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THE GOVERNMENT1. Ministry of Labor Abolished

The Ministry of Labor was dissolved as of 30 September 1981 by a Presidential Council resolution passed on September 25. The State Wage and Labor Office was created to replace it. This organizational change has not yet been explained in detail. The Hungarian news agency, MTI, (2) has issued only the following:

The modernization carried out thus far in the operations of the government and the system of economic management also justifies and makes possible a change in the sphere of labor affairs. . . . The objective of the new office is to continue to simplify administrative work in the government and to provide a framework for conducting government activities more effectively with an even smaller staff.

The MTI report briefly outlined the duties of the new office: to develop a wage and wage regulatory system; to draft appropriate laws and regulations on labor; to coordinate and control local council and regional labor activities; and to prepare employment and manpower policies as well as the government tasks related to them. These were, in essence, the main duties of the dissolved Ministry of Labor. Social policy, directed and coordinated until now by this ministry, will, however, not fall under the jurisdiction of the new office. On the highest level this activity will fall within the authority of the National Planning Office, while the execution of tasks directly concerning Hungarian citizens will belong to the National Trade Union Council and the Ministries of Finance and Health.

The fact that the staff of the new office has been reduced from the present 240 to 80 persons indicates that the State Wage and Labor Office will act primarily as a policy-making body. The staff reduction is to be completed by the end of July 1982. (3)

The Presidential Council also passed a resolution creating the Wage and Labor Council that is to introduce and execute more democratically than before the wage and labor measures that primarily concern workers. The new organization is attached to the Council of Ministers, and will be operated by the concerned ministries, representatives of the National Council of Trade Unions, KISZ, the National Association of [Trading] Cooperatives, and the Hungarian Chamber of Commerce. According to MTI, the Presidential Council said that the Wage and Labor Council would "express an opinion on all questions forwarded to it by the State Wage and Labor Office, the Council of Ministers, or its committees." All labor measures adopted by the State Wage and Labor Office are to be examined by the new council before being accepted by the Council

(1) Nepszabadsag, 26 September 1981.

(2) 26 September 1981.

(3) Radio Budapest, "168 Hours," 26 September 1981.

of Ministers. Since all the important organizations that safeguard the workers' interests are to participate in the new council, there is no doubt that labor and wage policy questions will be debated more thoroughly than before and will, it is hoped, better reflect the workers' opinions and moods.

A noteworthy element of the reorganization is the release and early retirement of the 58-year-old Minister of Labor, Dr. Ferenc Trethon, (4) "with recognition of his services." The president of the new office is Dr. Albert Racz, till now Trethon's deputy. He will keep his rank of state secretary. Trethon is acknowledged to be excellent in his field, an extremely strict and energetic man who takes a firm stand in the unyielding execution of tasks that are unpopular but considered necessary. This can be seen in the following excerpt from his extensive report on 13 February 1981 at the Third Labor Management Conference:

We have to be aware in our work and activity that socialist society is socialist not because it keeps . . . those people in their jobs, who are incidentally superfluous . . . but because it finds and guarantees the opportunity and conditions for socially necessary and useful employment. (5)

Under Trethon's directions the ministry introduced the five-day week. Although initially very popular, it became extremely unpopular when it was learned that the change had to be made entirely with the enterprises' own resources through a considerable increase in labor efficiency; for many this meant a considerable rise in working quotas and an end to the paid lunch hour. As Trethon pointed out,

a palpable solution is that the economic organizations restore the loss in working time by eliminating or reducing this lost time. . . . At present there is an average 3-5% loss of work time owing to authorized or unauthorized full-day absences in addition to vacations and sick leave. There is an additional 10-15% loss because the workers, although present, do not work a full day. This is partly the fault of management (disorganization) and partly their own fault. (6)

Another very unpopular measure, introduced about two years ago, was the staff reduction and the hiring freeze. Obviously preceded by and based on statistical evaluation, the need for these measures could hardly be denied; but they contributed to ill feeling against the ministry and Trethon among the workers and the trade unions.

(4) Ibid, 26 September 1981.

(5) Munkaugyi Szemle No. I-II, 1981, Supplement.

(6) Ibid.

Labor and wage policy questions have probably never been discussed as much as today. It is enough to refer to the considerable decrease in real wages in the last two years; the labor regrouping associated with the present enterprise reorganization; the preparation of the new Labor Code; the introduction of the five-day week, which caused many problems; and the unsolved problems about differentiated wages. In order to solve the problem of an ever-increasing number of tasks, the directors of the Hungarian economy will rely on a more restricted organization, concentrating on questions of policy, rather than on an over-bureaucratic state ministry.

