SATUATION REPORT

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1. Husak in Austria

The three-day official visit to Austria of Czechoslovak President (and party leader) Gustav Husak was wound up on November 19 with a "joint press release," which, in diplomatic parlance, is a shade below an official communiqué. As rendered by the Czechoslovak media, the document reflects the statements made by the two sides before and during Husak's stay about the will to improve bilateral relations in the interest of peace and understanding, and to mutual benefit. (1)

However, while the two countries might have been drawn closer as a result of the visit, relations between them are not as normal as would behove neighbors, and certainly not friendly. To reach that level, many "small and smallest steps," mentioned earlier by Austrian Foreign Minister Willibald Pahr, will still be required. (2) Husak's visit, though also evaluated by Austrian politicians as a marked improvement, was definitely not the "milestone" in the two countries' mutual relations that the Czechoslovak media would like to see it as. For such an assessment, the views about too many problems differ. This, however, will not prevent Czechoslovakia, in its quantitative-minded reasoning, from chalking up the visit as one more evidence of painstakingly

(1) Radio Hvezda, 19 November 1982, 1830 hours.
(2) Die Presse, 9 November 1982.
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honoring the postulates of the Helsinki Final Act. The matter looks different, though, when the moral aspect is considered.

The plight of dissidents and believers in Czechoslovakia is well known. Yet Husak did not bat an eyelash when declaring, in an interview with Austrian Television, that religious freedom and civil rights are guaranteed by the constitution, "and also in practice we seek fully to ensure them." He admitted, though, that "sometimes somebody might feel dissatisfied." (3) He denounced any other view on the situation in his country as "slander."

Austrian representatives, notably President Rudolf Kirchschläger, did raise the problem of dissidents, without apparently expecting any prompt reaction from the Czechoslovak side. Also, quite understandably, the attention of the Austrians was focused more on the reunification problems of their own nationals. Several organizations and committed groups used Husak's visit to appeal on behalf of individuals persecuted and imprisoned in Czechoslovakia. Recorded by various Western sources were, i.a., the East European Committee of the Austrian Socialist Party; supporters of Charter 77; Amnesty International; students of theology, and noted artists. The expatriate Czech poet and naturalized Austrian Pavel Kohout even undertook a spectacular flight from Frankfurt/Main to Prague to draw attention to the problem of dissidents in Czechoslovakia and curbs on family reunification, and also to talk to his daughter from a previous marriage. At Prague airport he was not allowed outside the transit hall since he had arrived without a visa, but was permitted a short talk with his daughter. Otherwise, his trip was merely ridiculed by Radio Prague. (4) There was no response to the actions in Vienna, save for mild criticism of President Kirchschläger for "failing to comment on these provocative acts." (5)

Husak, who was accompanied by Foreign Minister Bohuslav Chnoupek, Foreign Trade Minister Bohumil Urban, and a Vice-Chairman of the Federal Assembly Bohuslav Kucera, met both Austrian President Kirchschläger and Chancellor Bruno Kreisky on the first and second days of his visit. On Friday, November 19, he visited the Mauthausen concentration camp, and the VÖEST foundries in Linz on whose license the East Slovak Iron Works' production is based. Husak also met with Austrian CP Chairman Franz Muhri.

As for concrete results of the visit, the following five agreements were signed by the foreign ministers of the two countries:

1. On the exchange of information about the danger emanating from nuclear power installations close to the mutual borders.

2. On customs procedures.

3. On assistance in criminal proceedings.

4. On extradition of persons.

(3) Ceteka, 16 November 1982.

(4) Radio Hvezda, 18 November 1982, 1715 hours.

(5) Ibid., 1600 hours.
5. On health matters.

Most important among them seems to be the treaty on "nuclear warning," not only for its practical and topical significance, but also because it is the first agreement of its kind, and consequently also the first concluded between an advanced Western industrial country and a socialist state. The treaty reportedly provides for the following three levels of information:

1. Experts of the two sides will meet at least once every two years to exchange information on nuclear energy projects.

2. Where nuclear plants close to the border are concerned, a meeting of experts should take place not later than six months prior to commissioning, and technical data plus ecological measures must be disclosed. Ecological data should be swapped at least once a year, and immediately when values reach the danger mark.

