the extent of replacement is relatively an easy task if we deal with simple reproduction. However, here we have to set out from reproduction on an expanded scale where the question arises, what a length of period should we look back upon to be able to determine in an exact way – by assuming steady growth – magnitude of replacement?

The key to the problem is the following suggestion: If we are going back far enough in time, every fixed capital value is originally the result of net investment. At same point in time investment had had to be started as net investment. On the one hand the replacement of year 11 are partly the result of the net investment of the lst year. On the other hand, replacement of the lst year are the consequence of the net investment of preceding decades. Replacement effected in the llth year are partly equal to the net investment of the lst year; according to our geometrical progression it will be a 0.38554th part of the net investment of the llth year. To this there should be added the net investment effected 20 years before, this too, being a 0.38554th part of net investment in the lst year, and so forth. Thus, going back in time, we get another geometrical progression the sum of which determines the extent of the replacement investments of the llth year. The first member of this geometrical series is 38.554, i. e. the net investment of the lst year, whereas its quotient is 0.38554. Let us go back 15 decades in time in order to have the last member of the geometrical progression diminished to a diminutive degree, and thus to be able to get a possibly most exact figure of replacement investment in the llth year. The sum of this geometrical progression will be equal to the investment effected as replacement in the llth year. Accordingly the value of replacement

$$\text{in year } 11 = 38.554 \cdot \frac{0.38554^{15} - 1}{0.38554 - 1} = 62.74$$

Since the value of net investment in the llth year is 100 units, replacement amounts to 62,74 per cent of net investment. However, in case of an even development, investment activity – both replacement and net investment – will be completely steady all over the years. Replacement will amount therefore to 62.74 per cent of net investment in the lst year, too. Thus, replacement has been 38,554 × 0.6274, i. e. 24.19 units in the lst year. Added to the value of net investment this equals precisely 62,74, and accordingly the value of gross investment in the lst year is equal to the value of replacement effected in the llth year. In that way we succeeded in constructing a model in which – assuming a life-span of 10 years – the value of gross investment in any year is equal to replacement effected 10 years subsequently. This correspondence proves the fact that we have succeeded in determining exactly the magnitude of replacement in the model. It is done by taking simply 10 per cent of the value of fixed capital every year – presuming a 10 per cent growth – and this will be the net investment; whereas 62.74 per cent of net investment will be the value of replacement in these years. Let us now examine the development of the values of fixed capital, net investment, replacement, and gross investment over a period of 25 years [see Table 1].

At any time, i. e. in any year, replacement will come to 6.27 per cent of the value of fixed capital. This also stresses the point that in case of reproduction on an expanded scale the rate of depreciation cannot be derived directly from the life-span of fixed capital. Here for instance, in case of a life-span of 10 years, it suffices to write off but 6.27 per cent of the value of fixed capital at cost price to be able to finance normal replacement out of the depreciation funds according to the technical and physical wear and tear. Considering gross investment of years 1 to 15, it turns out that replacements in

Table 1

The development of fixed capital, gross and net investment in case of even growth
(Growth rate: 10 p. c., life-span of fixed capital: 10 years)

Year	Value of fixed capital	Net investment	Replacement	Gross investment	Production T	Rate of profit p. c.	Share of profit p. c.
1.	385.54	35.55	24.19	62.74	385.54	10	11.11
2.	424.09	42.41	26.61	69.02	424.09	10	11.11
3.	466.50	46.65	29.27	75.92	466.50	10	11.11
4.	513.15	51.32	32.20	83.52	513.15	10	11.11
5.	564.47	56.45	35.42	91.87	564.47	10	11.11
6.	620.92	62.09	38.96	101.05	620.92	10	11.11
7.	683.01	68.30	42.85	111.15	683.01	10	11.11
8.	751.31	75.13	47.14	122.27	751.31	10	11.11
9.	826.44	82.64	51.85	134.49	826.44	10	11.11
10.	909.09	90.91	57.04	147.95	909.09	10	11.11
11.	1000.00	100.00	62.74	162.74	1000.00	10	11.11
12.	1100.00	110.00	69.02	179.02	1100.00	10	11.11
13.	1210.00	121.00	75.92	196.92	1210.00	10	11.11
14.	1331.00	133.10	83.52	216.62	1331.00	10	11.11
15.	1464.10	146.41	91.87	238.28	1464.10	10	11.11
16.	1610.51	161.05	101.05	262.10	1610.51	10	11.11
17	1771.56	177.16	111.15	288.31	1771.56	10	11.11
18.	1948.72	194.87	122.27	317.14	1948.72	10	11.11
19.	2143.59	214.36	134.49	348.85	2143.59	10	11.11
20.	2357.95	235.79	147.95	383.74	2357.95	10	11.11
21.	2593.74	259.37	162.74	422.11	2593.74	10	11.11
22.	2853.11	285.31	179.02	464.33	2853.11	10	11.11
23.	3138.43	313.84	196.92	510.76	3138.43	10	11.11
24.	3452.27	345.23	216.62	561.85	3452.27	10	11.11
25.	3797.50	379.75	238.28	618.03	3797.50	10	11.11

years 11 to 25 are precisely equal to these sums. This means that equipment invested as gross investment is completely replaced after 10 years. The value of any investment or fixed capital stock exceeds that of the preceding year by 10 per cent. The rate of profit (m_{ca}/C) is 10 per cent all the time, the share of profits ($m_{ca}/T\text{-}m_{ca}$) amounts all along to 11.11 per cent. The model reflects a case of perfectly evenly increasing production and a stationary rate of profit. However, this is but a means for examining the hard-core problem, i. e. that of the changes in the rate of profit.

The above model serves the purpose of showing the effect of the changes of capital intensity on the rate of profit. It could have been set out on the assumption that initially there exists some amount of net investment increasing at a constant rate from year to year (and fixed capital invested in production changes with it in a similar way). However, in such kind of a model investment rises by leaps and bounds as soon as the depreciation time expires, because in that case in addition to net investment, investment is increased by replacement as well. Thus a cyclical rhythm of investment adapting itself to the depreciation period would become manifest in the model, and this would get mixed up with alterations of investment ratios due to changes in capital intensity. In this case we ought to have to take into account incessantly the two kinds of movement and the separation of them. On the other hand, if changes of capital intensity are included in the above model, the changes in investment ratios will express exclusively the movement of capital intensity, and these changes in ratios will become factors influencing exclusively the rate and the share of profit.

Let us begin our survey with the 11th year, when the amount of replacement can be derived already from the gross investments in previous years. Suppose the increase in capital intensity had begun in the 12th year and was ended in the 15th year. The increase in capital intensity should be interpreted as a marginal one, and should therefore be analyzed in a marginal way. It is assumed that capital intensity rises marginally by 10 per cent since investment grows by 10 per cent faster as compared to the production growth. This 10 per cent increase would manifest itself not in the capital stock as a whole but first in the new investments. The value of the capital stock rises by a much smaller percentage related to output. It also may happen that under the influence of increased investment (mentioned above) the increment of investment rises sharply as compared to the increment of production, yet the ratio of total capital stock will increase but negligibly in relation to output. A similar phenomenon can be observed if the growth rate of investment is compared to the growth rate of production: here, too, a considerable shift in proportions becomes manifest. It is a well-known fact that the short-term change of the capital output ratio – if not marginally examined – is rather slow, and a considerable change requires a longer time. Nevertheless this does not prove that the slow increase in total capital stock is not accompanied by considerable short-term changes of investment ratios. It is just this considerable extent of changes in the investment ratios that changes in total capital stock related to production should be deduced from – and these, of course, are of a modest rate. The crux of the matter is the fact that fixed capital stock does not come as a godsend but is the result of long-term investment activity. However, if the changes in investment ratios are fast, whereas those in total capital stock are slow, and further if the changes of profits depend on the movement of investment, the fast changes in investment ratios go hand in hand with changes in the rate of profit. All major factors triggering off changes in investment ratios result also in changes in the rate of profit.

It should be borne in mind that the increase in the capital intensity of production, is effecting both net investment and replacement. If capital intensity begins to increase, simple reproduction cannot be financed out of the depreciation funds either, which

refunds the purchasing costs of investment effected 10 years ago. Investment of the depreciation funds would suffice in that case only to cover diminished reproduction, i. e. part of the new value has to be drawn on even to bring about simple reproduction. Henceforth I will term "replacement" that investment which is financed out of the depreciation funds, whereas all additional investment will be considered net investment. Under this term therefore, a part of net investment serves to cover reproduction. The part of net investment needed for bringing about simple reproduction will be indicated separately by NB_e, and the part of net investment furthering reproduction on an expanded scale by NB_b. Total net investment will equal the profit, quite apart from the fact that part of it ensures only simple reproduction. NB_e, i. e. the part of net investment covering simple reproduction, also increases the value of fixed capital stock, and on a social level this increment can be nothing else but profit.*

Let us actually assume as regards the increase of capital intensity the following: In the 11th year the capital/output ratio is still unchanged, i. e. 1. In the 12th year, however, to achieve a unit of production growth 1.1 units, in the 13th year 1.2 units, in the 14th year 1.3 units, and in the 15th year 1.4 units of capital increase is needed. From this point on a unit of production increase can be achieved invariably by 1.4 units of capital increase, i. e. beginning with the 16th year marginal capital intensity will become stationary. By assuming the above rule reality is simulated, because capital intensity can never rise infinitely. Of course, the replacement funds will not suffice to effect simple reproduction. Therefore let us multiply the value of replacement in the 12th, 13th, 14th, and 15th years by values 1.1, 1.2, 1.3, and 1.4. The result gained in this way diminished by the replacement funds will be again added to the profit and to the value of the capital stock. This difference will be equal to values NB_e. It should be kept in mind that it will be always the difference of gross investment and replacement which will be equal to net investment determining profits. Beginning with the 16th year the increase of gross investment will amount to only 10 per cent, equal to the growth rate of production, since marginal capital intensity will not rise from that time on, and net investment will equal the difference between gross investment increasing at a rate of 10 per cent and replacement, according to the model described. (In the 22nd year replacement will suddenly rise sharply because the growth of gross investment has accelerated as a result of marginal capital intensity 10 years before. The rate of profit will change depending on net investment and the changes of the capital stock. Let us now consider the model from the 11th year on, keeping in mind that marginal capital intensity increases beginning with the 12th and ending with the 15th year. (See: Table 2)

*Naturally this is not a question of terminology. Replacement could be defined also as comprising always investment needed for ensuring simple reproduction. In that case, however, replacement ought to be separated into two parts because the part which is not the source of depreciation and is adding to the value of fixed capital ought to be indicated separately. Under such conditions the part of replacement adding to fixed capital would be the profit-increasing factor. The rise in capital intensity would in both cases increase to an equal extent the amount or sum of profits realized on the macro level by the capitalist class.

Table 2

The changes of fixed capital, gross and net investment, the rate and the share of profit in the case of changing capital intensity

(Duration of life of fixed capital: 10 years)

Year	Value of fixed capital	Net investment		Replacement	Gross investment	Production	Capital intensity		Rate of profit p. c.	Share of profits p. c.
		NB_b	NB_c				Marginal	Total		
11.	1000	100.00	0.00	62.74	162.74	1000.00	1.1	1.00	10.00	11.11
12.	1100	121.00	6.90	69.02	196.92	1100.00	1.1	1.00	11.63	13.16
13.	1227.90	145.20	15.18	75.92	236.30	1210.00	1.2	1.01	13.06	15.28
14.	1388.28	173.03	25.06	83.52	281.61	1331.00	1.3	1.04	14.27	17.49
15.	1586.37	204.97	36.75	91.87	333.59	1464.10	1.4	1.08	15.24	19.77
16.	1828.09	225.47	40.42	101.05	366.94	1610.50	1.4	1.14	14.54	19.77
17.	2093.98	248.01	44.46	111.15	403.63	1771.56	1.4	1.18	13.97	19.77
18.	2386.45	272.82	48.91	122.27	444.00	1948.72	1.4	1.22	13.48	19.77
19.	2708.18	300.10	53.80	134.49	488.39	2143.59	1.4	1.26	13.07	19.77
20.	3062.08	330.11	59.18	147.95	537.24	2357.95	1.4	1.30	12.71	19.77
21.	3451.37	363.12	65.09	162.74	590.95	2593.74	1.4	1.33	12.41	19.77
22.	3879.58	399.43	53.70	196.92	650.05	2853.12	1.4	1.36	11.70	18.88
23.	4332.71	439.37	39.39	236.30	715.06	3138.43	1.4	1.38	11.05	18.00
24.	4811.47	483.31	21.64	281.61	786.56	3452.27	1.4	1.39	10.49	17.13
25.	5316.42	531.64	0.00	333.59	865.23	3797.50	1.4	1.40	10.00	16.28
26.	5848.06	584.81	0.00	366.94	951.75	4177.25	1.4	1.40	10.00	16.28

Let us now sum up the most important conclusions to be drawn from Table 2.

a) There is a highly important difference to be observed between the movement of marginal capital intensity and that computed on the basis of total fixed capital. The latter one increases rather slowly and gradually, and its growth comes to an end when the replacement of equipments invested already on the basis of the highest marginal capital intensity achieved begins. On the other hand, marginal capital intensity increases very rapidly. The dissimilar movements of the two kinds of capital intensity explain the development of the rate of profit. Until the growth of marginal capital intensity remains faster than that of total capital intensity, the rate of profit will increase. When total capital intensity approaches the marginal one, the rate profit will decrease. To put it in a more simple way: the growth of capital intensity is reflected sooner and to a greater extent by investment than in the total capital stock, and therefore initially the rate of profit is bound to increase. According to "common sense", the increase of capital intensity brings about a decrease in the rate of profit, whereas actually just the contrary is true.

b) If marginal capital intensity has ceased to increase and, at the same time, aggregate capital intensity keeps growing, or at least the latter approaches the former one, the rate of profit begins to fall. Yet, even in this case the absolute level of the rate of profit is above the initial level. To put it otherwise, the total of fixed capital stock increases more rapidly than the growth of investment, nevertheless the ratio of investment of fixed capital stock is still higher than it had been initially.

c) At the beginning of the period under review the index of marginal and aggregate capital intensity is 1, while at the end of the period it is 1.4. The rate or profit, both at the beginning and the end of the period, is 10 per cent. As a consequence, in the long run the level of the rate of profit is not affected by the magnitude of capital intensity of production. We could have taken any amount of change in capital intensity since in the long run not only investments but total capital stocks adopt themselves to the new conditions and thus the rate of profit would return precisely to the original level of departure. Capital intensity and its changes may become therefore factors influencing the rate of profit over a relatively short period of time.

d) The decrease in capital intensity exerts – precisely a reverse effect. Under such conditions it is marginal capital intensity which is characterized by flexible changes too. Since initially it drops faster than total capital intensity, the rate of profit begins to diminish. Later on total capital intensity gradually adapts itself to marginal capital intensity which has dropped to a lower level, with the result that the rate of profit reverts gradually to the original level of departure. To put it more simply: if under the influence of capital saving technological development the ratio of investment begins to diminish, this saving will eventually manifest itself to an equal extent in fixed capital stock as well. Thus, the value of the fraction expressing the rate of profit will settle at the initial magnitude. Taking a long period, this is like reducing a fraction: after the reduction the value of the fraction is inchanged.

e) In one's mind the increase of capital intensity of production is linked to the increase of the value composition of capital, while a decrease of capital intensity is linked to the decrease in value composition. And rightly so. If all other facts, e. g. the rate of technological development are taken for granted, the growth of capital intensity of production is actually accompanied by the increase of the value composition of capital. On the other hand, the increase of the value composition of capital is associated to the notion of a falling tendency of the rate of profit. This idea, however, is misconceived. Taking the rate of technological development for granted, the increase of the value composition of capital hypothesizes the rise in the capital intensity of production. Analyzing this latter factor, however, we may reach the conclusion that the rise in the value composition does not diminish the rate of profit in the long run, and even increases it over a short period. In a paradoxical way it is precisely the decrease of the value composition of capital which results in the diminishing of the rate of profit, but only over a relatively short period, because – if its movement is derived from the changes in capital intensity – it does not bring about any long-term changes in the level of the average rate of profit.

f) Capital intensity of production, and together with in the value composition of capital, changes incessantly, i. e. it either increases or decreases. It is known that, there are certain periods characterized by an increasing capital intensity, while other periods by a decreasing capital intensity. Accordingly, – and taken other factors for granted – the average rate of profit must either increase or decrease in each period. Thus, the average rate of profit cannot be of an unchanged level in time. Nevertheless, it cannot be stated solely on the basis of analyzing capital intensity and consequently of the changes in the value composition of capital that the rate of profit has to diminish. Both capital intensity and the value composition of capital are fluctuating. As a consequence, the rate of profit, too, has to fluctuate: it either falls or rises. The increase or decrease of the rate of profit may be quite considerable within a period. However, it was always known that if the rate of profit tends to decrease, this drop will necessarily be negligible on an annual average. This has always involved some doubts as regards the concepts that a diminishing tendency of the rate of profit has serious consequences. However, in connection with changes in capital intensity it could be observed that changes in the level of the rate of profit can be quite conspicuous. Within a period of time this may imply a relatively favourable or bad economic situation.

g) Under the influence of rising capital intensity the share of profits reacts differently as compared to the rate of profit. It increases if capital intensity starts to rise, however, it remains on a higher level even when the rate of profit drops to its initial level. This is explained by the fact that the magnitude of the share of profits is expressed by a fraction in the denominator of which there figures not the total amount of fixed capital stock but the currend expenditures of the capitalists, the prime costs of goods produced within one year. The value figuring in the denominator is a flow, which can be deduced from the value of annual output. It does not contain the fixed capital stock and, therefore, the latter increases in vain due to increased capital intensity, the share of

profits is not diminished to the original level. It should be kept in mind that in addition to the rate of profit it is the magnitude of the share of profits which directly influences the capitalists' calculations: a high and increasing share of profits stimulates the initiatives of the capitalist enterprises. For this reason the increasing value composition of capital exerts rather a favourable than a disadvantageous effect on the calculations of capitalist enterprises both in the short and the long run. However, at the courses on political economy just the opposite is taught.

h) The above conclusions become comprehensible if we clearly inderstand the macro-economic laws and regularities of the development of the amount of profits, i. e. if we know that in macro-economy the magnitude of profits depends on the capitalists' accumulation and consumption expenditures. The matter in question is that in case of increasing capital intensity the capitalists' accumulation expenditures must relatively rise in the short run related to the value of total capital stock as well as compared to the annual output value or current expenses in the long run. It is true, of course, that the share of the capitalists' purchases is neither exclusively nor simply the result of technical relationships. The changes and shifts of these cannot be separated from the class struggle. Nevertheless it does not alter the thesis according to which in case of increasing capital intensity the share of investment related to total fixed capital stock is of a rising tendency, and this is accompanied by an increase of the rate of profit, moreover that in the long run high or low-level capital intensity has no influence on the absolute magnitude of the rate of profit.

Growth rate and the rate of profit

In the above model the level of the capital output coefficient was first 1, and later on it got stabilized at the level 1.4. In the first variant of the model the rate of profit has been 10 per cent all the time. In the second variant when the value of the capital/output coefficient has still been 1, the rate of profit again amounted to 10 per cent, and when total capital intensity has settled at the level of 1.4, the rate of profit once again stabilized at the level of 10 per cent. Until now it has been strongly emphasized that over a longer period the absolute level of the rate of profit does not depend on the capital intensity of production, and this latter influences only the level of the share of profits. However, the factors which in the long run actually exert an effect on the absolute level of the rate of profit have not been analyzed. It is by no means mere chance that the rate of profit has reached a 10 per cent level in both models examined and if it has temporarily deviated from this value, it soon again approached it and settled at this level. The 10 per cent rate of profits is the consequence of the assumed 10 per cent annual growth of production. Under the given assumptions, the level of the rate of profit is therefore determined by the growth rate of production. The reasons of this are easy to understand. If the capital intensity of production is supposed to be unchanged – and so is the degree of utilization of productive capacities – than it seems but

natural that total fixed capital stock has to be duplicated for the sake of a hundred per cent increase of output. That is to say, in case of stationary capital intensity a 100 per cent increase in outputs requires 100 per cent net investment, whereas a 10 per cent production increase requires 10 per cent net investment. The percentage ratio of net investment related to fixed capital stock equals the growth rate. This is why a 10 per cent net investment ratio was assumed in the model in case of a 10 per cent production increase. However, what happens if capital intensity is not constant but shows a rising tendency? In this event the share of net investment, and thus the rate of profit, exceeds the growth rate of production – as witnessed in variant 2 of the model – and will be higher than the growth rate until there does not develop a new and higher-level capital intensity or until the aggregate capital intensity does adapt itself to the higher marginal capital intensity. And in the opposite case of a decrease of capital intensity: the rate of profit will lag behind the growth rate until a new lower-level capital intensity does not evolve, i. e. until the aggregate coefficient of capital intensity does not reach the lower marginal coefficient. Whatever the capital intensity of production, in case of its stationary level the rate of profit – under the given assumptions – will be equal to the growth rate. According to variant 2 of our model, capital intensity in the 11th year will be exactly as high as in the preceding 10 years its absolute level is 1. In the 25th year aggregate capital intensity has settled already at the level of 1.4, and at the same time has adapted itself to marginal capital intensity as well. In both of these cases the rate of profit will amount to 10 per cent, i.e. it will be identical with the growth rate. Thus, the growth rate of output is the actual derminant of the rate of profit.

