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RFE EVALUATION AND ANALYSIS DEPARTMENT

Background Report

(Rumanian Unit)

THE OPERATION OF THE RUMANIAN STATE BUDGETS FOR
1959 AND 1960 AND THE STATE BUDGET FOR 1961

On 23 December 1960, Radio Bucharest broadcast the text of the report submitted by Aurel Vijoli, the Finance Minister, before the ninth session of the RPR Grand National Assembly.

The report refers to:

- the final execution of the state budget for 1959;
- the preliminary execution of the state budget for 1960;
- the project of the state budget for 1961.

The budgetary law in connection with this was voted on the same day, through "secret vote" and with "unanimity".

I - The Final Execution of the State Budget for 1959

	Final Results	Preliminary Results ¹
Incomes	51,058 billion lei	50,675 billion lei
Expenses	48,260 " "	47,996 " "
Balance	2,798 " "	2,679 " "

The preliminary results have been previously analyzed², the final ones have already been published in the "Breviarul Statistical RPR, 1960".

II - The Preliminary Execution of the State Budget for 1960

It should be pointed out at the very beginning that, in the fulfillment of the 1960 plan³, which is reflected financially in the corresponding state budget⁴, there have intervened, in the course of the year, the following circumstances which led to changes in incomes and expenses.⁵

- the surpassing of the industrial production plan (provision) by 1.5 per cent over that of the year 1959 (total 15.5 per cent instead of 14 per cent as planned). During the first 10 months, the value of

this surplus of production amounted to 1,600 billion lei.

- the surpassing of the economies plan in the industry by 1,600 billion lei and of the profits by 0.300 billion lei.
- the reducing of the investment expenses by 1,000 billion lei.
- the improved remuneration of the technical personnel and the reduction of prices of certain products, as beginning with 1 August 1960, which were reckoned to amount to a total of 2,000 billion lei yearly⁶.
- although no concrete figures were given, it is deduced that agricultural production falls within the provisions of the plan.⁵

Generally speaking, the results are as follows (balance sheet):

	Provided in the 1960 budget	Preliminary achievements	Difference
Total revenues	56,800 billion lei	57,470 billion lei	+ 0.670 b.lei
Total expenditure (Including Budgetary reserve)	55,930 " " 2,523.7)	55,120 " "	- 0.810 " "
Balance	0,870 billion lei	2.350 billion lei	(not considering the budgetary reser

Revenues are distributed as follows⁷:

	Provided in the 1960 budget	%	Preliminary Realizations	%	Difference
Total Rev. of which:	56,800 bil.lei	100	57,470 bil. lei	100	+ 0,670 bil.lei
I. Revenue from State Enterprises and cooperatives	52,927.7 "	93.3	53,990 "	94	+ 1,062 "
of which					
Turnover taxes and quotas from profits	31,492 " (59.5%)		31,084 " (57.5%)		- 0,408 "

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	Provided in the 1960 budget	%	Preliminary Realizations	%	Difference
People's Councils (Own revenues)	4,911 bil.lei (9.3%)		unspecified		
Soc. Security	3,427 " (6%)		3,505 bil.lei		+ 0,078 bil.lei
Unspecified profits	13,097 " (26.2%)		?		
Total:	21,435.27 " (40.5%)		22,906 " (42.5%)		+ 1,470 "

II. Taxes col-
lected from
population

3,872.3 " 67 3.480 " 6 0,392.3 "

Vijoli justifies the reducing of the income from taxes collected from the population through the progress achieved in the collectivization of agriculture because, in accordance with the fiscal law, all advanced forms of cooperation bring about a decrease of taxation, while collective farms pay taxes according to their area and not according to their income.

Rather odd is the non-realization of taxes on goods circulation (turnover tax) and the quotas on profits. (There is not the detailed data to explain the deficit). Also odd is the two per cent increase of the other revenues in the first chapter, since it seems that, according to the criticism made by Vijoli, the People's Councils have not distinguished themselves in the realization of revenues. This deficiency appears even more clearly from the analysis of budgetary expenditure.