3. When an incident occurs, protective measures for the border zone affected will be applied immediately. Information on the nature of the incident, the amount of radioactivity, and meteorological data should be frequently updated. Also envisaged is mutual assistance across the border. (6)

Of the four Czechoslovak nuclear power plants in preparation, under construction, or in operation, this agreement could have practical value for Jaslovske Bohunice, western Slovakia (some 70 kilometers from Austria -- operational); Dukovany, southern Moravia (some 40 kilometers from the border -- under construction) and Temelin, southern Bohemia (some 70 kilometers from Austria -- "preparation for construction" started in November 1982). (7)

Husak's visit was originally scheduled for the fall of 1982, but was put off "by mutual consent" as a result of the affair of Josef Hodic, a man who lived in Vienna as an exiled signatory to Charter 77, then returned to Czechoslovakia and proved to be a security agent. The fact that Husak did not scrap the visit but merely delayed it one day because of Leonid Brezhnev's death shows Czechoslovakia's keen interest in the trip. It was Husak's second state visit to an industrialized Western country (he was in the FRG in April 1978), and the first of a Czechoslovak President to Austria since 1918. Apart from the "good neighbor" aspect, for Czechoslovakia it was another attempt at a breakout from isolation. The success of Husak's mission will certainly depend on Czechoslovakia more than on Austria.

L. N.

(6) Dpa, 16 November 1982.

(7) According to Neue Zürcher Zeitung, 20 November 1982, Czechoslovakia does not regard Jaslovske Bohunice as situated in the border zone. Considering the distance, this then would also apply to Temelin, leaving only Dukovany and perhaps some hitherto undisclosed sites subject to the treaty.
2. Charter 77 in Support of Solidarity

Charter 77 has commemorated the second anniversary of the registration of Solidarity with a special letter. It is addressed to the Polish Embassy in Prague, and the World Federation of Trade Unions (WFTU), whose headquarters are also in the Czechoslovak capital.

The document characterizes Solidarity as "an expression of a popular movement for an independent labor union" which was to defend the interests of Polish workers. It emphasizes that Solidarity was not a "protest against the PUWP or socialism in Poland," but was in accord with "a spontaneous yearning for societal renewal.... The ban of Solidarity, the document states, has "again put off hopes of creating rational and generally acceptable sociopolitical conditions not only in Poland itself, but in the whole of Europe."

Charter 77 also emphasizes that the ban of Solidarity has "not furthered a constructive dialogue at the CSCE, resumed recently in Madrid."

Charter 77 has expressed in the document "concern about this situation, in which the decisive element is military power rather than respect for the people and basic human rights." In Poland proper, this fact creates an atmosphere "more depressing than two years ago, because the erstwhile hope is gone." Moreover, it opens the door to "repressive apparats" in other bloc countries, and "champions force over rational negotiations."

The document ends with the warning, a rather dramatic one, that "the specter of the 1950s is entering the 1980s in Central Europe," and reminds "all people of good will of this acute danger."

The document is signed by all three Charter spokesmen, i.e., Radim Palous, Anna Marvanova, and Ladislav Lis, as well as by ex-journalist Jiri Dienstbier, a member of the larger collective of Charter spokesmen.

This is the first signed document of Charter 77 dealing exclusively with Solidarity. Two earlier documents concerned themselves with the situation in Poland. The first was dated 7 January 1982 (Document No. 2, 1982) and was prepared as a denial of unspecified reports that Charter 77 supported "the present, forceful solution of the critical situation in Poland," i.e., martial law.

The second document (No. 5, 1982), issued on 30 January 1982, rejected the military regime in Poland on the occasion of the Day of Solidarity with Poland. It demanded that the "truly representative bodies of Polish society, among which there are, without any doubt, the workers' Solidarity and the Catholic Church," should have a say in finding a solution to the situation in the country.


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So far as other, earlier statements of Charter 77 on Poland go, the following should be mentioned:


2. A letter to the Czechoslovak Federal Assembly, the government, and the president criticizing the biased reporting of Czechoslovak media on Poland.