It also follows that in the event of a change in the growth rate of output the rate of profit must change as well. An increasing growth rate of the economy pressupposes a growing rate of profit, whereas a decreasing growth rate presupposes a falling rate of profit. In case of constant capital intensity both the rate of profit and the growth rate of output will rise or fall precisely to the same extent. If changes occur in capital intensity, the changes and levels of the rate of profit and the growth rate will temporarily be at variance, however, in the long run the rate of profit is eventually bound to adapt itself to the growth rate. As it has been shown, the average rate of profit is but temporarily affected by increasing or decreasing capital intensity. Accordingly, the rate of profit is closely linked to the process of economic growth and reproduction respectively, both as regards its long-range development or its changes in the short term. And thus we have arrived at one of the most important conclusions: the rate of profit should be treated deliberately as a part of the reproduction process.

In case of a given capital intensity, the higher the growth rate, the higher the rate of profit ought to be. As we have seen, changes in capital intensity exert but a temporary influence on the magnitude of the rate of profit. It follows that growth rate and magnitude of the rate of profit cannot be separated! It is suggested on the basis of common sense that if there is any connection between the two, it is the rate of profit which will become determinative as against the growth rate: if the level of the rate of profit is high, the growth rate will be high as well. However, economists studying the

process of economic growth are fully aware of the fact that over the long haul the high or low growth rate does not depend on the ratio of investments. Growth rate is the product of the economic system as a whole. The rate depends on technological development, the management system, changes in qualifications, susceptibility and responsiveness to new technologies and knowledge, the intensity of international economic relations, the position of the balance of payments and a number of other factors. The above listed factors will not change favourably solely because of a high rate of profit. Growth rate will not be high only because of an increased share of investments. As a consequence, it is not the rate of profit which determines the rate of growth but reversely, the rate of profit has to depend on the growth rate.

The share of profits, too, is influenced by the growth rate. If a higher share of net investment is stimulated by a higher growth rate, this will result in the development of a higher share of profits in case of a given capital intensity. However, capital intensity may undergo changes. If simultaneously with the rising growth rate capital intensity will diminish, it may even occur that the share of profits remains unchanged. Thus, if at the beginning of a period the value of output is 100, and that of fixed capital stock 200, whereas the growth rate of output is 5 per cent, net investment and the value of profit will be 10, the rate of profit 5 per cent, and the share of profits $10/90 = 11.11$ per cent. Suppose at the end of the period the value of fixed capital will be 400, the capital/output coefficient 1; in that case the production value, too, will be 400, while the growth rate of production will come to 10 per cent. The value of profit is 40, and therefore the rate of profit is 10 per cent, but the share of profit will be 40/360, i. e. 11.11 per cent. Thus, despite a double growth rate, the share of profits will remain precisely the same as at the beginning of the period bacause the effect of the twofold growth rate was compensated by half as big a capital intensity. The rate of profit is influenced temporarily, the share of profits, however, permanently by capital intensity. On the other hand, changes in the growth rate alter the rate of profit in any case, while the share of profits is not affected by them under any circumstances.

According to the assumptions adopted up till now, the rate of profit is determined – in case of a given capital intensity – by the growth rate, moreover it has be equal to the growth rate. In practice, however, the rate of profit is never equal to the rate of growth. It would not be equal even if pure capitalism actually existed, and the capitalist class purchased only investment goods. As a matter of fact, the capital intensity of production is never stationary: sometimes it increases, at other times it decreases, therefore the rate of profit would either exceed the growth rate of would lag behind it. The growth rate could be at the very best only a centre of fluctuation of the rate of profit. However, the growth rate cannot function even as a centre of fluctuation with respect to the rate of profit because capitalists purchase not only capital goods but consumption goods as well. Owing to the personal consumption of the capitalist class, the rate of profit is always considerably higher than the growth rate of output. The realization that in case of a given capital intensity and disregarding the capitalists' personal consumption the rate of profit is equal to the growth rate of production originated – among others – from Joan

Robinson who emphasized this thesis in her book "The Accumulation of Capital". However, in this very same book she also stressed the point: "Since profits exceed net investment it is not the case that the rate of profit on capital, in tranquil conditions, is equal to the growth ratio of the economy. In general it is considerably greater."* Thus, the rate of profit has to move above the level of growth. In addition, there exist still other factors affecting the rate of profit which influence directly the magnitude of profits within a short period. Such are the balance of the budget and of foreign trade. The rate of profit is also influenced by the cyclical and further irregular fluctuations – due to other specific reasons – of capitalist production. However, considering a longer period and on the macro level profits approach more and more the sum of capitalist accumulation – mainly net investment – and consumption, and the rate of profit is therefore higher than the capitalists' personal consumption. (Thus, the longer the period under review, profits realized on the basis of budget deficit and foreign trade surplus can add less and less to total profits on a yearly average.) Accordingly, the growth rate actually does not determine the rate of profit, being only one of its highly significant determinants. The differences between the growth rates of the individual countries indicate the profit rate being higher or lower in the various countries. If the part of growth rate in determining the level of the rate of profit is commonly known, it is easier to take a stand on the problem that the coming into existence of the so-called zero economic growth has very little chances in the capitalist countries. Zero economic growth is simply incompatible with the nature of capitalism.

The tendency in the change of the rate of profit

Let us now examine the conclusions to be drawn from the long-range development of the rate of profit and the share of profits.

Capital intensity, whether it is of an increasing or decreasing tendency, does not explain the long-range rise or drop of the rate of profit. On the other hand, the rise of capital intensity increases the share of profits, whereas its decline decreases this share. It cannot be proved either (and I will not go into details of this problem) that capital intensity must increase or decrease in the long run. All kinds of changes in capital intensity are conceivable and possible. Thus, no judgement can be formed on the basis of the analysis of capital intensity regarding the long-range changes of the share of profits either, since this may increase or decrease according to the changes of capital intensity. It was hinted in this paper earlier that no solution can be found by analyzing the value composition of capital because its long-range increase cannot be substantiated. At the same time several allusions were made to the fact that even the increase in the value composition would not prove the decrease of the rate of profit, similarly to the increase of capital intensity. We were none the wiser even if the role of the growth rate were taken

*See [13, p. 255]

into consideration. If in the long run the growth rate of the economy ought to decrease, the rate of profit would accordingly diminish since the level of the rate of profit depends on the growth rate (as demonstrated above). In case of unchanged capital intensity a decreasing growth rate would bring about a fall in the share of profits as well. However, considering the development of capitalist economy until now, a tendency of diminishing rate of economic growth cannot be found. It should be rather stated that periods of faster and slower growth rates alternated with each other. Following World War II, the emergence of the state monopoly capitalist system has brought about the acceleration of the growth rate right till the early 1970s. Does there actually exist any other factor affecting the rate of profit and resulting in a falling tendency? In his book "Wages – Profits – Taxation" Péter *Erdős* has proved the point that there does exist such a factor being nothing else than the inflexible increase of the personal consumption of the capitalist class.* If the increase of the capitalists' personal consumption is slower than that of the national income, the ratio of "f" (personal consumption of the capitalist class) is due to diminish, and under given conditions of capital intensity, this presupposes a drop in the rate of profit. In his book referred to, Péter Erdős attaches great importance to the inflexible character of capitalist personal consumption. He deduces – and rightly so – the falling tendency of the rate of profit precisely from this factor, and not from the increase of organic composition of capital. The inflexible character of capitalists' personal consumption has been assumed by others too and a considerable importance was attached to it. Thus, *Kalecki* has determined capitalists' personal consumption in year "t" with the help of the following equation:

$$C_t = qP_{t-\lambda} + A$$

where C_t represents the capitalists's consumption in year t, q is a positive number less than one, $P_{t-\lambda}$ represent the real profits of the capitalist class λ years prior to year t, and A is the constant part of profit not changing over a relatively short period, i. e. one has to reckon from the very beginning with such an extent of capitalist consumption. This means that if output increases, the increase of the rate of personal consumption as compared to it will be slower because capitalists' personal consumption is controlled partly by a constant element. If in the meantime the growth rate of output has been stepped up, the rate of increase of the capitalists' personal consumption is slower than that of production for the very reason – assuming for convenience sake that profits and output grow at the same rate because total expenditures of the capitalist class increase at an equal rate to production –, since personal consumption increases partly corresponding to profits increasing with the rate preceding λ year. The symbol λ actually expresses the lag of capitalists' reacting in the personal consumption on an earlier rise of their incomes. It should be noted, however, that capitalists' personal consumption has been classified inflexible by Kalecki rather cautiously. Actually its $qP_{t-\lambda}$ part reacts – though with some delay – to the increase of profits. Part "A" of personal consumption is con-

*See: [3, pp. 234–263]

stant, but Kalecki emphasizes the fact that "A" is a constant value within a short period although it is subject to long periodic changes.* Thus, despite the fact that capitalists' personal consumption changes rather inflexibly, it increases in the long run to a considerable extent, i. e. it remains a highly important determinant of total profits: Hence it follows that the falling tendency of the rate of profit may be deduced from the inflexible development of the consumption of the capitalist class, however, if Kalecki is right, the decrease in the rate of profit can only be very small even in the long run and therefore the falling tendency cannot be practically perceived. The fluctuations of the rate of profit over a relatively short period can naturally be detected, such fluctuations, however, are not substantial from the point of view of the manifestations of the falling tendency.

The thesis according to which the falling tendency of the rate of profit is a process manifesting itself but very slowly does not come as a surprise because already the Marxian analysis of the rate of profit has stressed the very same point. Marx had emphasized that a number of factors impede the decline of the rate of profit, and he had attributed great significance to factors working against the fall of the rate of profit. However, Marxist economists hold contradicting views as regards the judgement of the falling tendency of the rate of profit. Many of them, e. g. Gillman, deem it important, even of decisive significance. Others, however, are of the opinion that it is of no significance, since its manifestations are practically imperceptible, moreover they do not cause any difficulties in financing capital investment. I myself hold the latter view, and do not attribute any particular significance to the falling tendency of the rate of profit.

In addition to the declining tendency of the rate of profit, that of the share of profits, too, can be deduced from the inflexible development of the capitalists' personal consumption. However, similarly to the decline of the rate of profit this, too, is most certainly a very slow process hardly perceptible.

In the foregoing, prior to the examination of the tendencies manifesting themselves in the changes of the rate of profit, a number of simplifying hypotheses have been inferred. Some of them have been already released, e. g. the one according to which the capitalist class has only net investment expenditures. It has been demonstrated that only by including the capitalists' personal consumption can in our analysis the long-term falling tendency of the rate of profit be grasped. The inclusion of the capitalists' personal consumption draws attention to yet another relationship. It was stressed that capital intensity of production should be regarded as unchanged in the long run, but in that case, ceteris paribus, the value composition of capital remains unchanged as well. If the inflexibility of the capitalists' personal consumption is included, the output of consumer goods – in case of unchanged capital intensity – must increase at a faster rate than the capitalists' personal consumption. This, in turn, becomes possible only if real wages increase faster than the output of Department II as well as total production. It follows that in the long run the value composition of capital actually has to diminish. Thus, the inflexible changes in the capitalists' personal consumption presupposes not only the

*See: [7, p. 53]

falling tendency of the rate of profit but also the diminishing of the value composition of capital. For this reason the falling tendency of the rate of profit is based not on the increase of the value composition of capital but actually on its long-term decrease.

The part of accumulation aimed at stockbuilding has been also disregarded. The inclusion of this factor into our analysis would not revise essentially the conception formed until now. If stockbuilding, too, were taken into consideration, the problem would arise in the following way: What does the ratio of accumulation as compared to total fixed and circulating capital depend on? Within a relatively short period this ratio is determined – disregarding cyclical fluctuations – again by the changes of capital intensity (but in this case the changes in fixed and circulating capital intensity), whereas in the short and long run by the growth rate of production. The final conclusion would be the same: the changes in the rate of profit depends on the capitalists' personal consumption and accumulation expenditures as well as on the changes in the value of total capital stock. Even so the rate of profit would show a somewhat diminishing tendency in the long run, whereas on the short its magnitude would be considerably influenced by the changes of the capital intensity of production. In that case, too, the conclusion would be similar: capitalist reproduction is greatly effected not by the falling tendency of the rate profit but by its fluctuations within relatively short periods.

For the sake of convenience I have adopted all along the basic equation of the rate of profit, i. e. the fraction $\frac{m}{c+v}$, where the significant item is "c". Thus, the changes in the rate of profit have been examined on the basis of the value of fraction m/c. Let us now consider the value and the changes in the fraction $\frac{\frac{m}{v}}{\frac{c}{v}+1}$ derived from the division of the fraction's numerator and denominator by v. Within the value of this fraction it is only the $\frac{m}{v}$ value in the numerator and the $\frac{c}{v}$ value in the denominator which should be examined.

Let us now cast a glance once again at our model analyzing the changes of capital intensity and suppose that the output value in it represents the national income. Of this, net investments equal the profit or the surplus value, while the value of the remainder of the national income should be "v". Thus, the movement of the rate m/v can be expressed every year, and at the same time the value of the fraction c/v can be expressed as well, since "c" is the current value of fixed capital stock, and the value of "v" is given as it equals the difference of the national income and "m". Thus, using the data of our model, the rate of surplus value will be very low – as here the rate of the surplus value will be equal to the share of profits calculated up till now – whereas the rate of surplus value is much higher in reality. The things that matter in this respect, however, are the changes of the rate of surplus value and the value composition of capital. The data to be obtained from the model are sufficient to illustrate this. It can be seen on Table 3, how the rate of

Table 3
The changes in the rate of surplus value, the value composition of capital and the rate of profit

Year	Rate of surplus value p. a.	Value composition (C/v)	Rate of profit p. a.
11.	11.11	1.110	10.00
12.	13.16	1.131	11.63
13.	15.28	1.169	13.06
14.	17.49	1.225	14.27
15.	19.77	1.297	15.24
16.	19.77	1.359	14.54
17.	19.77	1.425	13.97
18.	19.77	1.466	13.48
19.	19.77	1.513	13.07
20.	19.77	1.555	12.71
21.	19.77	1.594	12.41
22.	18.88	1.616	11.70
23.	18.00	1.629	11.05
24.	17.13	1.632	10.49
25.	16.28	1.628	10.00
26.	16.28	1.628	10.00

surplus value, the value composition of capital, and on the basis of these two the rate of profit will change according to the model beginning with year 11 and ending with year 26. (Let us presume that the number of turnover per year of the circulating capital is all along 1.)

No startling results have been gained, the rate of profit has developed precisely in accordance with my earlier calculations. However, certain relationship have become more evident: the rate of profit increases if the rate of surplus value rises faster than the value composition of capital, and a decrease in the rate of profit can be brought about by a diminishing rate of surplus value. We ought to become aware of the fact that the rate of surplus value may diminish also in the case of technological development, i. e. if output and productivity is on the upgrade. This occurs between years 21 and 25. Naturally another model could have been constructed where the capital intensity of production is of a diminishing tendency. Here the rate of surplus value would show a decreasing tendency right until capital intensity diminished. If, in turn, the rate of profit is actually showing a falling tendency in the long run, the probable precondition of this is just the falling of the rate of surplus value. Incidentally the falling tendency of the rate of profit can only be explained by the inflexible personal consumption of the capitalist class, and this in turn brings about the inevitable increase of the share of "v". Since there is no considerable drop in the rate of profit, the share of "v", too, can increase only to a very small extent in the long run. Here again we face the problem that it is rather the

medium-term changes which are significant and thus, it is the medium-term increase or decrease of the rate of surplus value which is highlighted.

The development of the average rate of profit is a problem of macro-economics. It can be grasped therefore only on the strength of macro-economic relationships. It has been attempted to emphasize the macro-economic background of the changes in the rate of profit and – as it turned out – some astonishing conclusions could be drawn in the course of this analysis. I am convinced that one of our most important tasks is to throw a light on relationships manifesting themselves in macro-economy and to point out the forms in which they manifest themselves on the micro-economic level. This is the only approach to find one's way in the midst of difficult and complex economic phenomena.

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ОБ ИЗМЕНЕНИЯХ НОРМЫ ПРИБЫЛИ И КВОТЫ ПРИБЫЛИ

Т. ЭРДЁШ

Во вводной части своей статьи автор доказывает, что традиционный способ доказательства тенденции нормы прибыли к понижению несостоятелен. Если числитель и знаменатель дроби $\frac{m}{c+v}$ входящей в основную формулу нормы прибыли, разделить на v, то тогда в знаменателе дроби должно находиться стоимостное строение капитала, а не органическое строение капитала. Но стоимостное строение капитала не может повышаться в течение длительных промежутков времени. Его возрастание закономерно только в случае, если I подразделение общественного производства развивается быстрее, чем II подразделение. Таким об-

разом, не состоятельно положение, согласно которому норма прибыли имеет тенденцию к понижению потому, что стоимостное строение капитала растет быстрее, чем норма прибавочной стоимости.

После этого автор анализирует факторы, вызывающие в течение относительно длительного периода – изменения стоимостного строения капитала. Он констатирует, что одним из таких факторов является изменение капиталоемкости производства. Однако если не принимать во внимание циклические колебания производства, возрастание капиталоемкости производства вызывает не только рост стоимостного строения капитала, но и нормы прибавочной стоимости. К тому же рост последней необходимо будет иметь большие размеры, чем повышение стоимостного строения капитала. К этому выводу мы должны прийти, если учесть макроэкономические закономерности движения прибыли, а также то, что повышение капиталоемкости производства вначале сильнее повышает стоимость инвестиций, чем всего вложенного основного капитала. Автор доказывает, что возникающее таким образом повышение нормы прибыли носит временный характер и позднее – поскольку более высокая капиталоемкость будет полностью проявляться во вложенном капитале – норма прибыли упадет точно на отправной уровень. И наоборот, если стоимостное строение капитала из-за понижения капиталоемкости производства станет понижаться, то норма прибыли снизится, а затем – поскольку более низкая капиталоемкость будет полностью проявляться во вложенном капитале – вновь повысится до первоначального уровня. Выводимое из капиталоемкости стоимостное строение капитала, таким образом, объясняет не тенденцию к понижению нормы прибыли, а ее временные колебания.

С другой стороны, норму прибыли – на основании хода рассуждений Джоан *Робинсон* – автор связывает с темпами экономического роста. Темпы роста являются определяющими, а величина нормы прибыли – определяемой. Он указывает: норма прибыли больше, чем темпы роста, как на протяжении более коротких, так и более длительных периодов. Это он объясняет личным потреблением класса капиталистов. Если бы класс капиталистов не имел личного потребления, то норма прибыли колебалась бы вокруг темпов экономического роста. Ссылаясь на Петера *Эрдёша*, автор также показывает, что норма прибыли будет иметь тенденцию к понижению в том случае, если личное потребление класса капиталистов неэластичное. На основании макроэкономического анализа величины прибыли он показывает, что колебания нормы прибыли, помимо колебаний производственного цикла, объясняются также дефицитом или превышением доходов над расходами государственного бюджета, а также пассивным или активным сальдо внешнеторгового баланса.

В заключение высказывается мысль о том, что проблематика нормы прибыли является органической частью процесса воспроизводства и роста, и что без понимания последних нельзя понять и первую.

Acta Oeconomica Vol. 19(3–4), pp. 343–359 (1977)

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PROBLEMS OF THE MEASUREMENT AND PLANNING OF EFFICIENCY IN HUNGARY*

The study surveys in detail the most important problems related to the measurement and planning of efficiency. The author distinguishes two large groups of efficiency computations according to their functions. Part of these serves the purposes of analysis, e. g. to examine how efficiency changed in the whole of the economy or in manufacturing; another part serves the preparation of decisions, selection among variants, e. g. to answer the question in which sector it is more advantageous to invest, or which product it is more expedient to export, etc.

In Hungary it is an almost unchallenged statement that in the present intensive stage of economic development the only way of progress is to increase efficiency. The importance of efficiency is generally acknowledged, references to it are by now almost commonplaces. However, several important problems of the measurement and planning of efficiency need yet to be classified. There are certain unsolved methodological questions and this is a problem because as long as we cannot measure efficiency adequately, we cannot carry out properly the measures taken in order to increase efficiency either. But the problems are not only and not primarily methodological ones.

The report underlying this article was made with the objective of giving a detailed survey of the problems involved by the measurement and planning of efficiency, and of specifying the most important tasks through which the efficiency requirements could be given a more important role in Hungarian economic development.

General problems of efficiency computations

In this paper the terms efficiency and economic efficiency will be used as synonyms. Efficiency is the relationship between the output and the inputs of production, the combined result attained through the utilization of the resources of production.

*In 1977 a report titled "Review of the various methods used for the examination of economic efficiency, of their relationships, and of considerations on further improvement" was jointly submitted to the State Planning Commission by the National Planning Office, the Ministry of Finances and the Central Statistical Office. This paper relies on the above report. The author was member of the team who made the report, but the views he holds are not necessarily identical with those of other members of the team. The draft of the report was discussed also by the joint session of the Committee for Economics and the Statistical Committee of the Hungarian Academy of Sciences.

Efficiency may be analyzed from the point of view of the whole country, of the national economy, or from the point of view of individual economic units, for example enterprises. Both the inputs and the results have different meanings depending on the approach (e. g. customs duty is input from the enterprise point of view, but not from that of the national economy). Distinction between the *national economic approach* and *the enterprise approach* to efficiency is an important one, because, owing to features of the price system, the two types of ecomonic interests often diverge. Naturally, efficiency in the national economic sense is the one of fundamental importance. For the individual units of production, however, often only the efficiency from the enterprise point of view, that is, profitability, is perceivable.

Efficiency indicates a notion where the effectiveness of utilizing *all* the resources of production is studied (complex or integral efficiency). The result of production is sometimes related to the inputs of different *individual* resources (e. g. labour, fixed assets). These so-called partial efficiency studies relating to a given resource (such as the measurement of labour productivity and of the utilization of fixed assets), though performing useful functions, cannot replace the genuine (complex) efficiency computations. Namely, improvement in the utilization of a given resource may take place along with a deterioration in the utilization of other resources. Partial indicators are useful in the analysis of the different factors.