The trade unions and the local councils will be given a greater role in solving problems, as Dr. Albert Racz noted in a statement to Radio Budapest:

It is impossible to direct state labor functions from Budapest, from one building, and with a small staff and /at the same time/ be responsible for supervising their regional implementation. The implementation of the government's employment policy is carried out in the regions by the /local/ councils. In my view the role of the councils will increase. (7)

But the problems are still grave, and unpopular measures will still be needed for a while. It is possible, however, that wider participation in decision-making, primarily by organizations safeguarding the workers' interests, will be more effective than the resolutions of a bureaucratic state office; and through the division of duties, duplication of efforts, especially between the trade unions and the ministry, will be eliminated.

B. R.

BANKING AND FINANCE

2. Unified Exchange Rates for Convertible Foreign Currencies

On 1 October 1981 at 0700 hours Radio Budapest announced the introduction by the Hungarian National Bank of a unified exchange rate for Western currency transactions, effective immediately. Beginning on October 1, the rates of both banknotes and checks have been adjusted to facilitate unified foreign exchange rates.

For many years the exchange rates applied in the country's foreign trade (commercial transactions) have differed considerably from those used in the tourist trade and personal ("noncommercial") transactions. Since the late 1970s the Hungarian National Bank has gradually reduced the difference between the two sets of exchange rates, with a view to ultimately issuing a "unified" exchange rate covering all transactions.

(7) Radio Budapest, 26 September 1981.

Table 1 demonstrates this process with regard to official exchange rates for the US dollar. The difference between the "commercial" and "noncommercial" rates for the US dollar remained more or less stable between January 1976 and July 1978, but after this period the Hungarian National Bank pursued more actively its long announced policy of unifying the two exchange rates. Table 2 shows how the ultimate unification between the two rates will be accomplished for the US dollar, the West German mark, the Austrian schilling, and the English pound.

Table 1

Hungarian National Bank Official Exchange Rates ⁺		
(Forint per 100 US Dollars)		
Date	Noncommercial	Commercial
1 January 1976	2,065.00	4,130.00
1 July 1975	2,035.00	4,170.00
1 January 1977	2,065.00	4,130.00
1 July 1977	2,060.00	4,120.00
1 January 1973	1,990.00	3,980.00
1 July 1978	1,891.50	3,783.00
1 January 1979	1,778.90	3,557.80
1 July 1979	2,033.03	3,557.80
1 January 1980	2,033.03	3,557.80
1 July 1980	2,254.30	3,224.36
1 January 1981	2,423.46	3,255.34
1 July 1981	3,188.54	3,507.39
1 September 1981	3,329.04	3,595.86

Source: Magyar Kozlony, various issues.

⁺Quotations are midpoint values of official buying and selling rates.

Table 2

Convertible Currency Purchase Rates Vis-à-Vis the Forint			
Currency	Old (middle rates)		New
	Commercial	Noncommercial	Unified
US Dollar	35.9	33.2	35.0
West German Mark	14.1	13.4	15.2
Austrian Schilling	20.7	19.1	21.2
English Pound	66.4	61.48	62.93

In the future the rates of exchange will be fixed every week instead of once a month in the expectation that this will facilitate a more rapid adjustment to changing exchange rates for convertible currencies.

As a result of this most recent adjustment, those who purchase Hungarian forint with convertible currencies (e.g., tourists) will benefit as they will obtain more forint for the same hard currency outlay. Commenting on the introduction of the unified rate of exchange for hard currencies, Istvan Hagermayer, Director of the Institute of Financial Research, pointed out on Radio Budapest (8) that Hungary is anxious to fill the new hotels being built in Budapest on the Danube and in general to make the most of its future tourist trade, which suffered a certain setback owing to the country's fast rising restaurant prices. Now Hagermayer hopes that the devaluation of the forint will prove to be a valid incentive for prospective hard currency spenders.

By the same token, hard currencies will become more expensive for Hungarian tourists. The government, has, however, moved to offset this unfavorable development by abolishing the 10% tax levied on official sales of convertible foreign currency. Also, in the future the government will allow Hungarian tourists to purchase more hard currency for trips to Western countries. From 1 January 1982 they will be allowed to purchase up to 12,000 forint in hard currency per year compared with the 8,000 forint allowed at present.

It is anticipated that the country's net hard currency income will increase more than enough to compensate for dropping the 10% excise tax on hard currency purchases by Hungarians as well as for the larger amount they will be allowed to purchase from 1 January 1982.