3. A letter to the Social Self-Defense Committee, "KOR" assuring their Polish partners of solidarity with and fidelity to the common cause (dated 10 February 1981). (10)

Another group calling itself the Preparatory Committee of Free Labor Unions has addressed itself to Polish Solidarity for the second time. (11) In an open letter dated 7 November 1982, it extended greetings on the occasion of preparations for demonstrations to mark the second anniversary of Solidarity's registration. It ends with an appeal to join forces in the struggle for a free Poland and Czechoslovakia, and to prepare "by deeds, consistent social and cultural work, rather than by words" the liberation of their countries. The letter pledges to support Solidarity's demonstrations with "actions commensurate with our limited possibilities."

L. N

3. Regime Worried About Growing Religiousness Among Youth

Evidence from various sources has been mounting for well over a year that religion is spreading in Czechoslovakia, especially among the youth. (12) Even Karel Hruza, head of the government's secretariat for religious affairs, admitted in an interview with a Western journalist that "in the old days you would only see grandmothers in churches, but now there are young churchgoers, too." (13)

In this context, opinions have been advanced that the young people are not so much interested in liturgy as they are in a search for a new philosophy with which to replace sterile Marxist-Leninist teachings. A recent authoritative article in the official press seems to confirm this assessment on both counts. (14)

The theme of the article is the teaching of the "scientific" Weltanschauung and the author is quick with his conclusion that teachers at "many a school" underrate the importance and immediacy

(10) Ibid.

(11) This organization surfaced in September 1981 with a message to Solidarity on the occasion of the latter organization's first congress. It professed an identity of goals. For the time being, its representatives prefer to remain anonymous; see Le Monde, 2 October 1981.

(12) See Czechoslovak Situation Report/1 and 6, RFER, 15 January and 26 March 1981, Items 2 and 3, respectively.


of a scientific-atheist education. They simply "do not feel responsible for the political, moral, and overall education in the Weltanschauung." In consequence,

... the young people are not being given proper answers to questions of interest to them. No wonder that under the influence of increased religious propaganda interest in religion and a noncritical attitude toward it is being revived among part of the youth.

Past experience invariably shows that in official parlance "part" nearly always stands for large segments of the population, and this may also be assumed in the present case. What seems most disquieting for the author is the fact, admitted by himself, that there is a "growing number of believers who have an education." Trying to solve this puzzle, he reasons that "education in itself does not lead to a divorce from religion." A believer and an atheist alike are subject to the same influences during the course of education, by radio, television, literature, and the press. From the sentence following this finding one could conclude that it is the atheists who are prone to become believers rather than vice versa:

These questions /to relations beteen science and religion/ are also current among young people who are troubled by philosophical problems; the search for an answer to these questions leads part of the young people also to an increased interest in religion, to attempts to practice new, living forms of religiousness.

At any rate, while official polls allegedly revealed that the "away-from-religion process has advanced very far," there has been, at the same time, a "marked increase" of population groups with no clear Weltanschauung or indifferent in this respect:

In between the group of believers and that of convinced atheists a sizable mass of the population has emerged who do not claim a confession, but who do not accept atheist views either; they often consider atheism and religion to be "equal" forms of Weltanschauung with specific positive and negative features. (15)

The author of this observation, Ivan Hodovsky, clearly recognizes the looming danger when he writes further that the population strata with a not clear Weltanschauung may be considered a "transitory type" from religion to atheism, but equally they may be

"platforms for an opposite move." In his opinion, an unstable Weltanschauung tends to increase "latent religiosity."

For years the regime in Czechoslovakia has had at its disposal a whole intricate system of professional atheism. (16) For results, it can show little. Not a small portion of blame must be attributed to the atheist propaganda itself, which has been rather primitive, heavy-handed, and clumsy. However, the article under discussion in Úctelske Noviny accused teachers of being primarily responsible for the lack of ideological awareness among what seem to be large sections of the younger generation. Along with the teachers, parents are warned that "following the 1980 Vatican synod on the family . . . the Church is looking for new forms and methods with which to intensify religious education in families." Evidently, some spadework has been grossly neglected and a remedy is called for:

Now it is necessary to work out methodological and methodical questions of scientific-atheist education and to provide it with a deeper philosophical foundation. (17)

Furthermore, Prusak seems to believe that, while revamping the theory, it would not be amiss to think in practical terms as well:

It is a paradox that churches and parishes in some localities stand out in upkeep while schools are in a desolate state. No wonder that the youth is attracted by such religious edifices and repelled by such school buildings.