The study of efficiency has been, of course, not just started in Hungary. Some measurement of efficiency is practically as old as the efforts at the best possible utilization of resources. However, the concepts of efficiency and the methods of its examination have gone through significant changes over time, and so has the role of efficiency in management.

In the initial stage of planned economy, in compliance with the quantitative approach of this period, only the partial indicators of efficiency (labour productivity, per unit material consumption, velocity of circulation of assets etc.) were applied. Certain special efficiency indicators showed up in the second half of the 1950s (e. g. those expressing the efficiency of exports and of investments). Yet the aspects of efficiency obtained greater importance only in the 1960s, especially after the economic reform of 1968, when the interests of the individual units of production were linked to the relationship between outputs and inputs (through the profit indicator). The aspects of efficiency emerged even more drastically in the 70s, with the exhaustion of the extensive resources of development, when the enhancement of efficiency became the only feasible way of progress.

Along with the growing role of efficiency the methods of the measurement and planning of efficiency also developed. Beside the previous partial indicators various complex measures of efficiency entered the scene, and a system of efficiency indicators is taking shape.

Despite the marked development there are many unsolved problems in the measurement and planning of efficiency. Efficiency is not yet asserted to the extent justified by the requirements of Hungarian economic development.

The mere fact that the interests of enterprises and other economic units were directly linked to profitability does not automatically imply a full recognition of efficiency considerations. The efficiency and profitability indicators are effective through the actual prices and regulators, and thus bear the consequences of the *characteristics of the given price system and of the system of economic regulators.* In the Hungarian price system, in part because of price policy considerations and in part because of the fact that we reacted to certain price changes in the world market with quite a long delay, the achievements and inputs are often not shown in their real size from the viewpoint of the national economy. In the Hungarian system of income regulation individual discriminations and preferences have an important role. This, *inter alia,* involves the risk of the expansion or durable preservation of lines of production which are not profitable for the economy as a whole.

This way rifts might be caused between enterprise interests and the real interests of the economy which strongly impede the assertion of efficiency. A change in the price system and a parallel improvement of the system of regulators would be the biggest step forward in this respect. Of course, it is possible to compute indicators that show efficiency from the viewpoint of the national economy also in the actual price system. But these can have only a limited impact on the improvement of assertion of efficiency considerations, especially as far as the efficiency of current management is concerned. First, such indicators are rather complicated to compute, they take more time, and the delay in the reaction might often do more harm than the use of economically less justified indicator. Furthermore, even if the leaders of economic units realized the real interests of the national economy and were ready to make efforts towards that end, they can be hardly expected to act lastingly against their own particular interests if these conflict with the former.

The other significant brake on the assertion of efficiency considerations is *a certain limitedness of information* pertaining to efficiency. Despite a considerable improvement in the methods of statistics and planning we are short of reliable information, particularly as regards efficiency from the viewpoint of the national economy as a whole, and, in this context, we are short chiefly of indicators required for the preparation of decisions. In certain fields national economy aspect efficiency indicators are almost completely missing, for instance we are unable to judge how much the efficiency from the point of view of the national economy would be increased (or decreased) by a change in the product pattern. Namely, owing to disproportions in the price system, we do not know the inputs of the different products from the national economic point of view, and often have false ideas about the yields (returns) too. Thus the different enterprises cannot get the required orientation even if they wanted to observe the interests of the economy. In other fields (e. g. concerning investments) though we have national economy aspect indicators but they are often of dubious reliability.

Confidence in efficiency computations is also restricted by the fact that *the system of efficiency indicators* has not yet been fully established. The efficiency indicators used in practice are many and hard to survey. The use of many types of indicators is indeed

necessary, as different types of analyses and different types of decisions call for different indicators. For example, the content of an efficiency indicator should be constructed in different ways if used for evaluating the profitability of current production, if development (investment) is the point, and again if a decision about the reduction of production has to be made. If the principles of computations are not laid down, however, and the types of indicators are not regulated, a clear survey will be disturbed by the too many *ad hoc* indicators, and the danger exists that representatives of certain particular interests might keep selecting those indicators which show efficiency in the best light from their own point of view. Important steps have already been taken of developing a system of indicators, some indicators (e.g. the D indicator used for measuring investment efficiency, which will be discussed later on) were specified centrally, but it will still take a lot of work to create an integrated system of indicators.

Last but not least, the assertion of the efficiency considerations is also hampered because, even if information about efficiency is available, these indicators are often not reckoned with adequately in *economic decision-making.* There are several reasons for it. Quite often the information about efficiency is late relative to the time when decision must be made. Doubts arise about the reliability of the computations too. Nor is the demand for efficiency active enough in our economic thinking, and the postulates of efficiency are often and unreasonably disregarded. There is a view which wants to confine the role of efficiency computations only to the selection of the best *variant* for accomplishing a given task, while completely neglecting the efficiency considerations when decision must be made on the *targets* to be chosen, e. g. in which direction to develop the sectoral pattern of the economy. A more satisfactory enforcement of the efficiency considerations is often made difficult also by some objective circumstances; in a strained economic situation, with disturbed equilibrium, the reserves required for greater flexibility are not available and the freedom of movement is relatively narrow.

The functions of the measurement and planning of efficiency are highly diversified and not easy to arrange. Nevertheless it seems to be expendient to distinguish two major groups of these functions. The reason is that with these two groups different requirements of measurement and planning come to the fore and thus the methods suitable for solving these problems are considerably different.

Although in the last resort every efficiency computation will serve decisions, part of the computations are required for *analysis,* for laying the general foundations of the decisions, e. g. to establish how in a field, or following a measure, efficiency did (or will) change. The essential thing in this function is time-to-time comparison, that is, to be able to tell for a given field (e. g. industry) the percentual difference between the efficiencies of the accounting period and the base period. The other part of computations, on the other hand, serves directly the purpose of preparing *concrete decisions,* of helping to decide which variant is likely to guarantee higher profitability; e. g. in which branch it is preferable to invest; whether it is worth-while to carry on with production in a given and apparently unprofitable field or rather to shift to imports (and to increase the production of something else instead); which technology it is advisable to apply; whether it is

reasonable to do research work in a field or rather to purchase licences, etc. In these cases the dimension of comparison is usually not time but space, the comparison of the efficiency of one solution with that of another.

Though the two types of functions are not divided by a sharp line, because of the essentially different character of methodological problems it stands to reason to discuss some concrete theoretical and practical problems according to this dual classification separately.

Efficiency computations as tools of analysis

The index numbers used for the measurement of the dynamics of efficiency should be computed at all levels of the economy. The most significant ones are the efficiency index pertaining to the whole of the national economy, and the efficiency indexes of the different branches of economy. Beside these also the efficiency indexes of industries, enterprises, production phases and products provide useful information.

It is an important requirement in respect of the efficiency indicators that they should fit into the existing system of statistics and planning (adapt to the notions and categories of the national accounting.)

The scope of efficiency computations

The efficiency indexes pertaining to *the whole of material production* have the greatest significance. These are most closely related to the most important comprehensive indicator of economic development: national income (net material product).

I feel it is of doubtful value to compute such efficiency indexes that cover both the material and the non-material spheres. The majority of non-material services (education, health, public administration, scientific research) are not of the commodity type, and their output cannot be determined independently of inputs. (In the national accounting the output of these services is assumed to be identical with the inputs.) In such circumstances the confrontation of outputs with inputs has no real meaning. However, according to some other opinions, for the sake of harmony with the national accounting also such efficiency indicators are needed that cover the non-material sphere too.

Indicators of results to be used in efficiency computations

The result, or yield may be expressed in the efficiency computations with the income originating from production. According to the components of the incomes considered, the result may be expressed

a) by the sum of the newly created value and consumption of fixed capital (the so-called gross value added,) both in the material sphere and in the material and nonmaterial spheres together);

b) by the newly created value (net output indicators), such as the national income in the material sphere, and the net domestic product in the material and nonmaterial spheres together.

c) by the net income (i. e. profit and net indirect taxes);

d) by the profit, i. e. the primary net income of the economic units.

For the indexes expressing the change in the efficiency of the entire national economy the use of the net output and of the value added type indicators is justified. On the other hand, the net income and profit indicators are important at lower levels, and in certain special computations serving the preparation of decisions (e. g. in analysis of investment efficiency).

Evaluation of the results

The properties of the efficiency indicators depend to no small extent on the prices at which the results and inputs of production are valued. Several ways of valuation are conceivable: beside valuation at actual (so-called realization) prices, production can be valued also at so-called net producer prices (i. e. net of indirect taxes), and also at some computed (e. g. input-proportional) prices, or, even in case of domestic sales, world market prices might be used. The choice of the prince is important especially in connection with efficiency computations serving the preparation of decisions where the relative advantages and disadvantages of the different variants differ to a large extent depending on the way of valuation. In measuring the inter-temporal changes of efficiency the way of valuation plays only a relatively minor role.

On the level of the national economy as a whole valuation at realization prices is the most convenient. Valuation at prices including the indirect taxes (and, accordingly, excluding subsidies) is justified because taxes constitute a result from the point of view of the national economy, while subsidies do not. However, on the level of industries or enterprises valuation at net producer prices has also some advantages over that at realization prices. The use of input-proportionate prices would not be suitable in the efficiency computations. The use of world market prices, with all its obvious advantages, is unlikely to be worth the delay caused by extra work and the uncertainty involved by such computations. It is reasonable to use for realization or net producer prices the same ones as are used in the national accounting, also in the interest of harmony between the results of the efficiency computations and the national accounting.

So far efficiency indexes were determined in Hungary on the basis of data at constant prices, i. e. as if the change in the efficiency in this country were not affected by any price change. Such computations will be still required, because these are connected with the most important indicator of economic development: the index of national income. But it will be expedient to use also such efficiency indexes that reckon with the impacts of changes in the terms of trade on the national economy. Namely, an improve-

ment or deterioration in the terms of trade changes the efficiency of work done in the country and, independently of any other factor, it reduces or increases the volume of disposable national income.*

Factors not covered the indicators of results

As in the measurement of production, indicators cannot express every economic achievement in the measurement of efficiency either. Certain factors are left out of the content of the indicator because measuring instruments suitable for their consideration are missing.

Such factors are the phenomena related to the environment (e. g. air and water pollution), work done under socially unorganized conditions (for example in households), several elements of the infrastructure, etc.

Certain preferences of society constitute similar limitations in efficiency computations. Though there are certain products or services (e. g. medicaments, textbooks, theatre tickets) which have prices, yet these prices fall short from expressing the size of the result these products or services constitute.

The omitting of several factors does not mean that these factors are necessarily disregarded in the decisions affecting the development of the economy. As a matter of fact, knowledge of these factors is available for analysis or decision-making but it is an information not *within* but beside the overall indicator of efficiency.

Measuring of inputs

Efficiency analyses differ from the computation of partial indicators (e. g. labour productivity) exactly in that outputs are related to total inputs and not to a particular type of input. But there is no natural method (for example one deriving automatically from the methodology of the national accounting) for bringing the various inputs to a common denominator; in this field the problems of methodology are not quite clear as yet. This is the explanation why there are so many types of solutions both in Hungary and abroad.

The basic task is to bring the wage inputs and the engagement of assets (capital inputs) to a common denominator. The most widely used method is to apply certain

*A conceptual change would be thus needed in the prevailing statistical and planning practive, which recognizes only measurement at current prices and measurement at constant prices. From the viewpoint of measuring efficiency of every change in price should be treated in the same manner. The problem is even more complicated from the theoretical aspect. In some cases there are changes in efficiency behind domestic price changes, too. For example, if an outdated commodity sells only at a reduced price, then computation with comparable prices shows a more favourable development of efficiency than there actually is.

multipliers (estimated on the basis of particular assumption) already at the computation of the indicator. So far the wage inputs have been uprated with a factor of 1.4 or 1.5 assuming that not only the wages paid out directly but also the indirect benefits should be contained in the indicator; and for the value of the assets engaged the factor has ranged from 0.08 to 0.10 (setting the norm for returns at 8 to 10 per cent). As for the future, the interested organs have agreed to use uniformly a factor of 1.5 for wages and salaries and a factor of 0.1 for assets.

Contentually similar result is obtained if not the various inputs themselves are brought to a common denominator but the indexes computed from them are averaged to determine the common index of inputs.

The method to be mentioned finally is the one according to which the total efficiency index is computed as the weighted average of the indexes of the individual partial indicators (productivity, capital/output ratio). This method is used widely abroad, e. g. in the analyses of the Economic Commission for Europe.

Role of efficiency computations in economic decisions

Opinions widely differ about the desirable role of efficiency computations in shaping the economic structure in Hungary, e. g. in decisions on investments, in changing the commodity pattern of production and exports. Everybody admits that efficiency considerations, too, are to be taken into account in economic decisions, and that *not only* the factors of efficiency are to be borne in mind in decisions. Beyond a general appreciation of these two extreme theses, however, a wide variety of views and opinions exists. In some opinions the present systems of efficiency considerations does not call for, or permit, much change; in others, essential changes are recommended relative to the actual practice of economic decision-making.

Behind the different views there are different evaluations of the various advantages and disadvantages of management. The quantity of products to be made available is determined basically by the effective demand. But, to satisfy demand it is not the only way to produce this quantity at home, it might be imported as well, and other commodities might be exported instead. Economic development might be accelerated by utilizing the comparative advantages of participation in the international division of labour. But, along with this, risks increase as well. Considerable disadvantages might derive from changes in relative world market prices, from changes in the tariff policies of partners (countries, economic unions), from the strengthening of competitors.

The statements of the above paragraph are hardly disputable. But opinions in Hungary vary about the weight to be attributed to the different advantages and disadvantages as to the optimum line up to which it is worth to take risks in order to utilize the advantages of enhanced efficiency deriving from the international division of labour, and also about how reliably we are able to state what is more advantageous and what is more disadvantageous for the national economy.

There are various types of economic decisions, occurring on various levels, and each decision itself is often a longer process consisting of phases. The problems of efficiency considerations should be expediently studied in a breakdown corresponding to the main categories of decision types.

Decisions in connection with investments

Opinions agree in that once it has been decided where (in which sector) to invest, then the efficiency considerations must be the basis of selecting the most suitable variant. But opinions are divided about the extent to which the efficiency computations should be taken into account in deciding on the question "where to invest". As a matter of fact, this latter role of efficiency computations has been very limited in Hungarian practice. The rate of future development, however, depends not only on deciding on "how to invest" but also, and considerably, on "where to invest".

Dissents usually imply different judgements on the practical feasibilities of taking into account the efficiency computations, on the realiability of computations or of the chances of improving it, and on the different weighting of factors other than efficiency.

The actual Hungarian practice

In the present practice the efficiency requirements are asserted in different ways depending on the types and on the level of occurrence of decisions on investments.

For *major investments* financed from sources of the state budget certain profitability computations are institutionally prescribed. The drafting of most major investments projects is preceded by the elaboration of technico-economic conceptions. Some efficiency indicators, though rather of rough estimation character, are computed already in this stage. The computation of the so-called D indicator (which virtually shows how many times the cost of development will be returned from net income and depreciation in 15 years) is prescribed compulsorily in a later phase of the decision process for the individual approval of major investment projects.

Though the D indicator would be suitable for comparing the efficiency of different investments, it only plays a limited role in decisions. First, if often happens that by the time the indicator is computed the decision has been practically made about the investment. Individual approval (the discussion of so-called investment proposal) is often preceded by partial decisions whereby not only the future of the investment in question but also many details of its implementation are actually determined.

Second, even if the D indicators are known in time, the system of approval allows competition between different investment projects only within rather narrow limits. In fact, the investments are normally decided one by one at different time points and not simultaneously.

Third, due to earlier bad experiences with the reliability of the D indicators, decision-makers somewhat mistrust the computational results, and efficiency considerations are not given their due weight even if otherwise allowed by circumstances.

Last but not least, some decision-makers do not believe that efficiencies of different investment projects are comparable; in some opinions the D indicator is only suitable for comparing the efficiencies of different variants of investments with the same objective.

In Hungary there are no uniform methods for the efficiency computations of *investments financed from enterprise resources,* though the determination of certain efficiency indicators is occasionally imposed by the competent ministries. The requirements of efficiency are asserted here mainly through enterprise interests.

In case of investments by enterprises also using credit sources, the efficiency of the project is considered by the National Bank of Hungary as a basic aspect in its decision on the credit. In the annex of the application for credit the indicators of profitability, efficiency, returns, as well as the expected asset-proportional profits of the enterprise as a result of the development, and the foreign exchange "production" indicator* of exports through the development are to be computed.

Though a great part of these indicators judge efficiency only from the enterprise point of view, in the indicators required by the National Bank of Hungary the aspects of national economic efficiency also obtain some role. This is especially true for credits to be granted for exchanging export commodity funds that can be sold for convertible currency. In case of applications for greater amounts of credits the NBH imposes the calculation of the D indicator too, but this, at least for the time being, is rather for information only.

So far the efficiency considerations play a limited role in *subsidizing enterprise investments.* Nevertheless, in this field, too, important initiatives have been taken. For example the commission for allocating subsidies for the mechanization of materials and commodity handling examines as one of the criteria the cost of releasing a unit of labour in the given case.

Possibilities of further development

The problems of enforcing the requirements of efficiency arise most drastically in connection with major investment projects. It would be desirable if efficiency considerations obtained a bigger role in the relative judgements of projects serving not only identical, but also various objectives (even if some restrictions are admitted to exist in the latter respect).

As said above, the lag of information about expected efficiency causes the greatest difficulty. In many cases the freedom of decision has shrunk by the time the D indicator or other information suitable for a realistic judgement of efficiency are available.

Unfortunately not too much can be done to change this state of affairs. For many investments, and exactly in order to implement them in time and at relatively economical terms – preliminary partial decisions, e.g. contracts constituting the precondition to

*i. e. the domestic cost of earning a unit of foreign exchange – (Ed. note.)

foreign imports, are required before several other details of the project should have been completed. On the other hand, for a reliable determination of the D indicator all essential details of the investment should be known. Therefore one cannot just cut the Gordian knot and order for example that substantial decision about the approval of an investment must not be taken without knowing the D indicator.

However, this does not mean that there is no way to greatly improve the present situation. Even if the construction of the D indicator in its official form is not possible in the early stage, the relative profitability of a given field or production process might be predicted on the basis of other informations (e. g. a simplified returns indicator).

Besides extending information and trying to make it sooner available the other important consideration in asserting efficiency is to continuously follow up the conditions of efficiency, and to enhance the flexibility of the system of decision. It may happen that an investment assumed to be economical turns out later on to have a much more disadvantageous efficiency indicator than had been originally presumed – either because information has become more precise, or due to the changes in certain conditions. Such cases call for a flexible pondering of whether the losses incurred by carrying on with the investment or those entailed by discontinuing it are greater. For all that, certain informations on efficiency have to be available not only at a given phase of decision-making but also in the different phases of implementation, and especially in its early stages.

It would be expendient to alter the system of investment approval also from the point of view of leaving a greater scope for competition between different investments. For this purpose, for example, the informations pertaining to the efficiency of various investment projects should be increased and concentrated.

Also the *reliability* of the efficiency computations should be increased. This calls in part for the improvement of certain conditions of information supply and checking and in part for the improvement of the methods of computations.

Greater enforcement of the role of efficiency *in enterprise investments* depends primarily on development of the price system and the related modification of the regulators.

There are good chances for a considerable development also in the methodology of investment efficiency computations. Some relevant problems will be discussed below.

The role of efficiency in shaping the commodity pattern of exports

Due to the importance of the country's international economic relations the commodity pattern of Hungarian foreign trade strongly affects the efficiency of the national economy: whether we export those commodities and to those markets which and where the ratio of returns to inputs is the most favourable.

In fact it is the efficiency of production that we find behind the efficiency of Hungarian exports, since the export pattern is practically determined by the pattern of

production. Nevertheless, it is expedient to consider the problems of export efficiency separately, partly because of the separate foreign trading organizations and partly because of methodological features.

The decisions, affecting the shaping of the export pattern, disregarding now the investment decisions discussed above, are normally implemented through the medium of enterprise interests. Enterprises usually try to export more from those products, and to sell more to those markets, that earn higher profits for them.

Regulators (currency rates, subsidies, taxes) are capable of bringing enterprise interests near to national economic interests only to a restricted extent. Along with equilibrium difficulties and the accompanying orientation towards increasing the volume of exports, this is also due to our ignorance of the relative efficiencies from the viewpoint of the national economy, of the various products.

Though different indicators of export profitability (e. g. indicator of the cost of earning foreign currency) are computed regularly on the basis of foreign trade statistics and enterprise balance statements, in these indicators not the real inputs of the national economy but the input of the last phase, or the value of the exported product calculated at domestic price, is confronted with the foreign currency receipts.

There isn't much remedy to the shortage of information. It is, namely, extremely labour intensive to determine export efficiency indicators from the national economic point of view and, because the secondary, tertiary etc. impacts are difficult to trace such computations are rather inaccurate. Nevertheless, it is possible to improve to some extent the present situation, and experiments are already carried on towards this end.

Other decisions related to current production

In further types of enterprise decisions (to change the pattern of products for domestic use, to change technologies, to change the composition and sources of material supply, etc.) efficiency considerations are also realized through enterprise interests. The main barrier is again the gap between enterprise interests and those of the national economy. Though some of these can be reduced by changing some individual regulators, this might happen at the risk of filling a gap while widening another one.