In Hagermayer's opinion, the introduction of a uniform exchange rate for hard currencies is also likely to reduce the black market for forint in the West, especially in Vienna. If the difference between the black market and official exchange rates for the forint is narrowed, it will not be worthwhile purchasing "black" forint in the West and taking the risk of smuggling them into Hungary. The gradual elimination of the black market for the forint in Western countries will thus bring additional income to the Hungarian state.

Though it is expected that Hungarian foreign trade settlements will not, as a rule, be affected by the introduction of the unified rate of exchange for hard currencies, it is anticipated that enterprises will need to adjust their foreign trade activities to take account of the fact that in the future they will have to calculate their expenses and income with a view to exchange rates changing weekly. Prospective tourists will also find it more difficult to plan their purchases of Western currency months in advance.

(8) 1 October 1981 in the "Evening Chronicle."

The unification of hard currency rates will be a further step toward channeling world market processes into the Hungarian economy. It is hoped that the credibility of the Hungarian economy will increase in the West if the country's economic leaders show their determination to adhere consistently to a reform course.

Hungarian officials have argued that the establishment of a uniform exchange rate for hard currencies will be the final step before the creation of a convertible forint. Istvan Hagermayer supported this view when he stated that "there is also the expectation among the Hungarian public that [with the unification of hard currency exchange rates] a first step has already been taken in this direction." In his opinion, however, the time has not yet come to speak of even the rather restricted version of convertibility (the so-called "limited outside convertibility") under which a foreigner may require the Hungarian National Bank to pay out in a hard currency their claims earned in forints. In any case, the notion of "convertibility" advocated by Hungarian officials would hardly make the Hungarian forint "convertible" in the normal sense of the term. (9)

C. K.

IDEOLOGY

3. Propagandists Buffeted by Country's Political and Social Tensions

In the September issue of the HSWP CC's monthly Partelet, a senior party official launched a strong attack on non-Marxist intellectuals, artists, and writers. This was assumed to herald a harsher policy toward dissidents and critics of the status quo. The attack was linked with a firm call for greater ideological vigilance. (10) This issue of Partelet deserves a second look, however, because of an unusual article entitled "Deliberately, Genuinely, with Political Perception: On Some Problems of Our Propaganda Activity," by Jozsef Poor, an atheistic philosopher.

The author, also a staff member of Magyar Filozofia Szemle [Hungarian Philosophical Review], has examined the important question of how a propagandist should behave in order to gain credibility and trust. Poor started with the advice that the propagandist should proceed with utmost care to deepen "socialist consciousness" in the various levels of society where political and ideological views vary. While taking stock of the problems of propaganda work, the author admitted that the Marxist theory of socialism had sometimes been interpreted erroneously. Some propagandists, for instance, had overlooked necessary and inevitable differences between socialism and communism and had consequently recommended administrative measures to close the gap. Others, while exaggerating the length of time it would take to proceed from socialism to communism, had been tempted to seek a compromise in ideology and world view. These tendencies hampered the effectiveness and credibility of propaganda work, Poor said. He urged the propagandists to avoid such fallacies by deepening their knowledge of Marxism-Leninism, because a unified interpretation of the existence of socialist society was vital.

(9) For a further discussion of this point, see Cam Hudson, "Convertibility' of the Hungarian Forint: A Meaningful Option?," RAD Background Report/94 (Hungary), Radio Free Europe Research, 2 April 1981.

(10) See Hungarian SR/14, RFER, 14 September 1981, Item 6.

With regard to the various roads in building socialism, the propagandists from time to time have obfuscated the difficulties faced by certain socialist countries, especially those with significant national minorities, and have misjudged the differences in their economic policies. Consequently, the author concluded, the situation in Hungary might receive a onesided appraisal and proper attitudes toward socialist patriotism might be disturbed. In assessing Poor's enigmatic allusions one is tempted to see the taint of nationalism even in the thinking of trained agitprop specialists.

Poor pointed out to the propagandists that caution and prudence were requisites of credibility, and faulty and erroneous measures having undesirable political consequences should not receive their support. Propagandists should, in fact, draw the attention of the responsible party bodies to the faultiness of such measures and should propose relevant changes. A propagandist should not believe that he is the only source of truth but should learn from continuous dialogues with the people. He must heed their troubles and problems and initiate proper solutions.