Could it be that the local party bosses concerned have their priorities confused?

L. N.

4. Food: Problems Ahead

Czechoslovakia has long had the reputation of being one of the best fed countries of Eastern Europe and its consumption figures have borne comparison with the West well. Shortages have mostly taken the form of bottlenecks fluctuating in time and space as well as of inadequacies in variety and in high-quality foods on offer, but not in the provision of staple items. Benefiting from the reforms of the mid-1960s, Czechoslovak farming did reasonably well until the middle of the last decade and had even withstood the adversities of bad harvest years -- this proverbial plague of Soviet-type agriculture -- without much ado. By 1975 the degree of self-sufficiency of the agricultural-industrial complex (farming, plus

(16) Apart from the Socialist Academy, with its network of propagandists, there exist departments for atheism at the Czechoslovak and Slovak Academies of Sciences, as well as chairs and sections for scientific atheism at universities and colleges in Prague, Bratislava, and Presov.

(17) Prusak, op. cit.
the food industry) stood at 85.2%. (18) This was virtually an optimal state of affairs (or even better) in a country that had always recognized that a full food autarky was at once unattainable and uneconomical to strive for. Importation of certain amounts of certain items (e.g., food grains, food concentrates, some fruits, meat, rice, etc.) had always been considered normal and the country's foreign trade balance provided room enough for it. Even the two jolts administered by communist rule to the established pattern of production-importation-consumption, i.e., the forced collectivization itself and the mismanagement of the first 15 years after collectivization, were cushioned off inside the basic framework. When the Husak régime set out to "normalize" life in the country, in the wake of the Prague Spring reforms, the adequate feeding of the population became an important part of the unwritten social compact whereby political aspirations were renounced in exchange for a high level of consumer satisfaction.

As in the other economic sectors, things began to go wrong toward the close of the 1970s. For 3 years running -- from 1979 to 1981 -- per capita crop agricultural output as a composite indicator decreased. Per capita crop production in 1981 was where it had stood 10 years ago, in 1971. Conditions in the farming-food complex "have acquired the nature of a fundamental structural problem, i.e., a limit to growth, demanding a resolute and speedy solution." (19) The self-sufficiency indicator dropped by two points. Imports began to be felt not as a natural complement, as they always had been, but as an albatross; suddenly the need to buy particularly feed grain abroad was an outrage, beyond the means of the state, the self-same communist state that 30 years ago usurped power as the one and only agricultural manager in the land. What is even more important, the deficiency is not now seen as a temporary or transitory predicament arising from seasonal difficulties of one kind or another, but as a fundamental condition that will stay with the regime for many years to come. The team of experts preparing a prognosis for the next two decades on behalf of the Economic Institute of the Academy of Sciences (20) says: "The creation of


(20) The team's findings are the main source of our information, even if they evade calling a spade a spade when analyzing the underlying blunders. The "Prognosis 2000" was commissioned by the CPCS and its first contours (spring 1980) have now been "adjusted" (in April 1982) downward as the result of further economic failings in 1980-1981. The first version has now been found full of wishful thinking.
sources from which people can be fed in Czechoslovakia will be a difficult problem in the forthcoming 20 years. (21)

Two questions are particularly intriguing: why the plunge, and what is in store? Czechoslovak sources are skimpy when it comes to discussing the causes of major economic failure, even if they describe the dire situation in some detail. We are nevertheless in a position to put a finger on the sore spots. Why, then, has agriculture slipped so badly?

First, in its "normalizing" zest the CPCS postreformist leadership cut short the programs of Czechoslovak farming toward a greater measure of independence from political interference. The "democracy" in agricultural cooperatives (decision-making by the farmers themselves) was eliminated and more small farms were swallowed into the collectivized system. (22)

Secondly, the primitive and erroneous notion that increased application of artificial fertilizer will provide ever growing yields has been pursued for too long. The quality of chemicals put into the soil has been inferior and undifferentiated; the law of diminishing returns has begun to bite. The land is tired and the 250 kilograms of fertilizer per hectare administered in 1980 are 1/3 less efficient in inducing higher yields than a lesser amount had been 10 to 15 years ago.