With the present relative prices, special computations are needed to show the approximative impacts of a decision on efficiency from the viewpoint of the national economy. These computations are also difficult, like the computations of export efficiency, because it is almost impossible to trace the elements of net income cumulated in the prices of inputs and frequently the prices of outputs do not express real results either. The input-output tables are in principle suitable instruments for such computations and in the Hungarian practice, especially in recent years, many indicators of this type (direct and indirect wage content, import content and the like) have been computed. However, these computations were rather only for general information because – owing to the limitations in respect of the sectoral breakdown of the tables – the results could be determined only for major aggregated sectors, and not always with sufficient accuracy.

Decisions concerning the reduction of production (through liquidation of productive units) deserve a special entry. In such cases it is particularly important to know the measure's impact on the entire national economy. Computation at actual prices makes it very hard to safely regard a reduction as justified. It will be reasonable to mention here also the problems of the efficiency computations of reconstructions, whose methodological problems have not been clarified satisfactorily either.

Conclusions, prime tasks

We have to push forward simultaneously at more than one fronts in order to enhance the role of efficiency considerations in Hungarian economic development in shaping the structure of the economy. The methods of computation should be improved; the reliability of the information should be increased; enterprise interests should be brought closer to the interests of the national economy; and greater weight should be given to efficiency considerations in economic decisions.

A lag at either front jeopardizes the progress in the whole. A basic precondition to obtaining adequate information about the economic impacts of the various measures is to settle the problems of methodology. As long as computations cannot be made sufficiently reliable these informations cannot be expected to be taken seriously in economic decisions. It is of no avail to improve the methods and to make the computations reliable as long as the efficiency considerations are not appreciated by the system of decisions, depriving thus all our work of its goal. And, last but not least, if the enterprise interests cannot be brought closer to the interests of the national economy, then the measures taken in order to enhance efficiency will entail permanent conflicts, and the initiatives of the masses, a highly important factor of increasing efficiency, cannot be linked to the interests of the national economy.

Improving the methodology

The methods of efficiency computations have been greatly improved in the recent years, yet there is much to be done in a number of fields.

The work concerned with the improvement of investment efficiency computations is to be noted first. In autumn 1976, on the initiative of the State Planning Commission, a working team was set up which, together with many other issues, drafts recommendations for the improvement of the methods of investment efficiency computations. Two of the methodological problems to be clarified are worth noting. The first one is the valuation of the returns and inputs of investments, more precisely, the extent to which domestic, Eastern or Western foreign market prices should be used in constructing the investment efficiency indicator. Different solutions have been devised and the standpoints are still not quite unambiguous. The second one is connected with the prognostication of prices. The comparability of the D indicator computations is strongly limited because it is not

clear how to reckon with price changes over a 15-year period. This is especially important from the viewpoint of products to be sold (or purchased) in western markets where the results obtained strongly vary according to the applied rate of inflation (e. g. 4 per cent or 8 per cent per annum). In my opinion it would be more expedient to render the computational results completely independent from the rate of inflation. This could be attained by reckoning, instead of price changes, only with changes in relative prices in valuating returns and inputs.

A number of points need clarification also in the measurement of export efficiency. At present in Hungary hardly any such indicators are computed from the national economic point of view. Tentative computations, and in its context an improvement of methods, began last autumn in the Institute of Planned Economy of the National Planning Office, and in the Hungarian Chamber of Commerce.

In many fields research work is only at an initial stage. No adequate method exists for measuring the efficiency of transactions with licences. Many aspects should be classified also in connection with the computation methods of the efficiency of *complex international cooperations.* As mentioned above, the method of measuring the efficiency of production *reductions and reconstructions* cannot be considered as accomplished either.

There are some general problems related to the measurement of efficiency which have a bearing on almost every field. The problem of valuating particular resources (and their conversion to a common unit of measurement) is not satisfactorily solved. The problem in accounting labour inputs is that the efficiency computations (e. g. the D indicator) do not express properly (in the present manpower shortage circumstances) the additional inputs of the national economy needed for increasing manpower nor the advantages deriving from the release of labour. The problem of taking the fixed capital *inputs* into account is rather well known: the period is too long between general revaluations of fixed assets, the prices go through considerable changes in the meantime, and thus the assets available at a given date are recorded at different price levels (according to the date of their purchase). The valuation of imports (and exports) is connected with exchange rate problems. Several signs – e.g. considerable subsidies, taxes, etc. – suggest that the different commercial rates of exchange, i.e., their relative proportions, are not suitable for the purposes of efficiency computations in every respect. In view of the different "hardnesses" of currencies it is to be considered whether it would not be more expendient to apply certain adjustments (agios, disagios) more consistently.

Improving the reliability of the computations

The reliability of efficiency computations depends largely on the improvement of methodology. If the rules of computation can be made more unequivocal stating when the valuation of output should be made at domestic, Western or Eastern foreign trade prices, or how to treat inflation in prognosticating prices, then the conditions of reliability will become much more favourable as well.

There are also other problems of reliability. In some fields e.g. in the determination of the efficiency indicators of particular investments, the computations are done by people with the best insight into the given field who are, however, personally interested in the future of the investment in question. It follows that the computations are sometimes biassed, tending upwards as regards returns and downwards concerning inputs; and the acquisition of the largest possible share from the available resources becomes the primary objective of the industries and enterprises. This endeavour supersedes the requirement to use the means for the most effective purposes.

This problem can be solved only gradually. The special knowledge required for efficiency computations of a given investment is possessed only by relatively few people. If the demand of "neutrality" is added, there will be very few experts left who are capable of controlling the computational results effectively. Nevertheless, some progress may be hoped here too, and a more unambiguous regulation of methods might greatly contribute to it.

Bringing closer enterprise interests to those of the national economy

Improvement of the price system is a basic condition of bringing closer enterprise interests to those of the national economy.

Some additional remarks should be made about the role of the price system in efficiency computations:

1. Enterprise interests and those of the national economy would be in some disagreement even in a price system ideal from the point of view of efficiency computations. (The national economic approach covers necessarily a longer perspective offering greater possibility to ponder the indirect impacts, to take into account externalities, etc.)
2. The price system performs diverse functions, thus it must *ab ovo* not be expected to fulfil only the requirements of efficiency measurement.
3. The price system's role in stimulating and differentiating efficiency asserts itself only as far as this differentiation is allowed to prevail and is not mitigated by various levelling regulators. This is worth noting all the more because there were times when the price system was improved (made more suitable for efficiency computations) and still this effect could not assert itself satisfactorily.

Despite all the above, it still holds that change in the price system and a reduction of its disproportions are among the most important conditions of making the efficiency considerations more authoritative in Hungary's economic development. The hazard of the lack of clearsight lies not only in that it occasionally leads to wrong decisions, but rather in that it renders the whole economic control and management uncertain. For example, we seldom have the courage to resort to a reduction of production even in case of apparently quite unprofitable enterprises, because in most cases we are not convinced whether inefficiency is a reality from the point of view of the national economy or merely a reflection of the distortions of the price system.

Increasing the role of efficiency in economic decisions

It has been reiterated in several contexts that efficiency ought to be given a greater role in economic decisions. The tasks, here too, are manifold.

It is hardly disputable that in Hungary some changes are needed also in attitude. True, information about efficiency was not sufficient for decisions. Yet it is hard to tell which was the cause and which was the effect, whether the role of efficiency in decisions was limited because of the insufficiency of information, or information was limited because the role of efficiency was not essential in decisions. If decision-makers had put greater emphasis on efficiency considerations, supply with information would certainly have improved.

The most important condition of progress is that decision-makers should ask for efficiency informations more vigorously and consistently. Of course, efficiency is not the only point to be considered in decision-making, there are many other circumstances to be taken into account. It is nevertheless imperative, and worth of serious efforts, to let decision-makers know the efficiency impacts of a given action (e. g. investment) in due time.

However, it should be underscored here again that progress cannot be but gradual. If efficiency considerations were abruptly given exaggerated importance, for example, if many unprofitable companies were closed, all kinds of imbalances and social strains would follow. The opportunities for increasing efficiency are anyway limited in a strained economic situation. Reserves are smaller, there is less freedom of movement, and the unfavourable short-term consequences of otherwise expendient changes in structure are less tolerable.

I should like to conclude this paper with what I said in the beginning. The importance, I dare say the central role, of efficiency in Hungarian economic development has been already recognized. But there is still a great deal of work ahead to enforce these requirements in economic management. We cannot expect a sudden change. In order to increase the role of efficiency step-by-step tough work is needed at nearly all the fronts of economic management.

The related tasks are set to economic research as well. In Hungary a number of theoretical and practical issues have not yet been classified sufficiently. The report presented to the State Planning Commission was intended, among others, to encourage this particular research work.

ВОПРОСЫ ИЗМЕРЕНИЯ И ПЛАНИРОВАНИЯ ЭКОНОМИЧЕСКОЙ ЭФФЕКТИВНОСТИ В ВЕНГРИИ

Л. ДРЕКСЛЕР

В статье дается подробный обзор важнейших проблем, связанных с измерением и планированием экономической эффективности. Автор подразделяет расчеты экономической эффективности в соответствии с их функцией на две крупные группы: первая служит целям

анализа, например, определению того, как изменилась в народном хозяйстве в целом или в промышленности в тот или иной период экономическая эффективность, а вторая – подготовке конкретных решений, выбору из вариантов, например, отвечает на вопрос, в какую отрасль выгоднее вкладывать средства или какой вид продукции целесообразнее экспортировать и т. д.

Для целей анализа, по мнению автора, наиболее приемлемо частное национального дохода и использованных ресурсов (величина приведенных к общему знаменателю затрат труда и вложенных фондов). В этой области, хотя еще и предстоит решить ряд задач, условия для измерения и планирования благоприятные. Гораздо больше проблем встает в связи с расчетами эффективности, служащими для подготовки решений. Наиболее детально автор анализирует их на примере расчетов эффективности капиталовложений, однако он рассматривает также типы решений, например, вопросы формирования структуры продукции. Часть трудностей вызвана тем, что информация относительно экономической эффективности часто поступает с опозданием или не является достаточно надежной. Не выяснены также некоторые методологические вопросы, а сама система принятия решений не обеспечивает благоприятных условий для должного учета аспектов экономической эффективности. При решениях на уровне предприятий проблему представляет то, что вследствие особенностей системы цен и экономического регулирования возникает значительный разрыв между интересами предприятия и интересами народного хозяйства.

Автор намечает важнейшие задачи, которые следует решить в целях дальнейшего развития расчетов экономической эффективности.

Acta Oeconomica Vol. 19(3–4), pp. 361–377 (1977)

V. NYITRAI

A COMPARISON OF THE AUSTRIAN AND THE HUNGARIAN INDUSTRIES

The study summarizes the experiences of a second bilateral comparison of production and productivity (for 1975) by Hungarian and Austrian experts in industrial statistics. The first comparison was made for 1965. The methods used for the second comparison were more accurate than those used in the first. This was made possible by the consistent use of the United Nations standard classification (ISIC) and by the inclusion into the investigation of a relatively high proportion of commodity-representatives (75–80 per cent on the average). The conclusions from the bilateral comparison show that the relative lag in productivity of the Hungarian industry may now become an obstacle to economic growth.

The place of Hungarian industry in the world has been examined for many years in the framework of the long-term working programme of Hungarian industrial statistics, especially in that region of the world where Hungarian industry is placed not only geographically, but also on the basis of its economic development level. Wide-range international comparisons covering about 30–40 countries were begun in the mid-1960s and these were repeated in the early 1970s. These comprehensive surveys allowed to determine the approximate place of the Hungarian industry from the viewpoint of its sectoral structure, productivity, machine supply, etc. Like all other international comparisons carried out on the basis of published data of various countries, also these overall comparisons may be used first of all as indications of orders of magnitude, since – resulting from the nature of the methods – to establish causal relationships from comparisons of such type is impossible, moreover occasionally even dangerous.

From the early 1960s on bilateral comparisons referring first of all to the level of productivity, but beside this also to the volume of production and to factors of productivity, made together with the partner country, have been included into the regular programme of industrial statistics, which thus allow the evaluation of numerical results obtained on a more detailed and much more reliable basis. Such comparisons were made separately with Czechoslovakia, Austria and Yugoslavia, respectively; and later on in the framework of a quadrilateral experiment also jointly with Austria, Czechoslovakia and France. [1, 2]

The first Austro–Hungarian comparison of industrial production and productivity referred to the basic year 1965 and its experimental character was emphatically underlined. This was justified, on the one hand, by the fact that it was the first attempt in Europe made by countries with different social systems, on a deviating data basis of industrial statistics and through a bilateral approach with rather considerably deviating

methodologies of national industrial statistics. This experiment was a pioneering one also in that respect that the UN-recommendation for productivity comparison published since then had not yet been available at that time, but was formulated for the methodology of international comparisons on productivity only in the early 1970s.

The Austro–Hungarian comparison of productivity for 1965 had very interesting practical results beside methodological experience, to be utilized also by the economic policy leadership in both countries. [3] Considering the fact that the 10 years (1965–1975) were a period of dynamic development and structural transformation for the industries of both Austria and Hungary, the demand emerged to repeat the comparison for the year 1975, already in possession of the UN-recommendation concerning the methodology of productivity examinations, on the basis of better comparable data and by further widening and utilizing the experience of previous methods. Endeavours in this direction were considerably supported also by the interest to learn whether a previous comparison might be continued with the aid of extrapolated national productivity indices after a long period (10 years), and if so, how reliable the information obtained in this way would be. Thus, the repeated comparison had, in this sense, also the character of an "experiment". Namely, the results previously obtained were extrapolated from 1965 to 1975 by means of the national dynamic indices and then compared with the results of the new comparison based on more detailed and reliable basic data. This experiment is very significant also because it is well known that in the framework of various international organizations bilateral and multilateral international comparisons relating to the level of production and labour productivity, respectively, are carried out regularly, and extrapolation is rather boldly applied independently of the fact that, in general, it was not tested at all. When making the quadrilateral productivity comparison we, too, were forced to extrapolate the results of the Austro–Hungarian comparison, although this referred to a shorter period (from 1965 to 1971). Nevertheless we dared to relate its results to the year of extrapolation even so only with caution.

Main methods applied and experiences obtained with them

Since the methods of industrial statistics have been refined, extended and developed both in Hungary and in Austria in these years, and we have more experience than earlier also in international comparisons, the methods applied with the comparison of 1965 could now be revised and considerably corrected. A favourable possibility for doing so was provided by the fact, that grouping according to the UN branch-system, i. e. classification of data according to the revised version of the ISIC (International Standard Industrial Classification) has already been included in the industrial statistics of both countries beside the basic domestic classifications. This is an essential forward step, since previously attempts were made to approach the deviating industrial classification systems of the two countries to each other and thus to create a more or less comparable classification by means of various methods.

The application of the ISIC system raised some problems, too. Namely, in the domestic practice of the two countries certain activities are recorded at different places and this could not be fully eliminated even by a regrouping according to the ISIC. Therefore, we were forced to exclude from the comparison some activities which were less important with regard to their order of magnitude. Thus, the publishing of books, which does not belong to industrial activities in Hungarian practice, was left out of the printing industry of Austria; the entire activity of the so-called "other manufacturing industries" was also left out, because this is so heterogeneous in the two countries that its productivity level cannot really be compared. From the sphere of manufacture of fabricated metal products and engineering (ISIC 38) the manufacturing of instruments, while from the branch of electric energy industry, gas- and water supply the gas-, steam- and water supply had to be omitted. In the case of mining, bauxite mining was left out of the Hungarian data, also for the sake of comparability.

The sphere of industries formed in this way includes nearly 93–95 per cent of the total output and labour inputs of both the Hungarian and the Austrian industries.

The activity of the individual industries is represented by the production data of products belonging to the production line of the given industry. The range of products taken into consideration was considerably wider in 1975 than with the 1965 comparison. However, it still remained a problem that the unified UN nomenclature of products has not yet been introduced into the international practice. It is well known that although the International Standard Classification of All Goods and Services (ICGS) has already been completed, the related UN recommendation has not yet been issued, thus it cannot be applied in practice either. This is why the nomenclatures of products of both countries had to examined by items with regard to the contents of the products selected. Considering that 620 groups of products were included in the comparison, this was the most labour-intensive phase of the work. On the basis of a detailed contentual reconciliation we could have a deeper look into the sphere of activity and contentual particularities of the individual industries of the two countries and this also helped to explain the differences in production and productivity levels, respectively. The groups of products included in the comparison represent in the Austrian industry nearly 75 per cent of the total output of the industries observed and in the Hungarian industry about 80 per cent. These proportions may be regarded as rather high. It is, namely, well known that in several other bilateral comparisons conclusions had been drawn on the basis of considerably lower representation.

Considering the experiences obtained from previous comparisons of productivity level, great attention was paid in this bilateral exercise to the inner comparison at phase level of the productive activities of individual industries. This is especially important in branches of heterogeneous character and even among them first of all in engineering (ISIC 38) where identical denominations of finished products may include considerably deviating vertical stages of production depending on whether in the manufacturing of finished products mounting or assembling is predominant in the given countries or the entire production process beginning with the manufacturing of component parts is done

within the country. Investigations and talks of this character provided useful information first of all for the evaluation of data and for estimating the limits of reliability, and helped also in tracing the development trends of the production process.

Similarly, great attention was paid to the contentual reconciliation of data taken into consideration on the input side. It turned out that there was no possibility to compare various indicators of productivity, since in the Austrian industrial accounting the way of separating workers and employees from each other had changed (the situation is similar also in Hungary) and because part-time employment was much higher than previously in Austria because of the special character of the year 1975. All this led to the recognition that a single productivity indicator should be compared, namely that of the production level per person employed.

The fundamental method used for the comparison of both the production and the productivity levels was that of the so-called individual output indices applied already in 1965, which proved to be succesful in our bilateral international comparisons. The previous practice was also continued, according to which the production and productivity indices of the individual branches were computed by means of the so-called spatial Laspeyres and Paasche indices and their weighted average, the spatial Fisher-index was regarded as the basis for evaluation.

The previous experiment was also repeated which had aimed at taking inco account industrial production and productivity indices also when weighted with specific Hungarian wages and depreciation allowance values beside the basic methods presented in the foregoing, and the results obtained showed that the indices weighted with unit prices and those weighted with wages and depreciation allowance, respectively, did not considerably differ from each other in the majority of industries.

Greater attention than previously was paid to factors influencing the level of productivity, since this is the field where, in our opinion, there are still further possibilities to reveal causal relationships. From among the factors we tried to take into account also the most important ones of technical and human character. They were the following:

– indicator of electric energy consumption per person employed, approximately indicating the specific technological equipment of production;

– effect of investments;

– total energy consumption per person employed expressed in calorific-value;

– composition of staff, and within this especially of workers, by qualification level;

– besides, this was the first time that the effect of deviations in sectoral structure on differences in production and productivity level, respectively, was examined.

We tried to clarify the contents, the internal composition of all these factors through bilateral contacts and precisely this more detailed knowledge warned us to caution in a part of the cases when the available results were evaluated.

The experiences with the methods applied in the comparison may be summed up as follows.

The most important lesson was that no conclusion must be drawn on the basis of data extrapolated with national indices for 10 years or a longer period. Resulting from the extrapolation such deviating data were obtained whose evaluation required a special working process. Namely, practice has shown that the organizational structure, the production line and inner structure of the industries of individual countries change to a considerable extent during a longer period and all this may greatly influence the results of comparisons. The extent of the division of labour may change both at national and international level and, on this basis, so may even the entire character of individual industries. Especially those industries are sensitive to such changes whose inner renewal is relatively fast, as for example most fields of the engineering (ISIC 38) and the chemical industries. In these also the measure of internal cumulation becomes considerably modified within a longer period, precisely on account of the necessary increase of the degree of the division of labour, which may also appear as a distorting factor. During such an interval the inner composition of labour inputs might considerably change, certain kinds of activities develop or widen – to an extent differing by country –, for example, marketing activity aimed at increasing sales, packaging of goods, etc. Deviations of such kind are either not at all perceptible in extrapolated data or only in a distorted way.

It has become unambiguously clear as well that it is expedient to repeat a comparison of productivity level after about 10 years. Furthermore, for ourselves we have drawn the conclusion that even within a shorter period extrapolated data can be utilized only with great caution. I think that even the negative results of the extrapolation experiment have been very useful from the point of view of our further international work and perhaps not only the industrial economits of Austria and Hungary, but also those of other countries interested in bilateral and multilateral comparisons may draw useful lessons.

The unified sectoral classification of the ISIC has stood the test in our case and made it considerably easier to clarify the contents of various branches, i. e. the introductory phase of the work. Though the same language was used, the vocabulary, i. e. the common nomenclature of products for this common language is still missing. We think that in a later period or in comparisons with other countries the application of the UN ICGS nomenclature of products might further facilitate the unambiguous definition of the contentual elements of our work.

Methodological experiences have also shown that beside applying the well-known methods in the engineering and the chemical industries it it worth-while, and even expedient, to apply several supplemental methods experimentally. In these fields, namely, deviations between the inner structures are one of the most significant factors in the differences in production and productivity levels. Structural differences were eliminated as yet only in case of "total industry" data made up of sub-sectors (groups). No deviation of significant extent was found, but this subject should be further investigated and the effect of deviations in the inner structure (i. e. by products of activities) should be also quantified and examined.

With regard to factors influencing the level of productivity our amended method proved to be useful. The examination of investments was a new element. Because of limitations of the available Austrian data the joint effect of investments of 10 years could not be examined, but only the dymanics, composition and effect of industrial investments realized between 1969 and 1975 were evaluated. A definite relationship was found between investments and productivity increase. Those industries where outstanding investments were realized during the 6 years examined showed a considerably more rapid productivity increase than those where technological equipment was renewed only to a smaller extent.