Expenses of the 1960 Budget⁷

	Provisions	%	Preliminary Realizations	%	Difference
Total Expend- iture	55,930 bil.lei	100	55,120 bil.lei	100	- 0,810 bil.lei
of which					
I. Financing of the national economy	33,562.7 ⁸	60	34,440	62.4	+ 0.877.3 "
of which:					
Investment from the budget	14,789.4 (44.2%)		13,600 (39.5%)		- 1,189.4 "

	Provisions	%	Preliminary Realizations	%	Difference
II. Financing of social-cultural action	13,436.8	24	13,681	24.8	+ 0,244,2 bil.lei
III. Expenditure of state administration	1,571.1	2.8	Unspecified		
IV. Defense Exp.	3,505	6.3	"		
V. Budg. Reserve	2,523.7	4.7	?		
VI. Unsp. Exp.	1,330.7	2.2	?		
Total (III, IV, V, VI)	8,930.5	16	7,000	12.8	- 1,930.5 "

It will be noted that for the "financing" of the national economy there was spent over the provisions of the plan the sum of:

0,877.3 billion lei +
1,189.4 " " (initially destined for investments)

2,066.7 to which should be added
1,300 supplementary profits and economies over plan
total 3,366.7 billion lei, yet the regime did not succeed in achieving the revenues deriving from the taxation upon goods circulation and the quotas from profits, although it is said that a 1,600 billion lei production increase over the plan was achieved as early as October 1.

Even if we deduct from the above sum the figure of 1,000 billion lei (August-December 1960 estimate based on yearly value of 2,000 lei) expenditure resulting from a raising of salaries of the technical personnel and from the reduction of selling prices, we can only explain the situation by the fact that not all the sectors of the national economy have achieved the planned profit indices and that even though the global production rose, it is probable that the marketable production has not been achieved in the same proportion.

In fact, Vijoli himself, though he affirms that the enterprises' activity has somehow improved as regards the valorization of internal reserves, particularly through applying certain measures of a financial nature and through an improvement of the regulation of stocks and norms of the liquid funds (the freeing of 1,100 billion lei in industry) yet, there are still sufficient deficiencies in this respect as well as in regard to the steady flow of supply and collaboration between enterprises.

Realization of Investments

According to data furnished by the report, the execution of investments is as follows:

	Provided for 1960	Preliminary	Difference
Total	23,500 bil.lei	22,500 bil.lei	- 1,000 bil.lei
of which:			
From budget	14,789.4 "	13,600 "	- 1,189.4 "
From enter- prises' own resources and bank credits	8,710.6 "	8,900 "	+ 0,189.6 "

The report does not specify how investments were utilized as regards their distribution to the various sectors of the national economy.

Vijoli affirms that the central and local state organs have accorded more attention to a more efficient utilization of the material and financial means allocated to investments. He does not specify whether certain objectives were eliminated from the investment plan. He seems to justify the economy achieved through the reduction of cost price and through the shortening of the production time, although he points out the existence still of certain deficiencies as regards project documentation, delays in the starting of production and even the only partial realization of the technico-economic indices which were borne in mind at the approval of the investment.

It seems however that a great proportion of the economies have been achieved by the revision of the projects in the spirit of simplifying construction -- certain installations were even left unroofed -- better groupment and the use of prefabricates.¹¹

A substantial contribution toward the reduction of cost price comes from the use of voluntary labor (or patriotic labor), or, in other words, non-paid labor.

As regards the construction of housing and the distribution of goods, Vijoli does not add anything new to the assertions of Gheorghiu-Dej in the presentation of the 1961 plan, i.e. the delivery of 30,000 new flats and the distribution of a volume of consumer's goods 15 per cent larger than in 1959, a figure to be in fact incorporated into the plan.

It is only on the basis of data which are usually furnished later on that we shall be able to deduce the proportion prevailing between foodstuffs and other goods distributed through the socialist commerce. Vijoli points out certain deficiencies, both in the quality of the housing constructed as well as in that of

the goods distributed, some of them being even "inadequate for the needs of the population."

Vijoli affirms that the total of the population's deposits at the C.E.C rose by 51 per cent as compared to that at the end of 1959. We wish to underline the fact however that the absolute value of this total has never been disclosed.

Without providing any concrete data regarding foreign trade, Vijoli states that the RPR is engaged in economic exchanges with 80 countries and that the goods exported are better and better received in the foreign markets and appreciated by the foreign consumer.

There is no hint as to the fulfillment of the national income target.

However, before mentioning the negative aspects, Vijoli concludes the summing up of the fulfillment of the 1960 budget with the following words:

"We have a healthy monetary circulation, the foreign payments balance sheet is well balanced, the state budget assures the financing of needs connected with the development of the national economy and is closed every year with a positive balance."

The volume of goods sales through the socialist commerce ensures the supply of the population, the working people's purchasing power is continuously increasing and the national currency is getting stronger and stronger."

Rarely has a finance minister boasted of so many "achievements" and presented such a rosy picture. It is to be believed that were the RPR Grand National Assembly a real Parliament, the discussion of the budget would have lasted more than a mere few hours and the true situation of the budget and the treatment of the population would have emerged in a different light.