These surprising suggestions indicate that the propagandists have apparently lost influence and must therefore seek new ways of cooperation with the population. "We cannot permit," Poor wrote, "our political and ideological adversaries to take the initiative in detecting our troubles and problems. We should be the ones to face them and elucidate them frankly. The conditions of a solution should be assured, however, not through the pressure of the opposition."

According to Poor, some insignificant sectors of the population professed ideologies in opposition to Marxism-Leninism. The propagandist must openly criticize the results of these ideologies. Generally, the propagandist should take the offensive; but in some situations, especially in certain spheres of ideological and cultural life, he is forced to take a defensive stand. Since views and attitudes alien to Marxism-Leninism inevitably regenerate on a long-term basis, the propagandist can only diminish their impact.

After this candid yet vague elaboration on oppositional forces, the author turned to another controversial subject -- the role of the Church in the advanced stage of socialism. The most significant ideological tendencies in Hungary at present were Marxism and Christianity. In addition, however, there were certain anarchistic ideas and attitudes evoking greater public attention, thanks to their harangue, against which the propagandist had to struggle.

Among its other characteristics, Christianity is one of the most important non-Marxist social institutions in Hungary. It consists of a number of autonomous organizations and exerts influence on a "significant" part of the population. Here again the author of the article pointed out that the opinion of agitprop specialists about cooperation with the faithful varied. There were the dogmatists, who regard cooperation between the atheistic

Marxists and Christians in the fields of politics, economics, and to some extent culture as a compromise in their ideology and world view. Others seek the cooperation and consent of believers even in matters of basic philosophy. According to Poor, the dogmatists' stand stemmed from the fact that the evaluation of religion was rather one-sided and negative for a long time. The propagandist had therefore a lot to do to correct this distorted picture by replacing it with a more utile, accurate, and realistic one.

After making some explanatory comments about the well-known tenets of cooperation between state and Church, the author came to the surprising conclusion that "in the course of our propaganda much should be thought over and changed." The emphasis should be on dialogue and not on ideological confrontation.

In the article's closing section Poor again emphasized that the propagandist must give an authentic and convincing answer to all pressing problems, based, however, on an accord between propaganda activity and the instructions given by state, party, and social institutions.

The author finished his article with the statement that the country's chief problems at present were caused by phenomena for which the propaganda system could not be blamed. The mood, ideology, and sentiment of a segment of population had been negatively influenced by these occurrences, and the remedy for these ideological problems was to change social conditions.

Poor's remarkable yet enigmatic article opens the door for a wide range of conjecture. In any event, Poor assumed a markedly liberal stand, recognized new tendencies among the agitprop staff, indicated growing pressure from oppositional forces, and implied covert differences among various party echelons. It stands to reason that these various currents in Hungary have not yet run their course.