Among productivity factors the technological equipment of labour has a determining role not only with regard to the differences in electric energy consumption per person employed, but also in total energy consumption per person employed. Naturally, only those kinds of energy utilized were taken into consideration which were directly used up in the production processes, while primary energy used up for the production of electric energy was neglected. Remarkable results were obtained also from the comparison of the pattern of *energy consumption,* since nowadays it is no more a matter of secondary importance what types of energy the industry is using. The data obtained provided adequate information that could be well evaluated also from this aspect.

In case of the *human* factors of the differences in productivity level several methodological problems have arisen. This was due partly to the fact that the interpretation of the term "worker" is different in the two countries. On the other hand, comparison was made more complicated also by the fact that not quite the same categories are qualified as skilled work in Austria and Hungary, respectively. In Hungary several activities have been raised to the status of skilled work in recent years, often accompanied by a system of higher requirements. An example may be the case of spinners and weavers: among their activities there are also such which are qualified as semi-skilled work in the Austrian industry even at present.

Another problem in the investigations was caused by the fact that with Austrian data missing we had no possibility to reveal the composition of the labour input in full depth. It may be supposed namely, that deviations in industrial organization and structure also influenced the differences. Here I think, among others, of the possibility that repair and maintenance activities are performed to a greater extent within industrial enterprises and only to a smaller extent by specialized enterprises in the Hungarian industry than is done in the Austrian industry. It may also occur that the sphere of activity, organization, etc. of the commercial, technical development and administration staff employed in the industrial enterprises of both countries are different.

These deviations may undoubtedly influence and determine the difference in production levels per person employed. A part of them is really a reason for productivity differences, while another part is only seemingly an active component if the same activity appears in one country within industrial inputs and in the other among labour inputs of another branch of the national economy. Though this could not be revealed in detail in the working phase recently finished, yet I think that the reality of the orders of

magnitude is less influenced by such kinds of deviations, and more detailed investigations in this direction may provide greater help rather in revealing the reasons for deviations in orders of magnitude.

Results of the comparison

When making a comparison of the production volumes and productivity levels of the Austrian and Hungarian industries [4] it must be taken into consideration that both countries belong to the smaller European countries as regards their area and population, but there are considerable differences in their economic structures. The development level of the Austrian economy is well characterized by the fact that in 1975 31.3 per cent of the gross domestic product resulted from the industry and the contribution of tertiary branches, including a wide range of services, among them also energy and water supply, amounted to even more than that, namely, to 36.7 per cent. In Hungary 51.8 per cent of the gross national product resulted from the industry, while the share of the tertiary sector amounted only to 11.4 per cent in the same year.

This deviation alone indicates the differences in development level, what is more, on this basis even a picture of the place of industry as well as of the proportion of the labour force available to the industry can be obtained. All that is true, even if the reader's attention is drawn to the circumstance that these proportions are to be understood at the national price levels and in the respective price structures of both countries and these are known to differ considerably. However, our previous statement is supported by the fact that the number of those gainfully occupied in the Austrian services represents a considerably higher proportion than does the same in Hungary.

If the difference between the development levels of the Austrian and the Hungarian economies is estimated on the basis of these approximative data, then this can be determined as a 10-year advantage in favour of Austria according to the unanimous opinion of the experts of both countries. This statement explains, of course, also the differences in productivity level to a rather considerable extent.

When evaluating the data of 1975 it must be taken into consideration, that it was in Austria an especially bad year for Austrian industrial development. It was the first time in the ten years since 1965 that the level of industrial production decreased against the previous year, namely, by 7.6 per cent, while the yearly average growth rate of industrial production had amounted to 6.4–6.6 per cent between 1965 and 1975. The world economic crisis caused a considerable setback also in the Austrian national economy and thus in Austrian industry. Its effect appeared in that the Austrian industrial employers reduced the staff only by about 5 per cent – partly under the inspiration of trade unions –, but essentially more workers worked shorter time than before. Accordingly, the number of man-hours performed diminished by more than 12 per cent in 1975 as compared to 1974. These factors had the joint effect that the level of industrial labour productivity computed for man-hour increased by nearly 6 per cent in Austria between 1974 and 1975, despite the economic decline and the volume of industrial output decreased in absolute terms.

In Hungary the year 1975 was not an outstanding one from the viewpoint of industrial production, which increased by 4.7 per cent over the previous year. The larger volume was produced by the Hungarian industry with almost the same employment in 1975 as in the previous year. In Hungary the percentage of part-time workers has been very low for years, less than 1 per cent of the total employment, therefore, the productivity computed by man-hours and that by persons employed increase almost to the same extent.

Concerning the inner structure of the industry there are identities in the two countries, but also well perceivable differences. Leading branches of the industry are in both countries the engineering and the chemical industries (ISIC 38 and 35) and the proportion of metallurgy (ISIC 37) is relatively high, too. The deviation in natural endowments appears in that the proportion of the food industry (ISIC 31) within the total industry is considerably higher in Hungary than in Austria.

Industrial development over the last 10 years is well perceptible also in the development of the per capita production of some important products as well as in the differences in production level.

The sectoral structure shows a different picture on the basis of total employment from that obtained by comparing outputs. The reason is that the inner structure of the individual industrial branches is considerably different in the two countries, but also that differences in productivity level are dispersed to an extent different by branches. Let us consider some data for illustration. 7.3 per cent of those employed in the Hungarian industry are working in the chemical industry and produce 15.6 per cent of the gross industrial output; in the Austrian chemical industry 9.5 per cent of all those industrially engaged are working and produce 16.1 per cent of the gross output. The proportion of those working in metallurgy is essentially smaller within the whole industry in Hungary than in Austria, while this branch represents the same 9.1 per cent of the output in both countries.

Beside the products listed in Table 1 there is a great difference concerning per capita production for example in cellulose basic material production, which was in Austria 16.3-fold of that in Hungary; in the manufacturing of writing and printing paper where the difference was 7.2-fold in 1975; or in tractor production where Austria manufactured 24.6-times as much as Hungary; aluminium production in Austria is double the figure in Hungary while from metal structures the Austrian industry manufactures only 71 per cent of the Hungarian production, etc. These data alone indicate the considerable differences in the product pattern and its changes, pointing at the same time also to differences in development level to a certain extent.

The most important lesson to be drawn from the comparison was the particular result, surprising at the first sight even for us, that, despite the special character of the year 1975 mentioned in the foregoing, a much greater lag of the Hungarian productivity level relative to Austria could be observed than 10 years before. The main proportions are indicated by the data of Table 2.

Table 1
*Differences in the level of per capita production of some important products**

Product	Per capita production in Austria (index: Hungary = 100)	
	1965	1975
Electric energy	279	241
Coal	25	19
Crude oil	221	143
Crude iron	194	193
Trucks and buses	77	22
Normal electric bulbs	81	36
TV-sets	102	142
Cement	237	210
Synthetic materials and resins	352	342
Cotton yarn	48	40
Leather shoes	86	58
White beet-sugar	73	193
Chemical fertilizers		66

* Computed on the basis of data accounted in physical units of measurement.

When evaluating the data it should be taken into consideration as well that those employed in the Hungarian industry worked on the average considerably more hours in 1975 than those in the Austrian industry. Therefore, as regards output per man-hour the differences are even greater than those indicated in the Table.

Naturally, the data of Table 2 are considerably influenced by the differences in production structures. Thus, for example, the structure of mining is highly deviating in the two countries and this basically influences also the production level. Nearly half of the value of output (in forints) of Hungarian mining is contributed by coal mining and about 40 per cent by crude oil and natural gas extraction. In Austria (also in national currency) more than half of the output of mining derives from oil and natural gas extraction and one third is made up of ores and quarrying products. It is obvious that also the labour proportions required for this activity are different. Therefore, the 2.2-fold difference in productivity resulting from structural differences should not be regarded as too great, since in Hungarian coal mining also the relatively smaller share of strip-mining and the unfavourable geological conditions have to be taken into consideration.

The Austrian productivity level is more than double of the Hungarian one in the production of paper and paper goods. This is an obvious result of the relatively very favourable situation of the highly mechanized Austrian paper industry which is rapidly renewing its technology and of the much greater absolute volume of output (nearly three

Table 2
Industrial output, employment and productivity
In Austria in 1975
(Index: Hungary = 100)

ISIC Division, major group or group	Index number of		
	production level	employment	production level per persons employed
2. Mining + Quarrying	39.2	17.7	221.2
31. Manufacture of food, beverages and tobacco	52.1	35.6	146.4
321. Manufacture of textiles	60.7	40.2	151.2
322. Manufacture of wearing apparel	65.7	47.0	139.9
323. Manufacture of leather and products of leather substitutes, and fur	32.8	24.2	136.2
324. Manufacture of footwear			
33. Manufacture of wood, and wood-products	103.0	58.3	176.7
341. Manufacture of paper and paper products	292.2	144.0	203.0
35. Manufacture of chemicals, and chemical, petroleum, coal, rubber, and plastic products	97.9	63.6	153.8
36. Manufacture of non-metallic mineral products	116.7	55.9	208.7
37. Basic metal industries	100.6	87.8	114.6
38. Manufacture of fabricated metal products, machinery and equipment	91.8	48.3	190.2
41. Electric power	124.4	91.9	135.5
All industries observed:	84.7	48.5	174.7

times as much as that of the Hungarian paper industry) as it will be referred to also later on. The level of productivity in the "manufacture of non-metallic mineral products" is also more than double in Austria which also may be attributed to inner structural deviations.

However, all what has been mentioned in the foregoing only partly explain the differences and beside them there are Hungarian particularities, too, which also contribute to our backwardness concerning the productivity levels, as, for example, the low level of mechanization in auxiliary work processes, as well as rather general deficiencies observed in manpower management and work organization.

Special attention should be paid to the differences in the engineering and chemical industries (ISIC 38 and 35). In both cases it was experienced that Hungary's lag behind

the corresponding branches of the Austrian industry had increased during the 10 years passed, and that to a greater extent in the engineering (from 50 to 90 per cent) than in the chemical industry (from about 34 to 54 per cent). In these two very important branches the deviations are not caused by merely structural differences. Although there can be no doubt that the product pattern of engineering is considerably different in the two countries and that this has also an important role in deviations, in the course of bilateral expert meetings it also turned out that within the Austrian engineering industry "machine building" (Maschinenbau) has come to the fore in recent years, precisely as a result of labour supply problems. This more or less corresponds to the group of activity called the system of "general contractors" in Hungarian practice where a strong domestic and international specialization is enforced and which thus represents a relatively high proportion of mounting and assembling activity. This is, on the one hand, in itself a factor increasing productivity resulting from the division of labour (production phases are realized in larger series) and, on the other hand, it means a greater cumulation (double counting) in the value of output too, and thus contains some apparent elements as well. In the course of the exchange of expert opinions it also turned out that Austrian contractors readily hand out the least productive processes to foreign partners in the framework of international cooperation and this is already characteristic not only of machine building, but also of several sub-branches of the light industry.

Deviations in the production structure of the chemical industry are characterized, among other things, by the fact that Austria produced in 1975 almost 2.5-times as much synthetic materials as Hungary, while the volume of chemical fertilizer production amounted only to 47 per cent of that in Hungary. The volume of Austrian rubber goods production was also smaller, by about 27 per cent in physical units of measurement, petrol production by 21.5 per cent, that of fuel oil by nearly 40 per cent than the corresponding Hungarian data. The production of these products is rather different from the viewpoint of labour-intensity and this explains partly the productivity difference in the chemical industry, but not completely. Since the staff requirements of chemical industrial technologies are rather fixed, the remaining part of productivity differences derives presumably from the different degrees of mechanization in auxiliary and complementary work processes.

Considerable differences may be supposed also in consequence of the deviating product pattern. This is indicated by the fact that if an index number with fixed weights is constructed of sub-branches, this justifies a 7.6 per cent difference in the case of output indices and a 3.0 per cent one with productivity indices. On the other hand, it is obvious that structures within sub-branches deviate from each other to a greater extent than the structure by sub-branches.

The effect of deviations resulting from the inner structure of individual branches is indicated also by the fact that if we compare the differences between the Fisher-indices weighted with unit prices and the index weighted with Hungarian wages and depreciation data, significant deviations will be found in some braches. This can be seen from Table 3.

Table 3
Various indices of productivity level, 1975

ISIC major group or group	Production per persons employed in Austria (Hungary = 100)	
	Fisher-index weighted with unit prices	Index weighted with Hungarian wages, and depreciation allowance
1	2	3
31. Manufacture of food, beverages and tobacco	146.4	170.8
321. Manufacture of textiles	151.2	122.4
322. Manufacture of wearing apparel	139.9	116.8
35. Manufacture of chemical, petroleum, coal, rubber and plastic products	153.8	150.3
38. Manufacture of fabricated metal products, machinery and equipment	190.2	214.5

Although the relations shown in Table 3 are undoubtedly influenced by relative prices, as well as by the divergence of Hungarian wages and depreciation rates, nevertheless these differences indicate the order of magnitude of structural deviations, too (first of all in the engineering [38] and clothing (321, 322) industries).

Role of factors affecting the level of productivity

From among the factors mentioned in the methodological introduction the technological equipment of production and electric energy consumption per person employed approximating the mechanization level, more precisely, the difference in their levels are determinant. It must be taken into consideration in this respect that the rising level and the composition of Austrian industrial investments are also characteristic of the enforcement of intensive industrial development. This appears in that the proportion of investments in machinery and equipment was considerably higher within total investments in Autria than in Hungary. Mechanization replacing living labour was more widespread in the industry and this resulted to no small extent also from the differences in the level of economic development. In 1975 in the branches of the Austrian industry observed the value of machinery equipment and vehicles invested amounted to 70.7 per cent of the total investment (as againts 66.3 per cent in 1969), while the corresponding ratios in Hungary were 63.1 per cent in 1975 and 54.6 per cent in 1969. Differences are considerable in this respect in engineering industries (ISIC 38) where investments of reconstruction character

were predominant in Austria; in the building materials industry, where the share of new projects whose construction requirements are necessarily greater was rather high in Hungary, while smaller differences may be observed in some branches of the textile and clothing industry (ISIC 32).

The data of Table 4 also reveal the measure of changes between 1969 and 1975 and these indicate in many cases a Hungarian approach to Austrian proportions.

The deviating dynamics of the volume of investment between 1969 and 1975 also provides some useful information. Related to the reconstruction of the textile industry the investment level of the Hungarian textile and clothing industries exceeded in 1975 the double of that in 1969 (at comparable prices). During the same period the volume of investments of Austrian enterprises in the textile and clothing industries decreased by nearly 32 per cent. Considerable investments were realized in Austrian metallurgy, the volume of investments in 1975 was about twice as much as in 1969. The 1975 level of Hungarian investments in metallurgy was by nearly 4 per cent lower than in 1969. The difference is considerable also in the engineering industry, where, for example, the volume of investments into machinery of the Austrian machine factories increased by 90 per cent between 1969 and 1975, while that of the Hungarian machine industry by only 55 per cent. These deviations alone explain a part of the differences in productivity level. The data on technological equipment support the same.

The per capita electric energy consumption is determined in several branches of the industry by deviations in technology. This asserts itself in many fields of the chemical industry and in metallurgy as well. Differences in the level of mechanization fully explain the Hungarian backwardness with regard to productivity for example in the paper and the

Table 4

Percentage of machinery, equipment and vehicles in total investment (index: total completed investments = 100)

Branch	Austria		Hungary	
	1969	1975	1969	1975
Mining	82.6	74.5	46.3	61.9
Food industry	61.8	63.4	50.1	57.1
Textile and chlothing industry	65.8	68.9	70.8	70.6
Wood-working and paper industry	63.9	65.4	67.5	64.6
Building materials industry	73.5	71.0	41.6	53.3
Chemical industry	79.2	72.3	46.3	61.7
Metallurgy	77.4	80.4	52.3	65.7
Engineering	62.6	78.1	58.4	67.5
Electric power industry	58.6	57.9	72.2	65.9
All industries observed	65.3	70.7	54.6	63.1

wood-working industries (in both cases the electric energy used in the Austrian industry for a unit of output is three times as much as the Hungarian one), in the leather-, fur- and shoe industry (where the Austrian industry is more than twice as much mechanized) and also in the clothing industry (where specific electric energy consumption is by 73 per cent higher in Austria). In the manufacture of fabricated metal products machinery and equipment (ISIC 38) the difference in electric energy consumption per person employed is only 36 per cent in favour of Austria. Here, obviously other factors are predominant – among them those already mentioned previously. In the chemical industry the difference in per unit electric energy consumption and in productivity, respectively, is nearly the same, about 54 per cent.

Despite the fact that the deviating level of mechanization explains a major part of the Hungarian lag in productivity, we think it would not be proper to attribute the growing lag experienced since 10 years to this single factor alone. It is obvious that the volume of investments, their composition according to machines and building, whether they have the character of reconstruction or new workplaces are established, are all important factors of labour productivity, but differences manifesting themselves and their effects could gradually be diminished by a more efficient utilization of machines in several shifts, by improving work organization and, last but not least by a consistent enforcement of structural policy worked out in Hungary.

Deviations with regard to total energy consumption and its structure also testify to the favourable effect of the Hungarian programme aimed at the transformation of the structure of energy. This is illustrated by the data of Table 5.

It may be considered as unambiguously favourable that the ratio of coal is nearly the same in the Hungarian industry as in Austria and that the use of natural gas somewhat exceeds that of Austria. Under the item "other sources of energy" the difference is caused by the greater share of steam in Hungary.

All these data should be complemented also by the statement that with regard to the production of electric energy and, consequently, in the large-scale use of electric energy abundantly available, the Austrian industry is in a more favourable situation, since about two thirds of the total electric energy produced are obtained from hydro-electric power stations whose productivity is much higher than that of thermal power stations.

Human factors of productivity could be taken into account in this comparison only approximately. The methodological problems have already been indicated in the foregoing. Differences in orders of magnitude indicate even with these methodological deviations that the measure of automation is considerably smaller in the Hungarian industry and it results mainly from this that the proportion of semi-skilled work is much smaller in the Hungarian industry than in the Austrian one. About 28 per cent of all workers employed in the Austrian industry were skilled workers, while the corresponding Hungarian figure was more than 48 per cent. This difference is somewhat diminished by certain deviations in the notion of "skilled-work" as has already been indicated previously. However, in the case of several branches not these factors are predominant. For example in Hungary more than 53 per cent of all workers of manufacture of fabricated

Table 5
Energy consumption of the industry by sources of 1975 (in percentage)

Source of energy	Distribution of the energy consumption of the industry* on the basis of calorific value	
	Austria	Hungary
1	2	3
Coal	18.5	18.7
Coke	14.4	9.2
Fluid hydrocarbons (petrol, gasoline, diesel oil, fuel oil)	24.6	18.0
Natural gas	18.9	19.6
Electric energy	11.4	7.5
Other sources of energy	12.2	27.0
Total consumption	100.0	100.0

*Without electric energy industry.

metal products and engineering (ISIC 38) were skilled workers in 1975, while this proportion was only 35 per cent in Austria. The number of semi-skilled workers is determinant in the Austrian engineering industry, it amounts, namely, to 47.5 per cent, while in Hungary only to 37.2 per cent. Consequently, differences are considerable also in the proportion of unskilled workers. The proportion of semi-skilled workers was also very high in the Austrian metallurgy, the chemical industry, the leather-, fur- and shoe industry and in mining. No doubt, deviations in the product pattern and the technological structure determine differences in proportions, but the divergence of our technological structure is often also a factor decreasing the level of productivity.

*

This comparison of the volume of output and the level of productivity of the Austrian and Hungarian industries further enriched the experiences which all warn that to increase the level of productivity and through this to improve the joint efficiency of living and embodied labour are key-issues for the Hungarian industry. Though certain partial results of this bilateral comparison might be analyzed only with due circumspection – and it is precisely one of the achievements of bilateral comparisons, that they point out the methodological deviations – nevertheless, attention should unambiguously be called

to the circumstance that the present lag of Hungary in productivity may become a factor limiting economic growth.

Those data are especially worth of attention which demonstrate that in the leading industries the difference in productivity level has increased between the two countries and this can only be partly explained by investments and mechanization differencies. In our opinion it is worth-while and even necessary to further examine the factors unfavourable for Hungary and influencing these differences as well as their development.

It was the result of the above findings that the Presidents of the Central Statistical Offices of both countries decided to continue this work in some branches of industry with the objective to reveal also in detail the factors basically influencing the level of productivity in the individual sub-branches, as well as their effects, and mechanism. Such work, however, cannot be done any more by statisticians working on marco-level alone. It will be expendient to include in this work also experts of the branches and fields concerned. In our opinion, the economic experts of both countries may obtain much useful information from this. The basis for continuation of the work as well as the comparisons of branches and even enterprises may be provided by the joint study of the Statistical Offices of both countries. [4]

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СОПОСТАВЛЕНИЕ УРОВНЯ РАЗВИТИЯ АВСТРИЙСКОЙ И ВЕНГЕРСКОЙ ПРОМЫШЛЕННОСТИ

В. НИТРАИ

Автор излагает опыт двустороннего сравнения промышленного производства и производительности труда, которое венгерские и австрийские специалисты, повторив сопоставление 1965 года, произвели относительно 1975 года. Примененные на этот раз методы сопоставления были более точными, чем в предыдущем сопоставлении. Это стало возможным в первую очередь благодаря последовательному применению отраслевой классификации ООН, а внутри

отраслей – благодаря привлечению товаров-представителей с высокой степенью репрезентативности (в среднем 75–80 %).