Project for the 1961 State Budget

On the basis of achievements during 1960, the state plan for 1961 was conceived with supplementary tasks¹², which could be summed up by the following chief points:

- the raising of global industrial production by 13.5 per cent (value: 88,700 billion lei).

- the raising of agricultural production by 19 per cent;
- an increase of the total circulation of goods, by means of general service, by more than eight per cent;
- an increase of the volume of foreign trade by about 11 per cent;
- the development of education on all levels;
- an increase of the number of employees in the economy by over 200,000;
- a raise of incomes originating from salaries by about 11 per cent (including the payment of new employees)¹³ and of the income of the peasantry by over 1,000 billion lei;
- the sale, through socialist commerce, of a volume of goods larger by 15 per cent;
- raising the volume of investments from state funds to the figure of 27,900 billion lei - 24 per cent more than the realizations of 1960;
- a raise of the national income by 15 per cent.

For the fulfillment of this plan, the state budget for 1961 was established as follows:

	1961 Budget	1960 Preliminaries
Total revenues	65,651 bil.lei	+ 14.2 per cent
Expenditure	64,801 " "	+ 17.6 " "
Balance:	+ 0,850 " "	

The distribution into various chapters of incomes and expenditure, to the extent to which they are specified in the report or deduced through calculations based upon indications found in the report is as follows:

Revenues in the 1961 State Budget

	Planned for 1961	%	By comparison with 1960 preliminaries
Total Revenues	65,651 bil.lei	100	+ 14.2% + 8,151 bil.lei)
out of which:			
I. From state enterprises and organizations and from coop.	61,704 "	94	+ 14.3%

Planned for 1961	%	By comparison with 1960 preliminaries
out of which:		
Turnover tax and quotas from profits 37,454 bil.lei (60.7%)		+ 20.4%
People's Coun- cils (own incomes) 5,427 (8.3%)		+ 10.5% (as com- pared to plans)
Social Security 3,745 (5.7%)		+ 6.8%
Unspecified incomes 15,078 (25.3%)		+ 15.1% "
II. Income tax and other taxes from the popula- tion 3,947	6	+ 13.4%

Vijoli claims that the sum referring to incomes from taxes collected from the population has been arrived at by approximation, although the incomes in cash of the population are expected to grow in 1961 by 5,500 billion lei.

The evolution of this tax as well as of the sums originate from the turnover tax and quotas from profits is as follows:

	1958	1959	1960 (prel.)	1961 (plan)
Revenues from impositions and taxation collected from the population (% from total income)	11.2	9	6	6
Turnover tax + quotas from profits + % of incomes of enterprises	61.9	58	59.5	60.7

The greatest planned revenue increase (20.4 per cent) is that which characterizes the efficiency of enterprises and for the realization of which the greatest efforts are being made through an increase of labor productivity and a decrease of cost price (provided in the plan: labor productivity +9%), economies from the reduction of cost price in industry: 2,700 bil.lei).

Expenditure in the 1961 State Budget

	Planned 1961	%	As compared to 1960 prel.
Total expenditure	64,801 bil.lei	100	+ 17.6%
out of which:			
I. Financing ^x of the national economy	39,864 "	61.5	+ 15.7%
out of which:			
Investments out of the budget	17,635 " (44.2%)		+ 29%
II. Financing of the social-cultural action	15,199 "	23.4	+ 11.1%
of which:			
Education	4,155 "		+ 19.4%
Culture and Science	1,173 "		+ 15.3%
Health and Social	4,239 "		+ 5% (as compared to plans)
Social Security	3,745 "		+ 6.8%
III. State Administration	unspecified ^{xx}		
IV. State Defense	3,500 (deduced)	5.4	same level
V. Budgetary Reserve	unspecified		

^x Besides this sum for the financing of the national economy there were allocated bank credits to the value of 29,300 billion lei (see chapter on Investments)

^{xx} The new administrative division of the country is expected to bring a reduction of administrative expenditures (Ceausesco, Radio Bucharest, 24 December 1960).

The financial effort being made for the rapid development of material means at the expense of the social-cultural ones clearly appears in the following comparison of the absolute values of the respective yearly allocations:

	1958	1959	1960 (Prel.)	1961 (Plan)
Difference between budget allocations for the financing of the national economy and those for the social cultural action in billion lei ^x	15,859	16,695	20,759	24,665

x) The share of allocations decreased from 25 per cent in 1958 to 25.1 in 1959, 24.8 (preliminary) in 1960 to 23.4 per cent of total expenditures in 1961.