Even if per hectare yields are way above the Soviet average (most kolkhozy would roar with joy over what their Czechoslovak counterparts are harvesting), the end of the road is near. Compared with Western countries, the picture is less rosy. Take potatoes: the planned yield per hectare for 1985 is 20 tons, and for the year 2000 it is 2 tons more. Austria has already registered 24 tons and West Germany 26 to 27 tons per hectare in 5-year averages for the past 15 years. Sugar beets in Czechoslovakia are expected to yield 40 to 42 tons by 2000, while both Austria and West Germany have been scoring 45 to 46 tons since 1967. (23)

Thirdly, Czechoslovak agriculture, and especially the food-processing industries, have been underdeveloped in terms of investment over the past 14 years, i.e., since the "normalizing" regime took over from the reformers. When "net output" is taken as a criterion, the food industry in Czechoslovakia represents only 8% of total industrial production, compared with 128-19% in Western Europe. (24)

(21) Kutil et al., op. cit., p. 999.
(22) Two laws are particularly demonstrative of the trend: the one that increased the land tax as of 1 January 1975, and the one that imposed tough state control over cooperative farms as of 1 January 1976. They were discussed in Vladimir V. Kusin, From Dubcek to Charter 77 (New York: St. Martin's Press, 1978), pp. 233-37.
(23) Kutil et al., op. cit., p. 1001 and 1004.
Fourthly, centralization of agriculture has brought with it a sharp increase of losses and untapped reserves. It has been estimated that all kinds of "reserves" (i.e., things that ought to be done but are not) and "losses" (i.e., reduction of output through neglect, waste, theft, etc.) amount to "30% and even 50% or more in some branches of the agriculture-food complex." In meat alone, the annual value of such reserves and losses is over 5,000 million Kcs or nearly 20 kilograms of meat per head of population. (25)

Finally, communist agriculture suffers from notorious as well as one-shot failures in other, connecting branches of the economy. Three major impacts of the early 1980s derive from the energy crisis, which has led to a drastic cut in the provision of oil derivatives (gasoline, diesel, lubricants, as well as heat and electricity) to the countryside and the food factories; from the stagnation and even decline in the supply of means of agricultural mechanization by industry (26); and from the paucity of hard-currency allocations for all kinds of agriculture-related imports from the advanced countries of the West (fodder, machinery, biological technologies).

The combined effect of all these political, economic, and social failings suggests that, while forced collectivization lies at the root of Czechoslovak agriculture's precarious development, the present predicament transpires from bureaucratic mismanagement more than from anything else. As a subsystem of an ailing system, the farming-food complex experiences the ill effects of declining performance throughout the economy as well as its own deficiencies.

What is to be done? The experts who have spiced their "Prognosis 2000" with some advice are no decision-makers. Neither are they free to say all that they may wish to say. Most of them accept that a certain politico-ideological framework cannot be overstepped or even just tampered with. (27) With these caveats in mind, the proposals appear to be as follows:

(25) Kutil et al., op. cit., p. 1001. Komarek, op. cit., says that between 1/4 and 30% of all crop production is lost during harvesting, storing, hauling, etc. The elimination of these losses, without any new inputs at all "should theoretically suffice to solve the problem of food."

(26) Kutil et al., op. cit., p. 1005, say that provision of machinery "remains a serious open problem." Moreover, prices of agricultural machinery "have grown faster than their use value." For example, the selling price of an output-unit in tractors increased from 976 \ 1966-1970 to 1,196 Kcs in 1971-1975 and to 1,707 Kcs in 1976-1980.