В ходе обследований было уделено большое внимание основным вещественным и человеческим факторам, воздействующим на уровень производительности труда, среди которых наибольшее значение имели различия в степени вооруженности труда и объеме капиталовложений. Значительное воздействие на производительность труда оказывают и немалые различия в структуре продукции отдельных отраслей, подотраслей. Это особенно в случае машиностроительной промышленности объясняет значительную долю расхождений в уровне производительности труда.

Извлекаемые на основании двустороннего сравнения выводы указывают на то, что сравнительное отставание производительности труда в венгерской промышленности уже может превратиться в фактор ограничения экономического роста. Поэтому кажется целесообразным в дальнейшем сосредоточить двустороннюю работу в микросфере на тщательном исследовании нескольких важнейших промышленных отраслей, углубляя результаты, полученные при анализе.

Acta Oeconomica Vol. 19(3–4), pp. 379–393 (1977)

N. SHMELEV

PROBLEMS OF AN ALL-EUROPEAN ECONOMIC COOPERATION

The author surveys those political, technical and social trends and potentialities which make the evolution of intensive and lasting economic relations between the "Western" and "Eastern" parts of Europe inevitable. He analyzes the still unexploited possibilities, also the barriers to be eliminated in the interest of further development.

The 70ies may be characterized by positive changes in the world situation and by a favourable improvement of the international political climate. A further shift in power relations in favour of socialism, the active, peace-loving policy of the socialist countries, a new upswing in the national liberation movements and a deepening of class contradictions within the capitalist world itself, all forced the West to abandon the idea of "cold war". The events of the last years have shown that imperialism cannot be considered allmighty any longer, either in the field of politics, or in military or economic respects. In spite of numerous obstacles and difficulties and efforts by agressive circles in order to revive the climate of confrontation, the process of détente continues, embracing an ever growing field of international relations.

Firm and constructive peace in Europe cannot be considered simply as a political affair and, naturally, cannot be achieved with purely political means. A firm peace is not only a system of political guarantees of non-aggression, of non-intervention in each others' affairs and of abandonment of the use of force, which fix the territorial *status quo* on the European continent. In a positive sense, the prospects of European security are inseparably correlated with the creation of an international state of affairs where active cooperation, collaboration and a mutual international dependence on each others' vital interests prevail between the various countries, that is, with the development of a situation which in itself precludes the possibility of major political conflicts.

Great perspectives have emerged in this line after the Conference on European Security and Cooperation. This conference should be looked at as the final act of an enormous political activity which required mutual efforts, circumspect consideration of each others' interests and the elaboration of mutually acceptable decisions which reflect today's reality and open up new possibilities in all fields of human activity for the further development of international cooperation. The outlines of future peace in Europe are already determined; and so are the basic norms of international behaviour which might and should provide suitable conditions for peaceful creative activities and cooperation, bearing mutual advantages for each state – irrespective of its social system.

The present international relations are developing under circumstances of the sharpest ideological struggles. In Europe there are states with antagonistic socio-economic systems, belonging to two antagonistic social world orders. However, as testified by practice, ideological contradictions do not seem to raise unsurmountable difficulties on the way of developing intensive and mutually advantageous cooperation between socialists and capitalists countries.

The economic potential of Europe within its natural boundaries is larger today than that of any other continent or region. Some 47 per cent of the world's national income is produced in Europe whereas its contribution to the world's industrial output amounts to 55 per cent. The European countries invest every year large sums into new industrial and civilian constructions, into the modernization of every branch of their economies. At present the volume of investments carried out in CMEA countries corresponds to that of Western-Europe, amounting – taken the two areas together – to 500 billion dollars a year.

Possibilities for a mutually advantageous economic cooperation within Europe are provided by the historical and cultural relationship evolved between the nations of Europe, by the existing differences in supply with natural resources and in industrial and scientific-technical achievements and by the naturally favourable transportation routes connecting the states of Europe. This scientific and technical revolution starting in the middle of the 20th century contributed a great deal to the already given factors of the division of labour in Europe by adding new stimuli emerging from the objective requirements of modern economic and technical progress.

International division of labour as the main road to modern economic development

To find the optimal scale of production, either on the enterprise level or in the various branches of the economy or in the whole economy itself, is surely to be considered as a basic economic problem of the modern scientific-technical revolution in all industrial countries. Optimalization of sectoral structures or of those of the national economies is inseparably attached to intensifying specialization and cooperation not only within the individual national economies but within the whole present system of the international division of labour as well.

"Thanks to the application of machinery and of steam", – writes Marx – "the division of labour was able to assume such dimensions that large-scale industry, detached from the national soil, depends entirely on the world market, on international exchange, on an international division of labour." [1] Continuing and further developing the Marxian idea V. I. *Lenin* came to the conclusion: ". . . but this specialisation, by its very nature is as infinite as technical developments. To increase the productivity of human labour in, for instance, the making of some part of a whole product, the production of that part must be specialized, must become a special one concerned with mass production and, therefore, permitting (and engendering) the employment of machines, etc." [2]

The progress of modern industry proceeds through a rapid enlargement of the nomenclature of finished goods and intermediaries. Production of ever newer products becomes separated into new branches, subbranches and new specialized enterprises. On this basis of transnational relations in production, trade, finance, scientific research and in the implementation of its results, become increasingly interwoven.

As another consequence of the scientific-technical revolution, our conceptions about the criteria of economic progress gradually undergo certain changes as well. At present, as a measure of economic achievements in industrial countries not only the quantitative results, the existence of a particular products, are considered though the full significance of this aspect has been maintained, but such indicators are gaining growing importance as the efficiency of the national economies, the qualitative and scientific-technical progress represented by the national products with respect to the highest level achieved so far by world standards. Expansion of the international exchange of goods and of the transfer of knowledge, the present density of international economic relations not only make it possible for, but actually force, national producers to continuously compare the imputs and outputs of their own production with those of the world producers of analogous products.

Orientation towards utilizing the advantages arising from the international division of labour and towards international value criteria in defining the expediency of some particular national economic program creates conditions for the gradual formation of the most rational economic structures in the individual countries, for the formulation of an efficient investment policy and for the elaboration of plans for modernizing existing production. Nowadays it makes no sense for any industrial country to develop newly the whole technology of a particular type of product when it may be procured or its licence obtained in exchange for other goods produced domestically from those countries where production of the product in question was successfully solved long ago. It is more rational to concentrate investment and scientific-technical resources promoting industrial progress in those branches in which the country in question may take a leading position and may have the possibility to market these specialized goods large-scale in other countries. Evidently, this principle does not apply to the branches which are of crucial importance for the defence of the country.

The progress of the scientific-technical revolution restricts more and more the possibilities of any country for developing full-scale industrial complexes or such as embrace a great variety of branches. The nomenclature of industrial goods covers such a great number of articles at present – a statement applying especially to products of the machine building, electronical and chemical industries – that no country would be able to produce all of them efficiently on a large-scale. The effort towards "providing everything out of one's own resources" has become too costly and uneconomical: anything like it could be managed only by such industrial giants like the USA or the Soviet Union and even there only in case of emergency and in the absence of any other alternative.

In the course of historical development a number of national industrial complexes have come about all over Europe which comprise, if not every branch of modern industry yet a decisive part of them. As a negative consequence of this trend many parallel and duplicating, relatively small-scale production capacities exist in the various countries. The desire to develop a complete industrial complex involved the heavy burden of additional investments in a number of industrial countries. In addition these investments could be accomplished with a much lower efficiency, than if they had been directed to industries closely related to the international division of labour.

It might hardly be stated that this structure should be considered as an unavoidable historical necessity in a number of industrially developed European national economies. It seems rather to be a consequence of the long-lasting political tensions between the socialist and the capitalist countries. Improvement of the international political climate has brought about the political preconditions for a future economic development of the European countries in greater conformity with real differences in natural resources, production traditions, scientific knowledge and technical expertise accumulated in the past.

The present development of international relations, the expansion of economic relations between countries with different social systems make it particularly timely to determine the rational limits to autarky in individual countries or economic groupings. One can even now hear such statements in the West that socialist development is oriented in principle towards autarkic development, to maximum isolation from the process taking place in world economy.

Not only aversion to the socialist world serves as a basis of such statements. In a certain sense they reflect condensedly the general unhistorical thinking of the bourgeoisie, its incapability of distinguishing between objective trends of social development and the temporary evolution of some concrete historical events.

The Leninian policy of peaceful coexistence of nations with antagonistic social systems and of taking the best advantage of international cooperation and division of labour between them, should be regarded as a traditional policy of the socialist countries. V. I. Lenin took it as a starting point that close economic relations evolving between states are efficient factors in maintaining peace and security: frequently, they actually ease the prevailing antagonism between competing powers comprising political tensions and other disturbances. From the first day of its foundation Soviet-Russia has dropped all ideas even slightly similar to the well-known principle of "the Chinese wall" that is, it refused all efforts aiming at isolation from the outside world of from changes taking place there in science, technology, culture of material welfare.

In his speech held at the Genoa conference, edited by V. I. Lenin, G. V. *Chicherin* explained: "Keeping to the principles of communism the Russian delegation acknowledges that in the present historical period, in which the simultaneous existence of the old and the emerging social systems is made possible, economic cooperation between systems with different type of ownership relations is an inevitable necessity. . ." [3] V. I. Lenin

often emphasized that under socialism the working people themselves will nowhere consent to seclusion merely for purely economic motives. [4]

Soon after World War II Western powers started the economic blocade against socialist countries. Trade transacted with the Soviet Union and other socialist countries was regarded at that time only as a political problem, as a consequence of which Western leaders considered it only as an inadmissible means for the strengthening of a potential enemy. The USA and the NATO elaborated a comprehensive system of legal prohibitions and restrictions and, as a consequence of these measures, the volume of trade of socialist countries with Western Europe dropped to less than half, whereas the volume of trade with the US became practically reduced to nil in two or three years.

The imperialist powers expected the socialist countries to collapse under the burden of economic blocade when enormous tasks, such as rebuilding their economies ruined by war, the development of socialism, industrialization, launching the scientific, technical and cultural revolutions and securing a suitable defence capacity had to be tackled. However, the advantages of the socialist system, its dynamism and ability to mobilize its resources rapidly, the realization of the principles of proletarian internationalism and of mutual assistance in the relations among socialist countries frustrated the plans of the organizers of the "cold war". Taken as a whole, the embargo policy proved to be a special catalyst which stimulated a better use and development of the resources of the socialist countries than could have even been imagined under ordinary circumstances. The same applies to the reorientation of their foreign economies and to the highest possible development of their mutual cooperation and assistance.

All the achievements of the socialist countries in the mobilization of their resources, in industrialization and in the technical modernization of their economies would have hardly been conceivable without the expansion of their mutual economic relations and mutual assistance. Before World Was II those countries which chose the road to socialism later had hardly been related to each other in either political or economic respects. In 1938 some 86 per cent of total foreign trade of Bulgaria, Hungary, Poland, Rumania, Czechoslovakia were transacted with the West, whereas the share of their mutual trade amounted to some 12–13 per cent and that of the trade with the Soviet Union to only 1 per cent. [5]

In 1949 the socialist countries of Europe founded the Council of Mutual Economic Assistance, which was later joined by Mongolia and in 1972 by Cuba, in order to coordinate their mutual cooperation and foreigh trade activities. Intensification of the socialist international division of labour, mutual contribution of the socialist countries to the execution of investment projects in each others countries, their active participation in meeting the current demand for machines, equipment, raw materials, fuel, food and other products and, finally, the guaranteed access to other's brought about that the share of the mutual foreign trade of CMEA countries has grown to a level, which nowadays amounts to more than 50 per cent of their total trade.

As a result of efforts made by the socialist nations and their international solidarity, a new centre of economic power – the socialist world economy – has emerged

in the world. Post-war experience has shown and proved it undeniably that the socialists countries have everything necessary at their disposal to achieve a high level of economic and scientific-technical progress even by relying on their own resources and strength, making use of the given possibilities. In the post-war period autarky seemed to be the only reasonable way of development of be followed in the framework of the CMEA. However, in this trend a number of factors were determined by conditions outside rather than inside the CMEA.

In these years an industrial complex, comprising all basic branches of industry, developed practically in each CMEA country. This orientation necessarily involved the burden of additional investments, especially in the small and medium-sized countries of Eastern-Europe. This of course, had its effects on the more physical possibilities of these countries for participation in the international division of labour.

It is beyond doubt that the consequences of an investment policy stemming from an artificial separation of countries with different social systems cannot be eliminated within a short period. The investments in question had been completed, enterprises had been founded and satisfactory marketing possibilities have to be secured for their output. However, attention should be drawn to the fact that, with the present growth rate of investments the economic potential of the CMEA countries will double about every ten years. Put it in another way, at present all material conditions are at disposal for new manufacturing capacities to be founded in CMEA countries to meet not only domestic demand, but to satisfy also the demand of other countries both within and outside the CMEA, already at the moment of their implementation.

The socialist countries of Europe have entered the phase of building a developed socialist society and this involves qualitatively new tasks on the one hand and offers new possibilities on the other. A developed socialist society is characterized above all by a considerably higher level of industrial and scientific-technical progress; by an ability to solve simultaneously a wide range of problems inclusive of a rapid increase of personal consumption. Other special features of this new era are a shift from extensive economic development to a primarily intensive one, a considerable improvement of the system of economic control and management on all of its levels, with science and scientific-technical progress becoming the decisive factor in economic growth.

The central task of developed socialism is to increase economic efficiency and productivity of human and materialized labour. In the solution of these problems foreign economic relations are playing a growing role by making possible a marked increase in the efficiency of new and old investments through growing participation in the international division of labour. As a consequence of this tendency, an important shift of emphasis takes place in the role of foreign relations, namely, foreign trade becomes, instead of serving as a mean for filling certain gaps in the supply of various materials and securing marketing possibilities, an important economic factor contributing to a rational use of material and human resources of each socialist country and of the whole socialist country and of the whole socialist community.

It seems to be beyond doubt that in the medium and long run further development of mutual cooperation, intensification of the socialist economic integration will be the main line of participation of the socialist countries in the world-wide international division of labour. The approval of the Comprehensive Program of socialist economic integration and its implementation should be considered as the main achievement of developed socialism. This document has become the development plan of the CMEA countries for a perspective of two decades. The CMEA countries have set out to create such an international economic complex within whose framework a common structure of reproduction based on the capacities of the various national economies can be developed, long-term investment programs can be linked and coordinated and, finally, the various factors or production like financial resources, goods or manpower can flow through national boundaries in the quantities required without any difficulties. The economic integration of the socialist economies comprises the formation of a dense international cooperation network between specialized national enterprises, concentration of resources of fraternal countries on the realization of large-scale projects, collective utilization of their scientific – technical possibilities and a step-by-step realization of the convertibility of socialist national currencies. The 30th session of the CMEA approved an important decision concerning the elaboration of common long-term, so-called target-oriented development programs in important fields of the national economies, such as the exploitation of raw materials, the energy sector, the production of industrial materials, engineering, transport and the production of consumer goods and foodstuffs.

At present the CMEA countries possess a firm energy and raw material basis, an advanced ferrous and non-ferrous metallurgy, they possess a modern machine-building industry capable of satisfying a great part of their demand for machinery and equipment, they have a developed chemical industry, a huge building industry, a highly mechanized agricultural basis and a complex defence industry. Within the framework of the CMEA the European cosialist countries have reached a high level of self-sufficiency in basic raw materials and fuels. The demand for fuels, electric energy, nuclear materials, crude iron and steel, rolled products, aluminium, timber, paper, the majority of non-ferrous metals, iron-ore, means of soil amelioration and pulp wood is covered to some 80–90 per cent by their own production or by mutual deliveries within the CMEA. Taken as a whole, the CMEA covers 40 per cent of the demand for raw materials and fuels with mutual deliveries, therein up to 30 per cent by deliveries of the Soviet Union. The West-European EEC for example, has no possibilities like these for meeting its demand for raw materials and fuels out of its own resources or with the help of mutual trade. It is again of importance that the scientific potantial of CMEA countries – measured by the aggregate number of scientific researchers – at present exceeds the scientific potential of any nation or region: more than one third of the total number of scientific researchers employed all over the world are active in the countries of the CMEA.

At the same time socialist countries promote the idea of intensification of cooperation with any other country irrespective of their social system. The active peace-loving policy of the socialist countries and a better recognition of realities in the policy of many

leading Western-European countries have brought about a revival of economic and scientific-technical cooperation between the Eastern and Western parts of Europe in recent years.

The present stage of East–West economic relations and their future prospects

The volume of trade between the CMEA countries and Yugoslavia taken together and Western Europe increased from 8,3 billion dollars in 1965 to 46,9 billion by 1976 [6]. The annual rate of growth in the volume of trade between Eastern and Western Europe between 1965–1976 exceeded considerably that of the world trade in the corresponding period. The volume of trade between the Eastern and the Western parts of Europe now exceeds the volume of turnover between such economic powers as the USA and the EEC; in 1976 the turnover between the USA and the Nines amounted to 43,5 billion dollars [7]. Socialist countries procure machines, equipments, technology from Western Europe to a growing extent in order to promote those branches of modern industry in which Western countries have reached, due to a large number of reasons, a higher level of technological development.

In the evolution of economic relations between the socialist and the capitalist countries of Europe a new phase has begun with such initiatives taken by industrial corporations in Western-Germany, France and Italy as participation in the reconstruction of the car industry in some CMEA countries, therein e. g. in the building of the huge KAMAZ vehicle factory in the Soviet Union; or West-German, French, Italian and Austrian participation in the construction of the unique Trans-European pipeline, French cooperation in the realization of the pulp and paper project at Ust-Ilimsk; participation of a great number of West-European companies in exploring copper deposits and developing the coal and oil-processing industries in Poland and in various other projects.

In recent years the socialist and capitalist countries of Europe have been developing new and very promising forms of cooperation contributing to a growing interdependence of national economic interests and needs all over the whole continent. The CMEA countries have concluded, for instance, more than 1200 long-term agreements on industrial cooperation with West-European companies. A growing appreciation is shown for compensatory deals as well. An increasing role is attributed in scientific-technical progress to agreements of European countries on international cooperation and division of labour in the field of science and technical development. Different forms of common activities, such as the foundation of joint ventures specialized in marketing or the establishment of common banks obtain ever growing importance in East–West economic relations. Long-term bilateral agreements have become a firm basis of the whole system of economic cooperation between East and West. As a rule, these agreements are valid for a fiver-year period, but quite frequently for even a ten-year period and they cover a wide range of economic and scientific-technical problems.

Mutually advantageous economic relations between the socialist and the capitalist countries have become an important factor of industrial progress in the West-European

countries during the last decade. Opening to the East has provided the best prospects for the future development of some leading branches of West-European industry, large unions, and certain economic regions as well, as a basic incentive for technical progress, for the maintenance of employment and for the expansion of production. The stabilizing effect of East-European markets seems to be of great significance for a number of Western economies, especially in view of the changeable character of the present business cycle in the West.

It seems to be a rather frequent topic in the reactionary Western press to write about the so-called one-sided advantages achieved by the socialist countries as a result of their cooperation with capitalist countries. Authors making statements like this seem to have lost their sense of reality. According to certain estimates the total East–West trade secures at present the employment of more than 2 million persons in Western industrial countries. A fact like this should be of no negligible importance under circumstances when – according to official data – total unemployment in the West exceeds 15 millions. It should be emphasized as well that purchases of socialist countries from the west are made on the usual commercial terms and contribute to a great deal to improving the balance of payments in many capitalist countries. All efforts at interpreting e. g. grain purchases of socialist countries in Western markets as some sort of special concession, are without any foundation: the purchases in question have been made, namely, at world market prices and paid for in hard currency. And as regards commercial or bank credits which are mainly used in purchases of complete equipments, these are general and common practice all over world and their terms in relation to the socialist countries have nothing out of the ordinary. Nowadays, no major factories, large shipments of machinery or equipment can be sold for cash without providing credits. Extending credits is an obvious reality in todays's business world.

West-European countries are objectively interested in the expansion of deliveries of raw materials and fuels from the socialist countries. Due to natural conditions the largest European deposits of industrial basic materials and fuelds are to be found in the Eastern part of the continent. Oil, oil-products, gas, coal, chemical materials, ferrous and non-ferrous metals, timber, saw-mill products, asbestos and other sorts of raw materials to be found in the socialist countries have traditionally constituted a large share in the total consumption of these goods in Western-Europe. Western investors show a growing interest in investing their capital in the Soviet Union and in other socialist countries under bilateral or multilateral agreements in the exploitation, transportation and processing of oil and gas, or that of ores, chemical materials and timber resources.

In recent years Western imports of machines, equipments and other manufactured goods from socialist countries have considerably increased. Western producers and consumers have practically only recently come to realize the possibilities provided by the manufacturing industries of the socialist countries, whose achievements conform in a great number of progressive branches to the highest international criteria. E. g. Soviet turbines, equipments for nuclear power stations, metallurgical equipments, various metal-working machines, means of transport and other industrial goods have found a

growing appreciation in Western markets. Rolling mills constructed in the Soviet Union have been successfully installed in a number of West-European countries. Severel licences have been sold by the Soviet Union for technologies such as continuous steel casting and welding processes. According to Western newspapers investors of many Western countries would prefer to make use of Soviet achievements in the field of metallurgy (Soviet cooling method for foundries, electric slag handling, or in the field of cold-rolling thin tubes made of rare metals or of their castings, of continuous aluminium casting in electromagnetic field, of new methods for gaining magnesium or chlorine, cutting rocks with hydromonitor, the production of some chemicals, etc.)