The effort for extending the technico-material basis emerged from the quota allotted to investments in the budget: (out of total expenditures)

1958	1959	1960	1961
34.2%	37.6%	39.4%	44.2%

The evolution of credits destined for the development of the national economy appears as follows:

1958	1959	1960	1961
20,400	21,600	27,000	29,300 bil.lei

The Financing of Investments

Besides the quota provided by the budget (17,635 bil.lei), for the completion of the total sum destined for investments (27,900 bil.lei) there will also be used own means as well as bank credits (10,265 bil.lei).

Vijoli's report presents no new data which could help establish precisely the quotas of investments destined for each sector of the national economy. They have been submitted schematically in the analysis of the 1961 plan.

In general, industry will be allotted 15,600 bil.lei, which is 26 per cent more than 1960,

agriculture: 4,000 (+20%) over achieved investment in 1960.

Transport and telecommunication: ? (+27%)

Social cultural actions: ? (+13.6%)

of which,

For the development of education 0.429 bil.lei (+42%).

It is not specified what sum was provided as investment for the 37 thousand flats which are to be constructed in 1961; it is only affirmed that the necessary funds were secured. In the outlining of the People's Councils budget, it is shown however that 38 per cent from the People's Councils investments, i.e. about 1,500 bil.lei, are destined for the improvement of housing conditions.

Vijoli mentions some of the new objectives whose construction will begin during 1961, among them the large Steel Works of Galati, the thermal power stations of Ludus and Arges, the Industrial Trust for the chemical exploitation of methane gas from Craiova, the trusts for the industrialization of timber from Focsani, Comanesti, Pitesti, Dej, etc.

The plan provides that 34 new sections and 26 new enterprises will go into production, while 96 enterprises and sections will be developed and re-endowed during 1961.

The Financing of Industry

For the financing of industry there were allotted in the budget and out of the enterprises' own means the sum of 18,708 bil.lei, to which important bank credits are added. The bank credits are unspecified.

Agricultural Aspects

Financing: Increase in Machinery and Fertilizers; Production

For the development of agriculture it is planned to allocate 7,346.0 million lei (against 6,422.0 million lei in 1960), i.e. about 14.0 per cent more than in 1960, from the state budget and state units' own resources. This sum will also be supplemented by contribution from collectivized units, as well as by credits funds granted for production needs.

This supplementation is in line with the principle established in the report made by Dej at the Third RWP Congress

(June 1960) when he outlined the Six-Year economic program.

In 1961 the state will grant to agriculture "about 4.0 billion lei^x for investments," i.e. about 14 per cent of the total investments from state funds.

The level of agricultural mechanization will also be raised, Vijoli said. Agriculture shall receive over 12,000 tractors (not specified, but probably "units"), 15,000 sowing machines, 6,000 combines for cereals (against 10,750 physical tractors, 12,000 sowing machines and 5,000 combines planned for 1960), as well as "other agricultural machines and equipment." (Radio Bucharest reported on 28 December 1960 that this year 11,600 tractors, 14,000 grain sowing machines, 5,300 combines-harvesters have been given to agriculture.)

Likewise it is planned that agriculture shall be supplied with "almost 450,000 tons of chemical fertilizers in 1961." This figure was also mentioned by Dej at the 31 October 1960 enlarged Plenum of the CC of the RWP.

From the figures given by "Probleme Economice" No. 11 (November) 1960, p. 10, one can work out that in 1960 agriculture used about 394,000 tons of chemical fertilizers.

Contribution to Central Cereal Fund

The improvement of the technical conditions in which the agricultural work is carried out leads to increase in production and, consequently, to the contribution of agriculture to the state central cereal fund, Vijoli said. Then he went on to say that the state farms' contribution to the fund in 1960 was 39 per cent of wheat and 26 per cent of maize.

Taking these figures at their face value, and considering that at the end of 1959 the state farms represented 16.4 per cent of the total arable area of the country, their contribution to the state central fund is appreciable. But, at the same time one must also consider the incomparably greater facilities they have been given, and are still given, by the state from all points of view: machinery, highly qualified technical cadres, specially selected

^x No figure of the amount granted from the state budget for investments in agriculture for 1960 is available, but the planned volume of investments in agriculture for that year, was 4.4 billion lei.

seeds, irrigated areas, special and greater quantity of fertilizers, etc. In his speech delivered at the 31 October 1960 CC of the RWP Plenum Dej said that 152 state farms achieved on 114,500 hectares an average of over 2,000 kg. wheat per hectare, and that of those 39 state farms have achieved an average of over 2,500 kg. wheat per hectare.