THE ENVIRONMENT

4. Reforms Are Needed to Protect the Environment

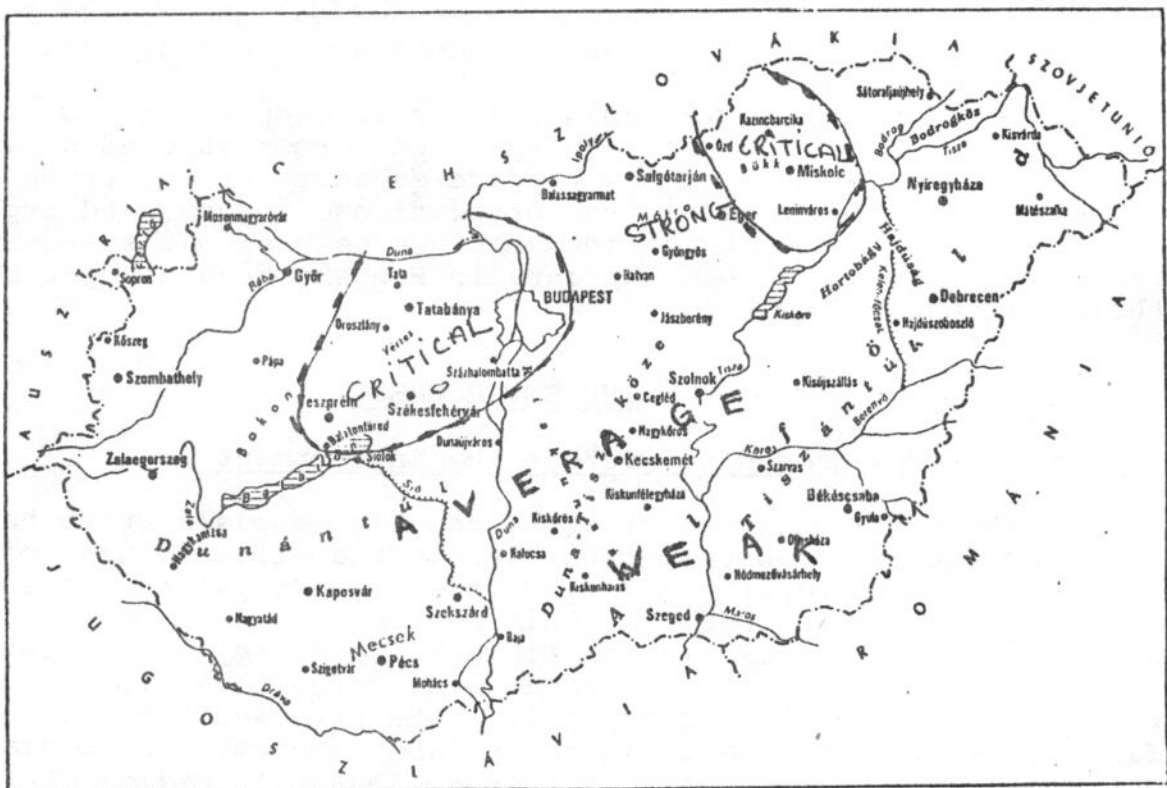
A national committee of the Patriotic People's Front held a meeting in early September to discuss the effectiveness of Hungary's first comprehensive law on environmental protection, which was passed in 1976. At this meeting the head of the government's Office of Environmental Protection, Gyorgy Gonda, pointed out that it is absolutely necessary to reduce pollution in certain critical areas in the country. (11) He stressed the need for finding new ways for large factories and cooperatives to dispose of waste products and for factories and buses to reduce air and noise pollution in the cities. The fate of the country's most important recreational area and source of foreign currency did not escape the attention of the experts either. Earlier this year the committee that supervises the protection of Lake Balaton stated that projects dealing with water quality had precedence over all other projects and money for construction purposes might

(11) Radio Budapest, 2 September 1981.

have to be rechanneled to ensure the survival of the lake itself. (12) For these reasons the fall session of parliament will take up the matter of environmental protection, (13) and it will very likely amend the 1976 law in order to ensure that such protection is more effective.

In order to understand why certain changes are likely to be made, one must first look at the history of and the institutions dealing with environmental protection. Although Hungary signed agreements on pollution with other socialist countries as early as the 1960s, a comprehensive strategy for environmental protection was not worked out till the 1972 Stockholm Conference. (14) Following this, the 1975 Helsinki Document made elaborate plans to ensure cooperation among its signatory nations. (15) It was realized at the Helsinki Conference that air and water pollution know no boundaries. Rivers, for example, carry their pollution from one country to another. Hungary's major problem today is that most rivers enter the country already polluted. The most important step in the history of Hungarian ecology was the 1976 Law on Environmental Protection, the law that is being reviewed and will perhaps be amended at the forthcoming parliamentary session.

The second question one must answer is to what extent Hungary is polluted. The following map shows the most and least endangered geographical areas.



Source: Figyelo, 20 August 1980.

(12) Ibid., 28 July 1981.

(13) Ibid., 19 September 1981.

(14) Magyar Nemzet, 4 February 1981.

(15) Nemzetközi Szemle, October, 1975.

One can see from the map that the industrial areas, as expected, are the most endangered, although tourism and the overuse of fertilizers are greatly responsible for the damage to Lake Balaton. (The consumption of chemicals in agriculture rose about thirtyfold between 1960 and 1980.) (16)

Even the 1976 law, considered to be a milestone in the history of environmental protection, has been able to do no more than stop the situation from getting worse. There are several reasons why no considerable improvement could be made. First is the lack of funds: most measures that should be introduced in order to reduce pollution are very costly, at least initially. In Ozd, an industrial city, 800,000,000 forint had to be invested in order to curb air pollution in a project whose yearly operating costs were 100,000,000 forint. The allowable "solid object content" of air is 12.5 grams per cubic meter. In the center of Ozd, this content was over 100 grams before the measure was introduced. (17) Purifying water is even more costly. The most important project, the cleaning of Lake Balaton, will cost Hungary between 38,000 and 50,000 million forint, (18) or 3,800 to 5,000 forint per capita. The average monthly income of a worker is 4,000 forint. (19) If we take into account that the purification of Lake Balaton is a large-scale international project, the actual cost might even be much higher than the estimates.