(27) Kutil et al., op. cit., p. 999 say: "The scope to select a strategy of growth is severely constrained." Another forecasting expert says, "Changes expected in the external environment, within which the Czechoslovak economy will evolve in the next 10 to 15 years, will make the situation more difficult, rather than easier." Karel Dyba, "Long-Term Structural Changes in the Evolution of the External Environment of the Czechoslovak Economy," Politicka Ekonomie No. 9, 1982, p. 996.
1. Exhortative and Authoritarian Escalation. As in the other economic sectors, campaigns will be conducted to make people work harder, to be more frugal, to put to use what they have so far "left" idle. The planners will redraw and narrow down the system of priorities, e.g., to fertilize meadows and pastures, to favor cattle over other animals, to substitute other nutrients for proteins, etc.

2. Changing the Structure of the Food Supply. This is a correlative of the first course of action. It is intended to reduce the consumption of meat as the most difficult commodity to produce, from the roughly 84 kilograms per head of population to 81 kilograms, i.e., the level of 1975. (28) This artificially induced decline should take place in the course of the remaining years of the 1981-1985 quinquennium. Only then would the production of meat, it is hoped, start growing again, albeit slowly, not exceeding the 0.4% to 0.5% annual growth of the population. A fairly long period of stagnation in meat consumption appears to be on the drawing board. It is further intended similarly to discourage the consumption of sugar and fats, but no suggested data are available. On the other hand, the consumption of milk and dairy products should be stepped up, as it is claimed that milk proteins are as good as meat proteins, but no specific ways appear to be suggested on how this is to be done. Milk output in 1982 has already recorded substantial arrears in comparison with the plan. Also supported will be the consumption of fruit and vegetables, presumably through further relaxing curbs on small growers. (29)

3. Admission of Controlled Semiprivate Activity. In addition to more leeway for holders of garden plots and similar small growers (who are either gainfully employed elsewhere or are pensioners), the forecasters gingerly propose "the use of the subjective factor." Kutil et al. decipher the jargon thus: "It would be further desirable to evolve, similarly to other socialist countries, auxiliary work activities by agricultural and nonagricultural toilers in the countryside in their leisure time." (30) The scrupulous evasion of the word "private" or even "personal" (soukrome vs. osobni) allows this to be understood as a call for forced labor after hours, but the intention obviously is to let people engage in limited private enterprise — reluctantly and under supervision.

(28) "Prognosis 2000" first based projected meat consumption according to "recommended quantities," which were to be 90 kg per capita in 1990, and which were to even out the disproportion between the Czech Lands and Slovakia. (The Slovaks consumed 4-2 kg per head of meat less in 1980 than the Czechs.) These plans had to be abandoned after the economy was found to perform worse than expected in 1981. See Kutil et al., op. cit., p. 999.

(29) On what has already been permitted is the way of "private" growing and trading, see Czechoslovak SR/15, RPER, 25 August 1982, Item 3.

(30) See Kutil et al., op. cit., p. 1005.
4. Organizational Measures. Several such measures are contemplated. The first, not a new one, is the joining of producing and processing enterprises, e.g., large-scale feeding stations for livestock and slaughterhouses; fruit plantations and canneries; grain depots and mills, etc. Not only are energy savings claimed to be promising in such an arrangement, but also easier supplier-customer relations within newly established "combines" or "complexes." Another organizational measure would be the decentralization of khozraschot (self-financing) units, in other word, the splitting up of existing cooperative and state farms into smaller enterprises. It should be noted that the policy of the postreformist government has been to encourage the reverse trend, toward larger units. Finally, centralization of the prefabricated catering industry is recommended, including abolition of smaller factory cafeterias, which should become mere warming-up and dispensing points for huge industrial lunch-cooking enterprises. Even households should be prompted toward consuming frozen meals from central stores on Saturdays and Sundays, thus saving on electricity and cutting waste.

5. Redefining the Purpose of Eating. The collection of stopgap suggestions, resembling nothing better than the proverbial scraping of a barrel, is aptly crowned with what the prognosticators call "training the public toward nutritional awareness." (31) The correct intake of food by humans, normally known as eating, ought to become -- according to this vision -- the object of education at schools and of systematic campaigning in the mass media. A quotation tells it all:

Appropriate instruments will have to be employed in order gradually to surmount the tradition in human perception according to which food is, above all, a matter of enjoyment. On the contrary, we will have to emphasize the importance of self-discipline and self-control in meal-taking and to assign a new place in the system of values to food. The purpose of food-taking is to preserve health, to promote physical and psychological fitness, and to regenerate the labor force. The food-taking process should be governed by physiological needs, distinguished by occupation and age. (32)

Can this be sold to the Czechs and the Slovaks who have always relished cooking and eating? Will they be ready to give up one more habit of pleasure? For the sake of what? To keep in power a communist leadership that has botched up just about every economic activity whose pursuit it has undertaken?

