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NEW SYSTEM OF FREE SALE IN YUGOSLAVIA

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Substantial changes in the former system of free sale, which was in effect in Yugoslavia until 1 May 1950, have been made by recently issued regulations. New principles have been adopted to commercialize retail trade as much as possible, and allow the most extensive initiative in procuring and distributing merchandise.

Formerly, there were various kinds of prices. Under the new regulations, except for the prices of certain standard items, there is only one kind of price.

The new system of free sale has completely decentralized price fixing. Instead of republic and federal administrations determining prices, local agencies of the srezes and cities will determine prices. Prices will be determined by the production agencies which supply the market with goods, and not by administrative authorities. Prices for the same articles at free sale may vary in different parts of Yugoslavia, providing they are in accordance with existing supply and demand and the purchasing power of the consumer in the market concerned. Consequently, prices will be determined not only by production agencies but also by commercial agencies.

The following goals are to be achieved by these measures:

1. Greater elasticity in price administration. The lack of elasticity in the former system led to gross irregularities, especially in the prices of agricultural products on the free market. These prices were constantly changing, while the prices of industrial goods (with the exception of a few) remained at the same level for years. This system of administering prices had an unfavorable influence on the exchange of goods between rural and urban areas, causing agricultural producers to lose interest in increasing their production and delivery of large quantities of products to the market, for by selling a minimum quantity of his products a farmer obtained sufficient money to buy the industrial goods he needed. This resulted in an abnormal flow of money from urban to rural areas.

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- 1 -

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2. A balance between production volume and financial power. The former system made it difficult to achieve any kind of equilibrium between goods available and money in circulation.

3. Increase in production, quality, and variety of consumers' goods. Participation in market profits will encourage workers to produce more goods of the quality and type in greatest demand, and offer an incentive to producers to discover and utilize local sources of raw materials to increase production.

4. Increase and speed-up in turnover of goods in circulation. The former system of procurement and distribution of goods through wholesalers was a brake on the initiative of retail enterprises, and resulted in an accumulation of certain types of goods not in local demand, while specific demands for these types were not being satisfied elsewhere. Because prices were fixed, there was an ever-increasing group of consumers for only low-priced goods, while high-priced goods, unsuitable for the area concerned, did not move at all and deteriorated.

Most commercial and production enterprises have understood the basic ideas of the new system and have adopted them. However, there have been certain deviations by some enterprises because of misunderstanding and improper application of the new system, as follows:

Restrictions have been placed on the free circulation of goods, from direct blockading of production reserving it for the local market, to secret redirecting of goods through existing trade agencies. This has been done especially in Slovenia and Croatia. Many commercial enterprises complain it is absolutely impossible to procure any salable goods in these republics. Producers in these republics advise prospective buyers to contact the agency to whom they have granted sole rights to conclude sales contracts, while the agency answers that goods on hand and even incoming goods are already sold.

This results in many difficulties in achieving a proper equilibrium between goods available and consumer buying power, especially in Macedonia, Montenegro, and Bosnia-Herzegovina.

Some production enterprises have tended to create and exceed profits planned solely through price increases on goods produced, instead of increasing their production capacity, or improving the quality and assortment of goods. Such establishments are obsessed by the idea that profit is an end in itself and not, as it should be, a means to an ultimate goal.

It also happens that individual production enterprises firmly maintain production as first planned, without regard for consumer demand for other goods, or for assortment in the goods concerned.

Other agencies go to another extreme. They sell their goods to certain trade enterprises at considerably less than current market prices. This is especially true among services for the supply of workers, and enterprises of a restricted type where goods are sold to their consumers at very low prices. It often happens that purchasers resell such goods at almost double the price, thus making the profit the production and commercial enterprise has given up.

The same is true in commerce conducted by unions, especially in those unions which are in direct or indirect contact with production. Such organizations obtain free sale goods at a low price because of certain managers, who believe they will thus raise the standard of living. However, this causes a decrease in purchasing power, violates financial discipline, and often results in fluctuation of manpower.

These instances of selling goods at considerably less than market prices are especially prevalent in Slovenia.

- 2 -

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Some commercial enterprises are not at all interested in market conditions and, consequently, are indifferent to prices. Their prices are inconsistent as they neither reflect the actual relationship between demand and supply, nor do they serve to balance existing production and financial conditions. These prices only hamper the circulation of goods.

Some commercial enterprises do not modify their prices according to supply and demand, but rather by a predetermined plan. Such action hampers the circulation of goods, contributes to an accumulation of increasingly obsolete goods, impedes work, and makes for improper utilization of credit.

Some enterprises set high prices not in accord with market conditions, thus increasing inventories and deterioration.

Commerce and supply and finance commissions often content themselves with the balance shown after a change in prices but are not interested in knowing whether the inventory on hand consists of more high-priced or low-priced goods. Srez people's councils which fail to check balances monthly, may find at the end of the year that, although some enterprises have shown a positive monthly balance throughout the year, they actually have a negative annual balance, for only the low-priced merchandise was sold, while high-priced goods did not move.

The new regulations authorize commerce and supply people's councils in the srezes to establish a mark-up for free sale goods to cover operating costs, which vary among enterprises and depend on their organization, location, etc. However, some of these councils have understood this regulation to give them the right to place excessively high mark-ups on free sale goods, in complete disregard of actual procurement and selling costs. For example, the commerce and supply representative of a srez people's council in Croatia approved mark-ups of 20 percent, which cannot be allowed (especially on free sale goods).

Fearing that their commercial enterprises will not be eligible for subsidies from the budget to cover their negative balances at the end of the year, some of the srez people's councils have forbidden their commercial enterprises to cut prices on out-of-date goods until they have a positive balance. This slows down and makes difficult the sale of such goods and decreases the turnover of the enterprise, which has a large part of its funds invested in such goods.

In certain republics, commercial enterprises do not display the prices of free sale goods on display or on the shelves.

In small srezes, there are still commercial enterprises, especially agricultural cooperatives, which are not sufficiently active in procuring goods needed by their consumers, although the goods are available locally.

Recently, a tendency has been noted among some intermediary agencies to become monopolies with exclusive selling rights, even denying producers the possibility of selling their goods to those who come directly to them. Such practices are directly contradictory to the purpose for which these agencies were created, for they prevent the development of commerce and production.

The opposite extreme is shown by producers who do not wish to use the services of the agencies concerned. They prefer to dispose of their goods on the local market or in their own immediate vicinity, without regard for the fact that prices are often not realistic there. They, therefore, inflict losses on society, for goods should be directed where the demand is greatest, and on themselves, for they do not get the highest prices possible, thus losing the profit in which they should have a share.

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- 3 - **RESTRICTED**RESTRICTED