Irrigation

Vijoli criticized the situation of the areas prepared for irrigation in that not "everywhere are they being made use of in a reasonable way," and urged a maximum valorization of the investments actually made for them.

Machine-Tractor-Stations

The investments in 1961 for the MTS is planned at 1,458.0 billion lei from the budget, i.e. 22.7 per cent more than in 1960.^x

This important increase of budgetary allocation for the MTS is due to a substantial increase of the production plan for this sector, Vijoli said.

Although in 1960 many of the MTS succeeded in reducing the cost price substantially, Vijoli nonetheless hoped for a further average reduction of 14 per cent of the cost price per hectare of normal plowing compared with the planned cost price. However, he went on to criticize the reduction of the cost price realized in 1960, saying that it could have been reduced even more.

Payment for MTS Workers According to Quality of Work and Production

Referring again to the 31 October 1960 CC of the RWP Plenum, Vijoli said that according to the indication given on that occasion, "the estimates of payment for the MTS workers shall be made according to quality of the work done and the production of the land entrusted to them." Special attention shall be given to deep plowing, and the wages paid to the MTS workers will be "improved" on that basis, he added.

^x It appears, therefore, that the preliminary figures of the 1960 investments for the MTS amounted to about 1,188,0 million lei.

Forestry

On this chapter Vijoli said little, limiting his speech to recommending that "the main attention should be concentrated to afforestation, a better maintenance of the forestry fund and rational exploitation of the timber materials."

Animal Sector

Likewise he was very general regarding this sector, merely saying that in 1961 the collective farms and agricultural associations will be granted increased credits "especially for the development of the animal sector."

The People's Councils' Budgets

	1961 plan	As compared to 1960 preliminaries
Total revenues and expenditures	10,858 bil.lei	
Investments from the Republican Budget	0,626 "	
Total:	11,484 bil. lei	+ 1,292 bil.lei
of which:		
Own revenues	5,427 "	+ 0,516 " (plan)
Expenditures destined for investments	3,457 "	

Vijoli underlines the fact that, taking into account the existing reserves in the local economy, the People's Councils' budget own incomes could grow at a much faster pace and that there are local enterprises which do not fulfill the task of reducing the cost price or which are even functioning at a loss. Measures were adopted to eliminate from the production tasks of local industry a series of products which are being manufactured better and cheaper in the republican industry. It is to be noted that the people's councils receive, besides the sums provided in the budget, a part of the profits achieved over the plan by the republican enterprises.

It is also to be noted that, although as early as 1957 a whole series of small industrial enterprises, formerly privately owned and of local importance (consumer's goods, constructions and services) were passed over to the exclusive exploitation of the people's councils, and despite the fact that, during the year 1959, a series of enterprises in the framework of professional cooperatives,

probably the more efficient ones, were turned into local state enterprises¹⁵, progress achieved in the realization of own profits is modest. Enterprises which flourished in the past have even begun showing deficits.

The evolution of self-generated revenues in the total revenues of the people's councils' budgets is as follows:

1958	1959	1960 (plan)	1961 (plan)
48.6%	44.1%	54.6% ^x	47.2%

The increase of these revenues, as compared to 1958 is planned to be only 29.2 per cent in 1961.

It is perhaps one of the most convincing examples of the "system's" deficiencies, of its undiscerning and inopportune application.

^x Judging by Vijoli's criticism, probably unfulfilled.

References

1. - "Scinteia" 27 December 1959
2. - News Background, 27 December 1959
3. - "Scinteia" 6 December 1959
4. - "Scinteia" 3 January 1960
5. - Gheorghiu Dej - Plenum: 31 October 1960 ("Scinteia" 1 November 1960)
6. - "Probleme Economice" No. 11/1960
7. - Some of the figures were arrived at through calculations
8. - Besides the indicated sum, the national economy was also allotted bank credits totalling 27.0 bil.lei (see realization of investments)
- 9.- Vijoli does not indicate a decrease of expenditure for state administration of defense; the economy results probably from only a partial reengagement of the budget reserves.
- 10.-Vijoli, "Scinteia", 27 December 1959
- 11.-"Probleme Economice" No. 9/1960
- 12.-Gheorghiu Dej, "Scinteia" 1 November 1960; Background Report "Gheorghiu Dej Outlines Rumanian Economic Plan for 1961".
- 13.-"Probleme Economice" No. 11/1960
- 14.-"Romina Libera" 10 January 1957
- 15.-"Breviarul Statistic" RPR/1960.