The situation is difficult, the proposed remedy is inadequate.

VVK

(31) Convergence of thought with Romanian leader Nicolae Ceausescu's strictures on "scientific dieting" is noticeable. See, for example, Romanian SR/14, RFER, 4 August 1982, Item 3.

(32) Kutil et al., op. cit., p. 1006.
5. Inflation Rate at 8%

Evidence is mounting that Czechoslovakia is battling with a slide into inflation which seems to be more than a temporary trend. The International Labor Organization issued a list of inflation rates in the world for the year 1979 in which Czechoslovakia is reported to have had a rate of 5.7%. (33) The latest estimate produced by Western embassies in Prague indicates an inflation rate of 8%. (34)

Inflation in a Socialist Economy. Official terminology avoids calling the occurrence of this phenomenon by its proper name. This is justified only in part. The Czechoslovak planned economy is based on a sole state market, where monetary and price mechanisms have rather limited regulatory actions. Price dynamics primarily reflects cost pressures rather than any market imbalance. The socioeconomic goals of planning in terms of investment allocation policy, production rates, foreign trade, social consumption, etc., are given a relative priority over cost-price relations, profit rates, income structures, etc.

Inflation rates cannot be measured easily. The main reasons are: the price system is largely disconnected from the supply-demand situation on the domestic and international markets. Price formation is based on production costs, budgetary needs, and on inconsistent subsidy and tax rates. In part, prices also change to reflect the market situation, but the Ministry of Trade reaches decisions only on the grounds of a so-called "desk" market research. Industrial and consumer prices become flexible by abrupt changes within the terms of one to three years. Naturally, there also exist creeping price changes. For example, current products, after small adjustments, are declared to be new products priced at substantially higher levels. Inflation in a socialist economy is a disguised form of inflation marching along with the overall economic imbalance, but it cannot disguise trends that enable one to figure out the real rate of loss in buying power caused by rising prices.

Inflationary Trends. Inflation in Czechoslovakia, just like in any other CMEA country, is deeply rooted in the inflation-heated environment. Growth in productivity, which is vital to reduction of basic costs, is lagging. In the Czech Lands the national income increased by 0.2%, and overall productivity by 0.3%, while wages increased by 2.3% in 1981. (35) A basic turn in productivity is not likely to take place until and unless the economy invests in larger imports of new equipment. And this probably will not happen until

(33) UPI, 13 August 1980.
(35) Prace a Mzda No. 10, 1982, p. 4.
the present terms of trade improve. Behind today's investment allocation policy lies preferences given to investment in the energy and fuel sector, wood-processing, and CMEA integration projects. (36) Consequently, the market imbalance caused by insufficient supplies of consumer goods increases savings of idle money. The inflationary gap is being made wider. (37)

Major funds are frozen in excessive and unnecessary inventories (valued at a level only slightly lower than the national income) and in delayed and still unfinished investments. Both of these capital-bound "assets" increase pressure on prices, as more credit money, with higher interest rates and material costs, bites into the firms' payment of profit and turnover taxes to the state budget. Thus, turnover tax collections are behind the planned volumes, due to deficient market supplies both in quantity and structure. (38) In 1981 the budgetary income from turnover taxes was lower by 5.3%.- (39) On the other hand, the supply of money is growing faster than the economy. The amount of money in circulation was planned to increase by 8.3% in 1981 over 1980. (40) Supporting this inflationary trend is the growth rate of social incomes and incomes from wages. In Slovakia at the 1982 half year mark incomes from wages had increased by 2.2% and social incomes by 8.5% as compared with the same period in 1981. (41) Higher social incomes imply subsidiary measures related to consumer price increases in January 1982. In many instances consumer prices appear to be low, but this does not mean that the economy has gotten a grip on inflation pressures. State subsidies of consumer prices are a considerable factor in eroding money and causing recession. Early in 1982 Prime Minister Lubomir Strougal said that every 100 Kcs of a family's budget was subsidized by 40 Kcs. (42) State subsidies of the prices of products relating to the living standard eat up almost 10% of the federal budget for 1982. (43)

Last but certainly not least, the picture of inflation trends should be completed by estimates of economic recession in the CMEA countries, which will hardly help to curb inflation rates in Czechoslovakia.