Several researchers have already pointed at the growing gap between the Soviet Union and the USA on the one hand and Western-Europe on the other in the field of scientific basic research. However, it is the silence of the research laboratories where the basis of not only the distant future of country but of its relatively close prospects are founded. In the Soviet Union successful research activities are carried on covering practically all fields of modern basic sciences and the results achieved are undeniable just like the achievements attained in Western-Europe in the field of applied sciences and construction activities. Within the framework of an all-European cooperation there are real possibilities for an efficient pooling of the scientific potential of the various countries and for a deepening international division of labour in rearch activities and their practical implementation. First steps taken on this road – common French-Soviet research work in space research, physics of particles, chemical technology, television, medical sciences, etc. – have already led to promising results.

By simply maintaining the present trends, the volume of mutual trade between the socialist and the capitalist countries of Europe could be increased by 1980 to about 65 billion dollars. Present events all over the world lead to the assumption that, as to the future, expansion of economic relations between the Eastern and the Western parts of Europe and not only a mere maintenance of the present trends is to be expected. In a longer perspective the economy of Europe might be of a much greater complexity if it were based on the mutually complementary structures of the various countries. It seems to become realistic to raise the question about the necessity of finding some forms for the coordination of the long-term economic development programs both of the Eastern and the Western countries of Europe, applying especially to long-term investment programs. The various socialist and capitalist countries might develop certain branches of industry for meeting each others' demand for long periods. An all-European economic cooperation, the expansion of possibilities in the field of specialization, industrial cooperation and marketing would provide fair chance for whole branches, large companies of leading West-European nations and for industries of non-aligned European countries for survival under the circumstances of today's sharp competition. Efforts made on behalf of socialist countries at an expansion of their exports to West-European markets might become an important factor in rationalizing the structure of industrial production and in the optimization of the scale of production.

It has increasingly become obvious that, in view of their importance, some of the present economic problems have grown far beyond national or regional boundaries and are significant for whole continents or even on a global scale. A most efficient solution of these problems – and most probably the only one – is imaginable only by an internationally based pooling of efforts and resources. The growing fuel and energy deficit emerging all over the world economy - the threatening shortage of food, the increasing necessity of a new, efficient monetary system, the threat of an irreversible process of environmental destruction, are all considered as problems belonging to the above discussed category.

Preconditions all over Europe have matured to carry out a number of all-European plans of continental importance. E. g., the production and technical capacities available provide a possibility for establishing a unified European power network already in the near future which would link the existing energy systems of the CMEA countries to the major West-European industrial nations. The necessity of taking steps towards establishing a common transportation and communications system in Europe has emerged as well. This would comprise railroads, water-ways, pipelines, transcontinental motor-ways. New possibilities of an all-European cooperation are to be explored in the field of modern telecommunication technology, including an all-European automatic telephone system, or the European system of telecommunication. There are some good perspectives for setting up an all-European computerized service system for storing and exchanging information. Further elaboration of international standards of industry and commerce is gaining utmost importance. Finally, united efforts on an all-European level would contribute to the efficient solution of such problems of scientific and technical progress like protection of the environment or exploitation of the oceans. A positive role could be played by an all-European conferences whose organization was initiated by the Soviet Union for the discussion of burning economic and ecological problems of our era.

No significant progress may be expected in the development of economic relations between the European socialist and the capitalist countries, unless hard efforts are made on both sides in order to eliminate major difficulties hampering the further development of mutual cooperation in certain fields.

Economic relations between the countries of Europe are expanding under circumstances when two giant integrated communities are in the process of development: the socialist integration and the European Economic Community. Integration processes all over Europe should be considered as natural events closely related to the real requirements of the scientific-technical progress of our era. From this point of view these seem to be an undetachable part of the process of world-wide internationalization of production and economic rapprochement of national economies. However, it should not be neglected that these integration processes emerging in both parts of Europe are of a different political character and – as matters now stand – their roles in the future of Europe cannot be defined unequivocally at all.

The CMEA is an organization of an open character which is not directed against the interest of third countries in any field of its activity. The socialist integration does not

mean any discord in Europe: as a matter of fact, in the policy and practive of the CMEA efforts towards a separation from other European countries by implementing some system of discrimination are perfectly missing. In their integration policies, the CMEA countries give and have always given evidence of a much greater foresight and caution concerning the future of Europe than Western-European countries ever have. CMEA countries seem to be much more prepared at present for an active participation in an all-European economic cooperation than the Western part of Europe, as regards both their policy and their organization.

The European Economic Community has been of a closed character from the very beginning of its existence, and its policy has always had some openly declared anti-socialist features. Now there are signs that the closed character of this community gradually decreases in relation to Western nations and that it is changing into an economic, monetary, and in the future – perhaps – into a political alliance of most Western-European powers. But, the EEc maintains the system of discriminatory measures against socialist countries, which often paralyse normal economic ties between states of the Eastern and Western parts of Europe.

The economic barriers built up by the West in the way of European cooperation take the most diversified forms. Such barriers are the prohibiting import duties of the EEC imposed on the most promising part of the CMEA-exports – on the highly processed products – the maintenance of quotas and other quantitative restrictions on other goods coming from Eastern-Europe in addition, particularly on products very much in demand in the West, administrative procedures rendering mutual trade very difficult, various forms of agricultural protectionism limiting the export of agricultural products coming from socialist countries.

Improvement of economic relations between the European socialist and capitalist countries very much depends on the willingness and ability of the EEC-leaders to adapt their community to the needs of a new Europe based on trust and cooperation. Nowadays the question is often put in an alternative way in the Western press: *either* an extension and intensification of integration processes in Western Europe or an all-European economic cooperation.

It seems that this is a forced and false way of putting the question. What the interests of the nations of Europe demand is not confrontation of the two integrated communities but the utilization of their collective possibilities in solving problems of all-European concern. The position of the Soviet-Union taken on this question was set forth precisely by l. I. Brezhnev: "The Soviet-Union – he emphasized – does not ignore the situation evolved in the West at all, nor the existence of an economic community such as the EEC within the former. We follow the activities and evolution of the EEC attentively. Our relations with the members of this community will obviously depend on the extent to which they accept realities evolved in the socialist part of Europe, among other things the interests of the member-states of the Council of Mutual Economic Assistance. We are for equality in economic relations and against discrimination" [8].

The EEC and the CMEA need not search artificially for topics of common interest and fields of common action. Besides evident questions of commercial policy, the interests of both communities are involved by such problems as the stimulation of industrial cooperation and the financing of foreign trade relations spreading over the entire continent, by problems of overcoming the energy and raw-material shortage, and by real possibilities for all-European projects and plans profitable for all European countries concerned. It is characteristic in this context that both the first working relations and the proposal of the CMEA for the legal regulation of contractual relations between both communities have met with understanding both in the socialist countries and in the realistically thinking circles of Western Europe.

Both processes of the détente and cooperation are to a high degree disturbed by allegations in some Western press-media according to which the dependence of Western economies on fuel and raw material deliveries from the socialist countries may reach a "dangerous" level. Such allegations are primarily based on the utter misinformation of Western newspaper-readers. It is well known that the problem of the so-called "dangerous level of dependence" has been repeatedly discussed by experts. Western experts agree in that this question can only be raised when deliveries from any single source reach more than 15 per cent of the needs of the country importing that particular product of vital importance. When analyzing present trends it becomes obvious that deliveries from the East to the West or from the West to the East cannot physically reach this level in case of any commodity on which the security or economic independence of a country depends, neither in a few year's nor, possibly, in a few decade's time.

Recently a new argument has been more frequently put forward by opponents of this cooperation – the statement that the CMEA countries are in an extremely indebted position to Western creditors. It's obvious to any impartial observer, however, that the present level of indebtedness of the CMEA countries is not something extraordinary under present international practices and does not exceed the indicators characterizing many of the capitalist countries. Such circumstances have to be fully considered as well, as the great economic potential of the CMEA countries accounting for more than one third of the world's industrial output, that many of them have resources very much in constant demand on the world market, that they are traditionally meeting their financial obligations very rigorously, and, finally, that the majority of credits granted are of a self-liquidating character providing for their automatic repayment through the output of the newly built enterprises.

Orientation towards an active participation in the international division of labour imposes particular requirements on the socialist countries as well, first of all as to the volume, structure and quality of their exports and the methods used in their foreign trade relations. The economy of developed socialism has all potentialities at its disposal to efficiently solve these complex problems in a relatively short time.

Under present circumstances all attempts at limiting and hindering the cooperation of all European nations are inadmissible both from the political and the economic points of view. These attempts are primarily directed againts objective tendencies of the

scientific-technical revolution of today, against the production capacities created through them and, consequently, against the further improvement of the welfare of the European peoples. The political obstacles in Europe, in all of its countries, are simultaneously obstructing the way to raising the efficiency of existing and new investments, to rationalization of the structures of national economies, to a more economical utilization of their natural, technical and human resources, both in the Eastern and the Western parts of Europe.

The creation of a system of collective security and cooperation is the main road in Europe to eliminate all artificial barriers between nations from our life for ever.

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ПРОБЛЕМЫ ОБЩЕЕВРОПЕЙСКОГО ЭКОНОМИЧЕСКОГО СОТРУДНИЧЕСТВА

Н. ШМЕЛЕВ

Перспективы европейской безопасности неразрывно связаны с созданием международной обстановки делового сотрудничества, тесной взаимозависимости жизненно важных интересов различных стран. Возможности взаимовыгодного экономического сотрудничества в Европе основываются на исторической и культурной близости европейских народов, на объективных различиях в наделенности европейских стран природными ресурсами, в их промышленных и научно-технических достижениях, их естественных удобствах и разнообразии путей сообщения, связывающих европейские государства.

В статье анализируются новые объективные стимулы европейского разделения труда, добавленные к традиционным факторам научно-технической революцией середины XX века – необходимостью оптимизации масштабов производства в рамках всей современной системы международного разделения труда. Дело в том, что научно-техническая революция все более ограничивает возможности отдельных стран в создании полных или чрезмерно многоотраслевых промышленных комплексов. Ориентация на применение интеграциональных стои-

мостных критериев в оценке целесообразности тех или иных национальных народнохозяйственных программ создает условия для постепенного формирования в отдельных странах наиболее рациональной структуры экономики.

Современное развитие международных отношений, активизация экономических связей между государствами с различным общественным строем придают актуальность вопросу о рациональных пределах самообеспеченности отдельных национальных хозяйств и экономических группировок. В этой связи автор оспаривает встречающиеся на Западе утверждения о том, будто социализм в принципе ориентирован на автаркическое развитие, на максимальную изоляцию от экономических процессов, происходящих во всемирном хозяйстве.

Рассматривая перспективы общеевропейского экономического сотрудничества, автор подчеркивает возможность и необходимость налаживания долгосрочных программ сотрудничества, преодоления трудностей торгово-политического характера, поисков новых, взаимоприемлемых форм и методов делового сотрудничества.

Acta Oeconomica Vol. 19(3–4), pp. 395–408 (1977)

REVIEWS

R. BECSKY

ECONOMIC DEVELOPMENT ORIENTATION IN HUNGARY – A PRESS DEBATE

Processes taking place in the world economy in our days directly affect economic development in the socialist countries as well. During the confrontation the striving for autarky was the appropriate economic policy; that of the détente must be an increased participation in the international division of labour; but transition from the one to the other is not so simple [1]. The radical changes in the world economy after 1973 led also in Hungary to the clash opposed views as regards the direction of economic development: i. e. export stimulation or import substitution. The starting point of the debate was: how can the change in the international terms of trade, unfavourable for Hungary, be warded off, more exactly, how can the deficit in the balance of foreign trade and payments be eliminated?

Arguments for import substitution

Theoretically more than one possibility offers itself. As a temporary emergency measure the supply of exportable commodities can be increased and imports decreased by restricting the growth of home consumption. For economic and political reasons, however, this cannot be a lasting solution; it has not even arisen in a serious form among the conceivable methods of eliminating the imbalance. There were, however, such opinions that substitution of *domestic production* for a part of the products imported from non-socialist countries may contribute to the restoration of economic equilibrium. This opinion was held by a study published in the economic weekly *Figyelő* in the autumn of 1977 [2], which gave rise to a lively debate in this review. The authors started from the point that the increase of export usually requires new investments (increasing production through a better utilization of unused capacities does not entail in itself the expansion of export commodity supplies to the required extent), which often demands an increase in Western machine imports, and this will further worsen the balances position. Even beyond the development of the balance of payments there may be *economic considerations* – explained those who held this opinion – that warn us of the necessity to replace the imports of certain products:

– Exaggerated dependence on the supplier, particularly if, as a consequence, the latter asserts unjustified extra profit in his prices.

– If the product has a potentially great future, and growing demand enables us to reach a scale of profitable production, it is desirable for us to become exporters instead of importers.

– It may happen that, as a result of domestic research and development, we come into possession of advanced techniques and wish to assert this advantage.

– In many cases we can start home manufacturing of a product as a result of international specialization (mainly within the CMEA).

In such cases – the argument goes on – it is not attempts at autarky but long-term economic policy considerations which demand that investment resulting in import substitution should appear in Hungarian economic strategy. Economists arguing for import substitution do not dispute apparently that, due to the open character of the Hungarian economy, important economic interests are attached to the increase, i. e. preference, of exports, but they maintain that import substituting investments are not always judged from reasonable economic viewpoints, which has a harmful effect on the Hungarian balance of payments.

An important point of their reasoning is that, although economic efficiency computation methods applied for the judgement of export-stimulating and import-substituting investments are identical, *usually unjustified distinction is made between them in practical decisions, preferring export-increasing investments.* This practice is most often supported by the following arguments: as opposed to import-reducing investments, export-increasing investments promote participation in the international division of labour, and they result in increasing foreign trade and in actual additional foreign exchange earnings, while in the case of import substitution actual effects are more difficult to measure.

According to the advocates of import substituting investments the distinction between the two kinds of investments in Hungary does not follow from the real situation or from valid methods of efficiency measurement, but from economic policy considerations. As a matter of fact, they say, import-reducing investments may be interpreted also as replacements of export-increasing investments, since the covering of needs by imports infers investments necessary for manufacturing export products. What is more, import reducing investments serve also the improvement of the export structure, since they help to eliminate from exports exactly those whose manufacturing is the least profitable and whose returns in foreign exchange are lower than the average, but which are necessary, for lack of something better, to counterbalance imports. Therefore, they assert, in case of a real and permanent reduction of imports it is justified to grant such advantages for these investments as the preferences given by the Hungarian state to exports of above-average profitability.

Another argument advanced in favour of import-substituting investments is that investments that substitute for Western imports are often more economical than investments serving to increase exports to the West. If, namely, a new development is to serve the satisfaction of both domestic and CMEA demands, the criteria of efficiency are usually easier to assert (e. g. lasting needs can be assessed with greater certainty, the

production and sales background of investments is generally more favourable, larger lots can be produced, etc.). As opposed to this, sales on the Western market require – particularly in case of highly processed products – considerable marketing, and the volume of sales is not large enough to bear the costs. Apart from price sacrifices to be brought in order to create and maintain export possibilities on the market of advanced capitalist countries, customs duties growing parallel with the degree of processing, as well as other discriminations inflict our products.

The authors see the possibility of import substitution mainly in the case of Western imports of primary energy, raw- and basic materials; chemical intermediaries, plant protectives, petro-chemical products, and pharmaceutical basic materials. These could be much more profitably produced with the establishment of domestic capacities and particularly in the framework of CMEA specialization. What is more, in the opinion of the authors, for products with high material content and very long life-curve there arise even favourable export possibilities, since technical progress in these products is embodied not in a better quality of the product, but in the comparatively slowly transforming manufacturing techniques. As opposed to products with a shorter life-curve and more highly processed, whose fast development pace we can hardly follow, and in whose sales trade-mark, marketing, service, etc. weigh seriously in sales prices, the place of origin of less processed products is less considered by the buyers. Servicing obligations, following sales, are also less. In a new paper the authors also point out that, while in the export and import trade of Hungary in raw materials and semi-finished products the prices of exported and imported products have been rising at about the same rate, in the case of machinery and equipments the price level of imported products rose much faster than the prices of similar products exported by Hungary [3].

In developing the future export pattern it must also be taken into consideration – they say – that advanced countries grant important tariff concessions on the import of goods from developing countries, containing lower wage costs, yet produced with up-to-date techniques. On the other hand, most of the Hungarian export products to the West are in a special "price-hole" on the price-curve, on one side of which there are the basic materials that can be sold at increasing prices, and on the other side the up-to-date machines, complete equipments and other manufactured products of excellent quality produced generally in the most advanced countries. The degree of economic development of a country is not determined by the imports of raw materials and the exports of manufactured goods, but by the level of per capita national income, which may be equally derived from the production and exports of raw- and basic materials, and of manufactured goods.

The opinion of those arguing for import-substituting development may be summed up in that, *for the above-mentioned reasons, the development of products that are material-intensive or to be used as materials must not be ecxluded from the outset, but they must compete with other development possibilities on the basis of structural policy criteria and of concrete production and sales relations.*

Export orientation is the condition of economic development

Another, much larger, group of Hungarian economists challenges the justification of import-substituting economic policy. Export-oriented development was made topical in CMEA countries exactly because the conception of import substitution – the satisfaction of the needs of CMEA countries defined in physical terms mainly from home resources – has not proved sufficient for the solution of problems raised by economic development. The author of a study [4] dealing with this problem reminds that trade with advanced capitalist countries had also earlier the most important aim – sometimes considered exclusive – of acquiring up-to-date techniques and technology. Yet when the economic and, particularly, the technical-scientific development was less dynamical, and the structure of the economy was relatively stable, it might have seemed, more or less justified, that keeping pace with technical progress may be the result also of single import actions. These actions did not necessitate permanent and regular trade- and technical-economic cooperation nor the maintenance of direct and lasting production relations.

Acceleration of the technical-scientific progress entails a permanent renewal of economic structure and of the product pattern, and the utilization of advantages offered by a world-wide division of labour becomes increasingly an obligation. For the majority of socialist countries, with Hungary among them, sources of extensive development have become exhausted; the only way to economic growth is through improvement of efficiency, in which an important role is played by machines, equipments, and know-how purchased from advanced capitalist countries. Economists urging an increased participation in the international division of labour do not dispute that it is a real economic policy dilemma of the period of deteriorating terms of trade that the necessity of new development actions arises exactly now, as a reaction to this deterioration, and that such investments often require growing Western imports, which further weigh on the balance of payments. But imports from Western countries cannot be reduced without harmful consequences since e. g. 70–75 per cent of Hungarian imports from the West are made up of raw materials, without which continuous production could not be maintained. Also particularly imports from advanced Western countries mean imports of advanced techniques and technology, which should not be reduced but desirably extended.

Solution of the dilemma is, therefore, not restriction of Western imports or their extensive substitution, but the increase of exports of products profitably manufactured and sold to countries with convertible currency. At present it is characteristic of all CMEA countries that Western imports for development purposes do not serve sufficiently export-oriented development. This machine import promotes development of the most dynamically growing industrial branches of CMEA countries, but exports to countries with convertible currencies (particularly to advanced Western countries) do not consist mainly of products of these branches, but of those of the slowly developing sectors which, with a few exceptions, do not yet belong to the modern sectors of socialist economy satisfying demand for high quality and wide assortment (light industry, food industry, etc.) [5].

Contributions published in the Hungarian economic weekly refuted that Hungarian economic policy indeed extremely preferred export activity – particularly with a view to improving the balance of trade – and that it did not apply reasonably economic considerations in judging import-substituting investments. *They stressed that the basic aim of Hungarian economic policy has been to improve the economic efficiency of developments, independent of whether this involves development of exports or substitution of imports.* What has to be decided is which development direction is more efficient: domestic development or imports. If economic efficiency computations show that imports. If economic efficiency computations show that imports are more advantageous, domestic development or imports. If economic efficiency computations show that imports are more advantageous, domestic development or imports. If economic efficiency computations show that imports are more advantageous, domestic demand must be covered from imports; but if economic efficiency analyses demonstrate that development of domestic production is more profitable, demands must be covered by building up domestic capacities [6]. Economic efficiency of investments in Hungary is judged by relying on the so-called ranking of projects thus formed on the basis of economic efficiency reflects comparative advantages and disadvantages; investments with above-average returns bring comparative advantage to the Hungarian national economy. Goods produced with such capacitites should satisfy not only domestic demands, but it is expedient to export them as well. Thus in the efficiency-competition the export-increasing investment proposal enjoys no advantage, and the import-substituting one suffers no disadvantage.

Participants of the dispute challenged also the usefulness of a large-scale extension of import-substituting investments. First of all, obviously it is mainly domestic developments replacing a part of *raw material imports* that may be considered, since substitution of imports of new techniques through domestic production cannot be solved in general. And the large-scale extension of investments replacing raw material imports entails serious disadvantages in Hungary. These investments are usually highly capital-intensive and a development policy that would put into the centre highly capital-intensive developments to an even larger extent than before seems hardly realistic. According to computations of the Economic Research Institute the realisation period of import-substituting investments serving basic material production is 8 to 12 years in Hungary, as opposed to 1–2 years or maximum 4–5 years of investments in engineering or the light and food industry.