Engaged in a joint research project on the water quality of Balaton, Hungarian, Soviet, and American scientists plan to work out a mathematical eutrophic model of the lake by 1982. With the help of photos taken from space, tests are being performed in partnership by institutes of the Hungarian Academy of Sciences and the Vienna-based International Institute of Applied Analysis. The computer model will permit action to be taken to prevent the water from becoming further polluted and perhaps even make it possible to reverse the process. (20)

Whenever savings and budget cuts are necessary, in most factories, the money allotted for environmental cleaning devices is the first to be eliminated. The short term economic interest of the company, in most instances, plays a much more important role than public health considerations. Many companies do not realize that projects to make use of waste products are not only useful for the environment but profitable as well. Hungary lags far behind other countries in exploiting its waste products. (21)

(16) Weekly Bulletin MTI, 15 April 1981.

(17) Nepszabadsag, 1 September 1981.

(18) Elet es Irodalom, 11 April 1981.

(19) Hungarian Statistical Pocketbook 1981, p. 172.

(20) Weekly Bulletin MTI, 16 July 1980, p. 7.

(21) Magyar Hirlap, 30 August 1981.

In comparison to other countries, Hungary spends a relatively small amount of money on solving its environmental problems. While neighboring Austria spends 1 to 3% of its gross national income on environmental purposes, Hungary pays out only 1% toward this end. (22)

Since most companies still consider money spent on environmental protection an added burden, the law has tried to make it unprofitable for the companies to neglect environmental considerations. Yet the system of fines is not an adequate deterrent, since the fines are much lower than the amount of money that would have to be spent on new equipment in order to eliminate the problem. It has been suggested that the fines not be paid by the factory, but by the individuals responsible for the factory's environmental policy.

The ever increasing amount of trash produced by factories and households also causes more problems than was foreseen. Almost 20,000,000 tons of trash is generated yearly, 10% of which is toxic. In the city of Vac, for example, one catastrophe follows another because of improper disposal of poisonous products. Not long ago 14 settlements (with about 200,000 people) had no water for over a month because it was contaminated. An investigation of this problem was made very difficult by the fact that no governmental agency had yet been assigned to deal directly with waste products. It was, however, assumed that a specific drug manufacturing company was responsible for the contamination, since the company is notorious for improperly disposing of its waste products. It had once before carelessly disposed of combustible products that could easily have blown up parts of the city. (23)

Drug manufacturing companies are, ironically, the most dangerous sources of pollution in other cities as well. In September 1981 a section of a road collapsed in Budapest because a drug manufacturing company in Kobanya had released such concentrated amounts of waste products into the sewer system that parts of the pipes simply dissolved.

The government hopes to solve the problem by educating the people to be more aware of environmental protection. Starting in the 1982-1983 school year, students studying to be skilled workers will have to have at least three hours of classes dealing with environmental problems. Unfortunately the teachers know almost nothing about this topic and will have to be trained during the summer vacation. (24)

The 1976 Law on Environmental Protection and the Helsinki Agreement provided a fundamental legal basis to deal with environmental protection. The forthcoming session of the parliament is likely to amend the 1976 law by calling for greater cooperation among the agencies that deal with environmental protection and by giving them broader rights to enforce the law. More funds are also likely to be allocated for such purposes, but there is little promise that more can be done than to stop the situation from deteriorating.

(22) Magyar Nemzet, 10 April 1981.

(23) Magyar Hirlap, 30 August 1981.

Rapid industrialization in certain areas, increased use of chemical fertilizers, and increased tourism on Lake Balaton are all factors that work against environmental protection.

J. P.

FOREIGN TRADE

5. Variations on a Cube Or What Is New in the World of Toys

With true journalistic exaggeration, some newspapers and weeklies have dubbed Rubik's Cube "the toy of the century." The puzzle, named for its Hungarian inventor, Erno Rubik, has indeed been a recent sensation, not only on the toy market, but even among some serious mathematicians. One of them, an American living in England, David Singmaster, has written a booklet on the mathematical implications and the educational possibilities of the famous little brain teaser. The cube, divided into 27 smaller cubes, with the central pivotal one unseen and thus a part of the actual puzzle, has 54 faces, which are movable in such a way that they can be aligned according to color. The basic position in which the cube is sold, but which can be varied according to one's desire or level of mathematical sophistication, is one in which each side of the large cube consists of nine faces of the same color. Once the smaller cubes are shifted by twisting the nine different planes in which they can be positioned, the colors are mixed up. The task of arranging the faces back to the basic position is the toy's mind-boggling attraction.