The Price Switch. The inflationary trends now more in evidence have been translated into price increases in 1981-1982. In estimating the movements of consumer and industrial prices, preference should be given to the latter, since they cover a broader scale of products and a larger market. Industrial prices as the basic

(37) Ibid., No. 3, 18 February 1982, Item 2.
(39) Finance a Uver No. 9, 1982, p. 581.
cost-push indicator increased by 9.8% from 1 January 1981 to 1 January 1982. (44) Behind this almost double digit inflation is the driving force of fuel, energy, and input raw material prices, which should increase by 2% annually throughout the 1981-1985 period.

Another upward price movement has been registered with the increase of consumer prices in 1982. (45) A handful of items in the family budget have had their prices raised by up to 100%. The social impact of such price increases might be politically unbearable. Therefore, countermeasures, including statistical conjuring adjustments, are used to make the necessary corrections. One example: the Federal Statistical Office quoted consumer prices as increasing only by 0.8% in 1981. (46) In that period gasoline, diesel fuel, and heating oil prices increased by some 15% to 75%, but those of TV sets, furniture, and textiles were slashed by 19% to 25%. It should be noted that the TV set market is almost saturated (112 TV sets for every 100 households in 1980). (47) Since the different economic weights of each of these items might yield an undesirable economic interpretation, the statistical one proved to be more acceptable.

Analysts at the Western embassies in Prague may have figured out the actual inflation rate by "laborious joint computations," where differences between economic and statistical interpretations of the price dynamics should have been observed.

Some Effects. Barring major disorders in the price-cost relations, the increased industrial prices should distribute profit margins more proportionately and improve the differentiation of profitability among production branches in 1982. The measure is expected to support effective production, improve the structure of industry, and to secure budgetary incomes and counterbalance higher costs of fuel, energy, and input raw materials, etc. (48) Enterprises producing fuel, energy, and raw materials may gain from the price increases, while organizations of the processing industry may lose, unless higher productivity and energy plus material savings are achieved.

Higher consumer prices reflect the effort to reduce imports of agricultural products and to decrease the volume of state subsidies, while increased prices at comparatively lower growth rates of wages may enhance labor productivity.

(44) Finance a Uver No. 9, 1982, p. 621.
(48) Finance a Uver No. 9, 1982, p. 622.
Inflation also alters the buying power of the Czechoslovak koruna. The change is roughly measurable by the reciprocal of the actual value of the overall price index (100:108x100=92.59). It means that the buying power of the Czechoslovak koruna further decreased by 7.41% compared with the period preceding the actual price increases in 1981-1982. Such changes reflect upon the cost of living. The Czech party daily Rude Pravo admits that the cost of living is rising more rapidly than incomes from wages. (49) In other words, workers and employees with lower incomes from wages and pensioners are the clear losers. In 1981 nominal wages increased by 2.8%, while real wages by 1.0%. In 1982 the scissors should most probably open wider.

The Czechoslovak State Bank is likely to gain from this inflation. For example, the high savings of the population partly substitute for the money missing from foreign credits, which Czechoslovakia refuses to apply for. The planned volume of savings in 1982 is 176,800 million Kcs, while it was 167,800 million Kcs in 1981.

Conclusion. The times are over when Czechoslovak economists almost ignored economic categories such as prices, interests, profit, profitability, etc. If the country's recession proves to be lasting, as it appears to be, it will also induce several "new concepts" in the official political economy. The monetary and price systems may gain more regulatory and control functions. Cost calculations and profit indicators -- but also inflation rates -- may be more consciously incorporated into all economic planning and decision-making. This might be a good thing for the country's survival.

M. P.

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(49) Rude Pravo, 2 February 1982, p. 3.