Investments replacing raw material imports are generally import-intensive, and imports of equipments and machines are usually followed by increasing material imports, since up-to-date equipments usually require the use of up-to-date materials and semi-finished products. All that causes no problem – advocates of export-oriented development argue – if there are exports to counterbalance it, or, if such industrial branches are developed whose products can be sold also to Western countries. Hungarian practice is, however, not unequivocally advantageous from this point of view. Expressly export-boosting investment credits – particularly exports to the West – make up only 7–8 per cent of the productive investments of the five-year period up to 1980. As opposed to

this, e. g. from the 130 thousand million Ft available for large productive state investments 100 thousand million Ft serve expressly import-substituting purpises. According to rough calculations about 40 per cent of industrial investments between 1976 and 1980 will be spent on the development of energy production, mostly import-substitution. At present, therefore, economic policy does not necessarily prefer export activity, rather the contrary is true: capital-intensive import-substituting development aims are included to such extent in the current five-year plan that out of the scarce investment resources comparatively much less is spent on the development of profitable branches of the engineering – and light industries, that even in the preceding five-year plan period [8].

A dispute followed also the statement by the advocates of import-substitution according to which indicators the cost of earning foreign exchange testify that pushing the export of products of material character is much more profitable than that of highly processed finished industrial products. The indicator expresses, how many Fts it costs to earn $ 1 or Rbl 1 through exports. But the current prices do not reflect the actual input proportions (based on international price relations) realistically. It is a basic feature of the current Hungarian price system that in the prices of manufactured products, as well as in their production cost, a comparatively high social net income is realized; raw material prices do not cover even reproduction costs, despite the changes that have taken place in recent years. As a result, calculations relying on actual price i. e. on costs on the firm level (thus also the indicators of the cost of earning foreign exchange) show the economic efficiency of exports of raw materials and semi-finished products – and also of their production – to be more advantageous than they are in reality, and those of manufactured products to be more disadvantageous. If we take into account this peculiarity of the Hungarian price system, production and exports of basic materials – and thus also developments replacing raw material imports – are considerably less economical than development of the export-oriented manufacturing industry [9].

Nobody denies that the price level of Hungarian export goods and particularly its rise, stay much behind those of competing countries. The export price level of industrial finished products doubled on the world market between 1970 and 1976, while in the same period the dollar price level of Hungarian finished product exports rose only by half. It is also true that the Hungarian product- and export-pattern is such that with its price level we are at the bottom of the so-called price hole. However, the conclusion is not – emphasize the advocates of export orientation – to prepare for material exports i. e. import substitution, if at present we can export industrial finished goods only at a low price. It is possible also to climb up the other side of the "hole": by updating the structure of production and exports in accordance with the new world market conditions in favour of economically producible and exportable products [10]. It is no solution if we shrink back from the higher requirements – in respect of marketing, service, and the supply of parts – involved by the exports of highly processed products and choose to export less processed products, with which the buyer is less demanding. Indeed, the other aspect of the matter is that the buyer recognizes additional work, a higher degree of processing, and quality also in prices. This has been realized, otherwise, also by most of

the developing countries. It is no more accident that in their exports the share of better processed and increasingly complicated products is growing. It is also a doubtless fact that Hungarian products of the same use value can be sold on Western markets at 20–30 per cent lower prices. Yet we shall have a chance for reducing discrimination only if trade between East and West is no more of a negligible size, and if we can establish lasting international economic cooperation not only with socialist but also with capitalist countries. Hungarian enterprises pursuing a dynamic business policy strive to do so, since their products are getting to be known through regular business relations and, if they come up to buyers' requirements also their price level may come close to the selling prices of competitors. [11]

Strengthening of the export position assumes also the transformation of the sectoral structure of Hungarian exports. Hungarian exports to advanced Western countries were growing particularly fast in the late 1960s, but the centre of their product pattern shifted exactly toward the product categories (ready-made clothing, engineering mass products) in which the supply of the developing and South European countries has been rapidly developing in recent years, and now they influence increasingly the sales conditions on the market for products that represent about 80–90 per cent of Hungarian finished goods exports. The "structural uncompetitiveness" of Hungarian exports to advanced Western countries is due to the fact that, against the competition of developing countries enjoying trade policy preferences, relying on cheap labour and raw material resources, more favourable possibilities for the acquisition of means serving technical development and on more advantageous market relations, the quantitative development and profitability of Hungarian exports can hardly be guaranteed in the present structure. Even on this account we cannot rest content with the investment and technical development share of the sectors oriented to Western exports – emphasize the antagonists of the import-substituting conception [12]. The growth potential of the Hungarian economy and its world market conditions equally press for, and would enable, development of a few industrial branches or activities (food industry, precision engineering, vehicle industry) that would guarantee always to be at the international front line. But Hungarian exports to advanced Western countries can occupy a position mainly in a field from which the most advanced countries have started to retreat, and which the medium-developed and developing countries with a lower cost level are unable to join as yet because of technical, organizational and qualification reasons. This again necessitates the export-oriented development of certain fields of manufacturing.

Advocates of a more intensive participation in the international division of labour referred also to lessons taught by economic history, citing the standpoint of one of the most famous Hungarian economic historians: "In the case of small or medium-size countries, the only way to advanced economy known in history leads through selective export-oriented development. By producing efficiently large quantities of a small number of technically competitive products for a large world market, the needs of Hungary can be satisfied under incomparably more advantageous conditions than by trying to produce the majority of the necessary products on our own under less advantageous conditions." [13]

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A. TÓTHFALUSI

SCIENTIFIC SESSION ON PROBLEMS OF THE SOCIALIST ECONOMY AT THE HUNGARIAN ACADEMY OF SCIENCES

In honour of the 60th anniversary of the Great October Socialist Revolution a scientific session was organized at the Hungarian Academy of Sciences on the 26th and 27th October 1977.

The lecture of the economic section was held by Aladár *Sipos*, corresponding member of the Academy under the title "The Great October Socialist Revolution and the socialist economy". In his introduction he stated that studying the historical experiences accumulated in the Soviet Uniton during 60 years in various fields of social and economic life – thus also in the development of socialist economy – is topical even today. One of the relevant aspects is the relationship between national particularities and the laws valid also on international level. Admitting that the direct experiences of the individual countries in the building and development of socialist economy are of great importance, success will largely depend also on the extent to which the individual countries are able to scientifically generalize and creatively adapt internationally valid

laws relying on the experiences of other countries in building socialism. Especially important are the socio-economic experiences of the Soviet Union since their general validity and significance can be judged already today from a historical perspective.

After the victory of the revolution the development of socialist economy required further development of the Marxist conception of socialism. It is *Lenin*'s historical merit that after the civil war he laid down, by elaborating the "new economic policy", those principles of the socialist economy which are valid to this very day. He proved that in the transitionary economy the building of socialism and economic growth can be realized only by maintaining market relations. This international importance of the "new economic policy" lies not in the individual national features, but in its basic ideas – underlined the lecturer. Lenin's theory on the economy of transition leading to socialism has been verified also by economic practice in the socialist countries emerging after World War II and by that of Hungary as well.

In his contribution entitled "Relationship between economy and politics in building socialism" Rezső *Nyers*, Director of the Institute of Economics of the Hungarian Academy of Sciences expounded that lessons of principle of the October Revolution are valid even today under different conditions. Namely, experiences of socialist countries verify the correctness of the Marxian theory of historical materialism, the conception of society which considers the relations of production as the basis of the entire society and political ones as a part of the superstructure. Beside identities of principle, however, essential differences are also characteristic. The decisive role of common social ownership is characteristic of socialist ownership relations, but in certain countries (Yugoslavia, Poland) agricultural small-scale production has widely been maintained, too. The two forms of socialist ownership, state and cooperative property, respectively, are generally characteristic, but their proportions differ by countries.

This variety can be found also in the economic mechanisms of socialist countries whose general and regular basic principle is planned economy. There are considerable differences, however, in the methods of central control, the degree of enterprise independence and motivation and in the regulation of the market. Further deviations may be found in the socialist countries with regard to control and management through plan directives or without them. For example, in the Hungarian economic mechanism the priciple of planned economy is applied, neglecting the method of the plan directives, through an organic combination of planning with market mechanism. In other socialist countries directives are used to different extent; however, it would be completely wrong if all these differences were qualified as "more socialist" or "less socialist" and thus judged superficially, the speaker emphasized.

Speaking about the interpretation of the slogan of the many-sided approach of socialist countries to each other he noted that in the economic and scientific life of countries not only an exchange of experience, but relations having concrete executive character should develop on top, medium and lower levels as well; more flexible economic mechanisms suitable for deepening international relations should be developed in our countries and, in the interest of joint objectives, also joint activity could be

established where there is an interest in this respect. However, this slogan must not be interpreted in a way that it becomes an end in itself, independently of the economic and political situation, nor should "the approach of forms and methods to each other be mechanically forced everywhere and war declared on any further differentiation."

Nowadays one of the frequently discussed topics of Hungarian economic policy is the change in the conditions of economic growth: with the changed labour situation the extension of employment is no longer an economic or political driving force, the proportion of industrial workers in the national economy cannot be increased, and therefore, the increase of productivity and improvement of efficiency have become of prime importance. The question of growth rate, too, arises in a different way than before. Beside an adequate growth rate more attention should be paid to the "qualitative value" of growth which should be taken into consideration mostly as an effect on economic equilibrium, living conditions and the international position of the economy.

Also the relationship between the development of Hungarian economy and external, international economic relations is changing. The rate of extension of markets becomes slower both in the socialist countries and in the West, thus our economy has to adapt itself more flexibly to the external economic conditions prevailing at any time. Therefore: "the economic mechanism should be further developed in the interest of flexibility and not modified "backwards", towards the open or concealed restoration of the rigid system of plan directives. The international horizon should be widened on the medium and lower levels of economic management and, at the same time, the information of the public about the international terms of economic activity has to be increased and improved, too."

"The circumstance must be made clear, – Rezső Nyers stated –, that in our external economic relations the socialist and capitalist countries do not have the role of ousting each other, but we have long-term interests in both relations." The socialist relation is of primary importance for Hungary, but we cannot turn our backs to the capitalist world market either and have to fight for improving our competitiveness. Should we succeed, it will be highly useful not only for us, but also for the community of socialist countries, the speaker emphasized.

The next contribution was held by Ödön *Barla-Szabó*, Professor at the Karl Marx University of Economics under the title "Development of Lenin's views on the economic policy of the period of transition". In his contribution the speaker analyzed some features of Lenin's conception which are methodologically important from the viewpoint of approach to present tasks or which cause theoretical confrontations even today.

In his contribution entitled "Experiences of the socialist system of planned economy and further tasks in improving the system of economic control and management" István *Hetényi*, State Secretary of the National Planning Office briefly analyzed first the 60-year development of socialist planned economy. He stated, that planned economy – i. e. planning, planned regulation and the development of socialist organizations – was continuously looking for those practical methods with whose aid the maximum harmony between productive forces and production relations could be ensured in the interest of a

rapid and harmonic development of productive forces in any period and situation of socialist development.

By experiences of socialist planned economy those of all socialist countries should be meant at present, but fundamental lessons were and still are provided by the Soviet economy, since the Soviet Union has the longest experience. Several general methodological principles of socialist planned economy and national economic planning were summarized by Lenin himself. The most important ones are the following:

- The plan of the socialist national economy is a state plan that means the determination with obligatory character of decisive directions and tasks; organic parts of the plan are those methods of implementation which orientate and organize the work of the working masses for the realization of these tasks.
- The plan of the national economy is a program of economic development elaborated by the Party and the Government whose realization has to be coupled with the initiative, responsibility and interests of economic organizations and individuals.
- The plan of the national economy identifies beside long-term development trends also concrete tasks of economic activity relating to a given period. Therefore, in the system of planning short-term and long-term tasks are on the basis of due political consideration.

The Soviet planned economy also provided much methodological experience of general validity, as e. g. the balances, norms and normatives.

In the course of time the forms of planning and control have become diversified. Thus, now the countries of the socialist community can enrich each other with their best experiences. But the country gaining the experience cannot decide what should become international of it, since experiences cannot be exported, only imported – stated István Hetényi. Next he emphasized some problems of planning and control.

Recognizing the relationship between plan and market and between plan and commodity-monetary relations the opinion emerged in Hungary that planning and the increased role of commodity and money relations are not contradictory. Central planning will be the more conscious and successful, the more it promotes the control of the entire process and is aimed at the solution of really central problems. On the other hand, technological and economic processes have become extraordinarily complicated and require that the role of decisions made by productive organizations should increase. Therefore, central planning cannot be confined to direct central decisions, but it has an increased responsibility in that the rational conditions and incentives of decentralized decisions should be strengthened, their limitation should be made unambiguous in the public interest, while politics should help dynamic economic activities taking responsibility at each point of the economy in every possible way.

In the following part he briefly summarized those problems of controlling the socialist economy which need further improvement, without a claim to completeness, he emphasized the following ones as those which are of common interest:

- Stengthening the social character of planning.
- It has become a task of growing importance for planning and control that, on the

one hand, the scientific potential should be developed in a planned manner and directed more purposefully and, on the other hand, that the introduction into practice of domestic and foreign scientific and technical achievements should be accelerated.

– It is important to achieve essential improvement in the spreading of economic information and in influencing the relevant factors of consciousness.

In the next contribution – "Assertion of Lenin's cooperative principles in the socialist cooperative movement" – János *Gyenis*, assistant lecturer at the Political Academy of the Central Committee of the Hungarian Socialist Workers' Party examined four theses of general validity of the Marxist cooperative theory:

– Concerning the role of the cooperative movement in the development of society he pointed out – by relying on the views of Marx, Engels and Lenin – that the cooperative movement cannot have any decisive role in changing the capitalist society.

– Lenin's statement concerning the social determination of cooperatives saying that "under the conditions of a capitalist state, the cooperative is a collective capitalist institution" is of great importance and general validity even today.

– The most important role of the cooperatives in laying the foundations of socialism is that they guide small-scale producers to the socialist way.

– Both international experience and a series of positive and negative Hungarian examples have proved the indispensability of keeping to Engels' and Lenin's basic principles concerning the method of organization of socialist cooperatives, namely, voluntary association, graduality and state subsidies.

At the present stage of development of the socialist countries it is especially important to study the changing functions of cooperatives, the further development of cooperative ownership as well as the conditions of approaching the two forms of socialist ownership, i. e. state and cooperative. The example of the Soviet Union and experiences of Hungarian development indicate that cooperatives should be reckoned with also in the long run and the strengthening of their socialist character, their increasingly improved fitting into the socialist socio-economic system are a part of long-term tasks.

In his contribution entitled "Major issues of the development of socialist production relations" Kálmán *Szabó*, academician, dealt with the economic mechanism as a form of motion of socialist production relations. He mentioned some erroneous concepts connected with the Hungarian system of indirect economic control and management. In his opinion it is the false premise of confronting the plan with the market that leads to considering the indirect type of mechanism as some mixture of socialist and capitalist economy. According to his standpoint the bipolar formula of plan and market ought to be transformed into a tripolar one by adding a third term, namely, the requirement of democratic participation in the process of economic decision-making and in control. Besides, it would be better to use instead of the notion of plan consistently that of central economic management (or control); and instead of the criterion of market mechanism that of enterprise (cooperative) autonomy. According to him the formula

could be, therefore, stated as follows: "system of the indirect type of socialist planned economy = central economic control and management + enterprise autonomy + economic democracy". According to the speaker's standpoint this would suggest, from the point of view of the practical development of the economic mechanism, that simultaneous efforts should be made with the purpose of modernizing the decision-making-controlling order of the economic policy with a parallel strengthening of the economic autonomy of enterprises and in order to put forth socialist democracy in harmony with the former in all fields of economic life.

In his contribution entitled "Some problems of the further development of the economic structure" János *Hoós,* Deputy Head of the Department for Economic Policy at the Central Committee of the Hungarian Socialist Workers' Party made the following statement: from the new and presumably long-lasting conditions it follows first of all that acceleration of the improvement of the production structure has become a pressing necessity in Hungary. This requires not only the regrouping and modernization of existing structural objectives to conform to the new situation, but also an up-to-date, more successful and complex way of approach to setting these objectives than before, occasionally with considerable changes in views. In his lecture the speaker dealt with some aspects of the complex way of approach.

In her contribution – "Distribution according to work and manpower management in the socialist society" – Mrs. *Falus K. Szikra,* corresponding member of the Academy dealt with the relationship between manpower management and wages policy. She expounded that the allocation of labour has always and under any circumstances been determined by the structure of workplaces. The allocation effect of wages has always been only of secondary, complementary importance as compared to the allocation effect of the structure of workplaces. Therefore, the redirection of labour from stagnant fields or those to be reduced cannot be solved by instruments of wages policy alone.

Because of the lack of employment equilibrium, as well as the general and considerable excess demand for labour such development policy and regulating system are required that would have a limiting effect on the creation of new workplaces and would stimulate the elimination of uneconomic and obsolete workplaces. From this viewpoint the interestedness of economic leaders is of outstanding importance. Through establishing harmony between the number of workplaces and the available labour, respectively, "a planned, organized regrouping of labour adjusted to the desirable economic structure" would become possible. Naturally, this postulates adequate financial stimulation as well as the utilization of the allocation effect of wages, too.

In his contribution entitled "World economic importance of the economic cooperation of socialist countries" Ferenc *Kozma,* Head of Department of the Secretariat for International Economic Relations at the Council of Ministers briefly reviewed the history and initial conditions of the development of socialist international division of labour. He pointed out that despite extraordinarily difficult initial historical conditions socialist international division of labour could be realized so that it has become a very important factor in the development of each CMEA-country.

Socialist countries established their economic cooperation by relying on such basic principles which ensured high efficiency and viability of the cooperation. The speaker mentioned some of them as follows:

- Principle of stability on the basis of which possible inbalances and disproportions were jointly eliminated.
- Principle of a division of labour mutually inducing development, allowing a fuller utilization of natural endowments of a given country.
- Principle of mutual interest in the acceleration of each other's development based on the recognition that a levelling of the production levels of participating countries may best ensure an undisturbed development of the region.

It is true as well that some slowing down could be observed in the development of socialist cooperation from the early 1970s, since perfection of the methods of cooperation was lagging behind requirements. At present, development has already entered into an intensive stage, and thus the importance of flexibility and complexity has especially increased.

The last contribution was made by József *Nyilas,* Head of the Department of World Economy at the Karl Marx University of Economics under the title "Effect of the 1974/75 capitalist world economic crisis on power relations among capitalist countries". He stated that the United States had succeeded in strengthening its positions towards other developed capitalist countries and, based on its food production and technological superiority, also towards the developing ones. The speaker emphasized that in the present world situation measures aimed at promoting the integration of CMEA-countries were of extraordinarily great strategic importance. Namely, raising the efficiency and quality of production has become a decisive precondition of rapid further development in the CMEA-countries. However, this can no more be imagined within the framework of individual countries at the present level of productive forces. With regard to the large-scale price changes that took place on the capitalist world market the question may be raised how the CMEA-countries should react to the emerging economic problems. The speaker emphasized that it was important to aim at joint solutions on CMEA-level, since the crisis of capitalist world economy had harmful effects on the development of individual member-countries, even if to a strongly differentiated extent.

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Introduction

This bibliography is the continuation of those published in ACTA OECONOMICA No. 4, Vol. 4, 1969; Nos 2—3, Vol. 8, 1972 and Nos 3—4, Vol. 13, 1974. Parts 1, 2 and 3 cover the period between 1968 and 1972. In the present list of publications we have included the intellectual

* The bibliography has been elaborated under the auspices of the *Economic Information Unit, Hung. Acad. Sci.* The material was collected by Miss A. *Tuszkau*, Librarian em. of the National Bank of Hungary. The bibliography was compiled by T. *Földi*. Acknowledgements are due to those institutions and authors who helped the labour some work of collecting, especially to Mrs. K. *Ferenczy*, Head of the Documentation Unit, Institute of Economics, Hung. Acad. Sci., who gave a complete list of the respective publications by the Institute's staff and a significant part of information on other materials and to Dr. Gerhard *Teich*, scientific collaborator to the Library of the Institute for World Economy at the University of Kiel, who sent us regularly the Library's catalogue cards covering our subject. — Remarks and references on omitted publications are much appreciated, and will be published supplementarily.

output of further two years: 1973 and 1974. Nevertheless, in some cases when we found items originating from the previous period but omitted from the bibliographies mentioned we have supplemented them here. We find it necessary to repeat the limitations of the collection enlisted already in the previous bibliographies. The following items have been omitted: 1. articles in newspapers and weeklies, 2. publications in languages other than English, French, German, Italian, Russian and Spanish, 3. studies and reviews published in Acta Oeconomica*, 4. book reviews, 5. parallel publications by the same publisher in languages other than English, resp. Russian, 6. publications on economic history of the pre-war periods, economic geography and engineering economics to a large extent, 7. publications by Hungarian economists living outside the country.

The present bibliography contains 414 items, some 60 items more, than in the previous part covering also a two-years period. In order to spare space we mention each publication only once as a separate item, regardless of its republication in another language. Studies published in collections have no separate entry number. So the number of bibliographical units contained is much higher.

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Classified list

The entries of the bibliography are classified according to a rough scheme. Each entry figures only at a single place, even when it does contain heterogeneous subjects. Nevertheless by the number of the entry a reference is made at the beginning of the adequate class. Within a class, entries are grouped as follows: books and pamphlets; collections of studies; series; articles and single studies of collections. Within a group, entries are ranged according to an alphabetic order.

* A repertory of Acta Oeconomica for the years 1973—1975 has already been published as a supplement to Vol. 16, 1976 and will be enlisted in the next part of this bibliography.

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*We acknowledge the receipt of the enlisted books. No obligation to review them is involved.

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Dr. Péter ERDŐS, see: Vol. 15, No. 2

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A kézirat nyomdába érkezett: 1978. V. 11. – Terjedelem: 18,75 (A/5) ív, 4 ábra
79.5856 Akadémiai Nyomda, Budapest – Felelős vezető: Bernát György

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9. III. 1979

HU-ISSN 0001—6373
Index: 26.010