More important to those interested in the Hungarian economy and its most recent developments than in the technical and mathematical attractions of Rubik's Cube, however, is the impact that the toy has had on the country's toy industry and economy in general. It is safe to say that the "magic cube," as it called in Hungary, has created an unprecedented boom in the toy industry. Only last year the representatives and critics of the industry were talking mainly about its troubles and its inability to meet Hungarian demand, much less produce toys at a profit, while today they are all touting the magnificent jump in sales and income in hard currency. The problem is no longer how to get the industry to produce without a deficit, but how to keep producers from competing unfairly with each other, thereby endangering even greater convertible currency earnings. With regard to the nation's economy, many of the new problems and questions that have arisen as a result of the increase in toy production and the successes of Hungarian toys on Western markets are connected with the problems the country is facing as it moves toward a more consistent application of the ideas of the New Economic Mechanism. Among the most recent moves in this direction have been the changes in regulations on small enterprises and the accompanying encouragement for small cooperatives and independent, private enterprises to produce certain

consumer items and even some industrial products. The toy industry has been one of the prime examples of an area that has suffered from centralization and bureaucracy. (25)

Some of the details about the economic success of Rubik's Cube are worth noting. Ideal Toy Company, the firm that bought the rights for its sale and distribution in Western Europe and the USA, ordered 2,700,000 cubes in 1980. The biggest Japanese toy distributor, Tsukuda Limited, wanted 4,000,000 cubes in 1981. The Hungarian producer, Politechnika, obviously cannot keep to its originally projected limit of 10,000,000 cubes for 1981, (26) and it is not known whether it will be able to meet this constantly growing demand. Along with the success of this particular toy, the sales of Hungarian toy manufacturers have sky-rocketed. According to one source, Hungarian toy exports have jumped from 2,000,000 to 20,000,000 dollars in the last 5 years, which certainly is due in large part to the success of the little magic cube. (27)

The tremendous success of this toy has encouraged other Hungarian companies to seek out new ideas in toy design and to try to "get in on the market." Konsumex, the import-export company that handled the foreign sales agreements for the producers of the cube, announced a competition for toy inventors at the beginning of this year. They offered prizes of 30,000, 20,000, and 10,000 forint (approximately 1,000, 670, and 350 dollars at the exchange rates at the time), respectively, for the first 3 prizes as well as contracts for the sales, distribution, and exportation of these and any other marketable toys they found during the course of the competition. (28)

Problems have recently arisen, as is always the case when success is so sudden and profitable. In the rush to come up with the next big international toy success, two companies have begun to produce toys so similar that, according to one of them, they are merely copies of one another. Since one version of the toy, the Tower of Babel, was also a success at the 1981 Nuremberg Toy Fair and again aroused the interest of the Ideal Toy Company, the controversy between the two Hungarian producers has become something of a scandal. Radio Budapest (29) has already devoted parts of two of its programs to the affair, and the company that feels it has been left out has sued the other manufacturer, distributor, and exporter.

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- (25) For a discussion of the problems around the acceptance and production of Rubik's Cube and some of the economic problems of the Hungarian Toy Industry, see Hungarian SR/22, RFER, 11 December 1980, Item 5.
- (26) Nepszabadsag provided the above data in its 19 February 1981 edition.
- (27) Heti Vilaggazdasag, 7 March 1981.
- (28) Ibid.
- (29) Radio Budapest, 19 and 26 September 1981. Both reports were in the radio's weekly political program "168 Hours."

The problem is that not only the two companies are involved, both of which are small cooperatives, one working in conjunction with Konsumex and the other with the bigger export-import company Generalimpex; there are also big Hungarian distributors, like the Skala department store chain and even a special fund set up by the Hungarian National Bank to encourage innovations, as well as the National Patent Office (OTH). The producers and inventors of the other toy, called Varikon, are in the process of suing all the other companies for having, in effect, stolen their product and for having attempted to close a contract with Ideal Toys, even before the patent rights were awarded. The other producers argue that their toy is different enough to warrant a separate patent and independent, competitive sales with Varikon. The arguments and accusations are too confusing to decide merely on the basis of what is presented in the media which of the parties is right; that must be left to the courts.

It is worthy of note that such problems now exist in Hungary. The phenomenon is new and without a doubt can be traced to the greater degree of economic independence introduced over the past few years. The possibility of competition and the lack of centralized control can certainly lead to such battles, which are so common in Western countries. Some commentators, especially the one in Radio Budapest's weekly political program, "168 Hours," have criticized the parties to the dispute for not sitting down at the beginning of the controversy and resolving their differences. He said that in the end the court action may jeopardize the success of international sales of both toys, in which case the national economy would suffer. (30) The admonition is obviously directed at the companies, trying to shift the blame for any of the negative results of the affair onto them.

One may ask, however, whether the fault may not have been with government agencies like the patent office or the national bank. Could it be possible that there was some sort of illegal procedure encouraged by the corruption that exists in many areas of Hungarian life? If these questions are ever to be clarified, it must be done in the Hungarian courts.

As with the success of Rubik's Cube, the significance of the controversy, no matter how it is resolved, lies in its testimony to the advantages of greater latitude even in a centrally planned economy.

S. P.

DOMESTIC ECONOMY

6. New Impetus to Private Artisans?

It has been admitted repeatedly, even in official quarters, that socialist society cannot dispense with private artisans. The importance of this branch in providing services to the public is

(30) Ibid., 26 September 1981.

considerable, and it is also a useful complement to industry, especially in small serial production, which industry is unable to produce economically. Despite this recognition, however, the number of private artisans is decreasing, especially full-time licensed artisans. In 1970 there were still 44,000, but by 1979 the number had decreased to only 37,000. They accounted for 2.8% of industrial production in 1960 but only 0.7% in 1979.

Several factors impede the development of private crafts, such as high taxation, lack of capital and suitable workshops and premises, and competition from illegally operating artisans. (31) Several tax concessions to encourage private artisans came into force on 1 January 1981 but proved to be insufficient. Presidential Council decree No. 14 of 1977 (32) became obsolete in many respects, and it was amended and expanded in Presidential Council Decree No. 16 of 1981 and Minister of Industry Decree No. 4 of 9 September 1981. (33)

Below is a brief survey of the main regulations in both decrees.

While the 1977 decree limited the activities of private artisans, in essence, to repair, maintenance, and other service-type activities, the new ones permit "small enterprise-type industrial activities," such as the manufacture, maintenance, and repair of industrial products; and the transport of passengers (taxi) and goods, as well as towage services. Transport services will be allowed to undertake any activity except those that are the exclusive right, according to law or decree, of some state economic organization.

On the whole, the decrees expand considerably the kinds of activities in which the private artisans may engage. Moreover, they can now collaborate with a state enterprise or cooperative instead of only being able to work with another private artisan as before. The value of the activity carried out by another enterprise, however, cannot exceed 50% of the job.

The 1977 decree did not allow private artisans to employ cottage industry workers or more than six employees, including family members working on a temporary basis. Today they are allowed to engage six family members and three employees or cottage industry workers with a maximum of nine people. In addition, a private artisan can also employ three apprentices under the legally stipulated terms.

If a private artisan is incapacitated because of illness or some civil duty (military service), he can be temporarily replaced by a family member, employee, or cottage industry worker if that person meets the necessary qualifications.

(31) See Hungarian SR/11, RFER, 30 July 1981, Item 4.

(32) Magyar Kozlöny No. 43, 1981.

(33) Ibid., No. 53, 1981.

In the future, state control over private artisans will be carried out by the Minister of Industry instead of the Minister of Light Industry. The National Organization of Private Artisans (NOPA) continues to safeguard their interests as before. The organization also exercises state and legal control over them; its task is to promote the artisans' economic activities by offering services and providing organizational activities (in the earlier decree this last activity was not mentioned).

If a private artisan applying for a license fulfills all the requirements (professional training, experience, a permanent address, NOPA membership), his request can be denied only "if granting the license violates the law." The NOPA must report on the application and confirm that the applicant meets the legal stipulations.

Expansion of Social Insurance to Private Artisans and Their Family Members. Decree No. 17 of 1981 on private artisans' social insurance, which amends Law No. 2 of 1975, might give a considerable impetus to this branch. (34) According to the new decree, private artisans are entitled to full social insurance, that is to say, sickness and maternity insurance, family allowances, a pension, and accident insurance. Until now artisans had no medical insurance from the state and had either to be insured privately at their own cost or to pay their own medical expenses. With the exception of hospitalization and family allowances, the social insurance now covers all family members who participate in the venture.

It is anticipated that these new concessions -- the increased number of employees, cottage industry workers, and part-time family members, the potential cooperation with state economic organizations, and the extension of social insurance to this sector -- will encourage private artisans. The new measures, which take effect on 1 January 1982, do not contain any tax concessions. The extremely complicated taxation system, modified on 1 January 1981, still leaves much to be desired; and it is feasible that in this area too some amendments will be made.

B. R.

- end -

(34) Ibid.