

Problems of Development and Planning of Personal Consumption  
in Czechoslovakia

STAT

Miroslava Misar

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PROBLEMS OF DEVELOPMENT AND PLANNING OF PERSONAL  
CONSUMPTION IN CZECHOSLOVAKIA

Introduction

Today theoretical and practical problems concerning the development of the Czechoslovak national economy interest a growing public circle. In this respect a comparison between the standards of living in Czechoslovakia and in other countries is of particular interest. Even men who otherwise are not concerned with the problems of national economy take a keen interest in this matter.

This is nothing strange. Everyone wants to live better, have more consumer goods, and be able to buy more things. Often we hear that we should have more goods on the market, and that we should raise wages or lower prices of goods so as to enable the people to buy all they want or all they need. Sometimes the Czechoslovak economic and planning organs are blamed because the standard of living of the population is not rising as rapidly as we desire. A number of people think that our standard of living depends entirely on the national economy planning.

Problems of the standard of living are most closely connected with the degree of the satisfaction of the people; they have a direct influence on their attitude toward work and on their political views. Therefore it is especially important that the greatest possible number of people should know the actual basis of the development of the standard of living in a socialist regime and the factors which determine the rate of this development. We also have to become acquainted with the problems of planning for the standard of living and try to understand these complex problems.

In this work we would like to present a short review of the principal problems that we meet in life in the course of the planning of the development of personal consumption in Czechoslovakia.

Personal consumption of the population is a more narrow concept than the total standard of living. However, it is the principal part of the standard of living of the population and therefore plays an important role in its rise.

The limited size of this brochure does not allow us to make a deep and a truly manifold analysis of the whole economics and procedure problems of the planning of personal consumption. We will concentrate, therefore, only on the most important theoretical knowledge concerning personal consumption and on those parts of the plan which directly express the increase of consumption.

We do not want to analyze the development of personal consumption in Czechoslovakia only in an abstract way by deriving general conclusions. As the reader will himself see, we are trying to show the main facts which at present can give the unavoidable idea of the actual degree of the development of personal consumption in our republic. However, we should not suppose that the numerical material given here is exhaustible and sufficient for a deep economic analysis. We do not even attempt such task in this general and comparatively short work. Therefore, the majority of figures given here are intended to illustrate a general theoretical conclusion and by no means to represent the full material. Such usage of statistical materials comes from the fact that so far we do not have any data covering a sufficient period of time in order to be able to draw definite conclusions.

The author is grateful to the State Planning Bureau in Prague for a great amount of information contained in this work. When a source has not been quoted for any information material, it has been obtained from the SUP [statnimu uradu planovacimu -- State Planning Bureau].

## CHAPTER I. CONSUMPTION IN THE PROCESS OF EXTENDED REPRODUCTION

When we consume products of the greatest variety, we are usually not concerned with their origin or with the way they reach us. To us the important factor is the availability of the consumers' goods; we should know that in case of need we can always obtain them in the stores. We like to leave the concern for our supplies to the organs of domestic trade.

Only a few people, however, realize how complex is the task to make sure that our stores are well supplied with consumers' goods and that our people are able to buy larger quantity of better quality goods. Mostly we do not realize how our own work is connected with the increase of personal consumption.

The level of personal consumption at a definite period of time is a result of complex economic transaction and is conditioned by a great number of factors. Therefore, if we want to understand why today we can consume exactly this much and not more, if we want to know what has to be done to obtain more and better goods in the future, we have to consider the problem of personal consumption in a somewhat isolated way but, at the same time, in connection with further economic process of the socialist, people's economy.

Personal consumption is the final phase -- the result of extended socialist reproduction. Certainly we do not have to stress that the knowledge of economic processes, which is closely connected with personal consumption, is simply imperative for the practical planning of personal consumption.

### 1. Reproduction Process and Its Spheres

We have already used the expressions "process of extended reproduction," "spheres of reproduction process," etc. Before we come to the next explanation we have to explain these concepts.

In political economy the process of reproduction is called the continuous renovation of general production. If, however, the single act of production is defined as production (for example, we speak about the production of machines, grain, etc) then the production, never considered as a single act but a continuous always renewed action, is called the process of reproduction.

The process of general production has to be continuous because the process of consumption of material goods is continuous. Human society cannot even for a minute interrupt the consumption of a great variety of products. With this continuous consumption it keeps its existence.

If at different periods of time, general production develops to the same degree, we speak of "simple reproduction." If, however, in the course of its continuous renewal the production is enlarged, it becomes "extended reproduction." For the capitalist, and even more so, for the socialist economy the extended reproduction is necessary and typical.

The process of reproduction always goes through identical stages or phases which we also call spheres of reproduction. There are 4 spheres of reproduction: manufacturing, division, exchange (or circulation), and consumption. These spheres mark the way through which the product passes from the moment it was manufactured to the moment it attains its own purpose, i.e., to satisfy the demands of the people -- to be consumed.

Manufacturing is the logical beginning of the reproduction process. It produces a great variety of material products, the sum of which makes up the general products. Immediately after manufacturing comes "division." In the course of division it is determined how much of the manufactured products can be acquired by each member of the society. In other words, the individual's

quantitative shares in general production is determined here. Division, for example, is carried out in the form of wages. When a laborer receives wages at a certain level, he is given means with which he is able to buy a definite amount of goods. (This is only one form of division which in reality is much more complex. In the same manner the level of nominal wages themselves is not the principal factor for the determination of a laborer's quantitative share in the manufactured products. However, here we do not have enough writing space for a more detailed analysis of this sphere of division and, moreover, it is not the purpose of this chapter. The same applies to the short characterization of all remaining spheres of reproduction which we are discussing here.)

The next sphere of reproduction is the "exchange" or the "circulation." In the course of exchange, individuals are converting their quantitative shares determined in the process of division into various applicable values which they need to satisfy their individual demands. Returning to our simple example, a laborer (who for his part in manufacturing received definite wages) comes to buy various consumers' goods for a portion of his wages.

At the moment of sale to a definite consumer, goods pass from the sphere of circulation into the sphere of consumption. Here they are either immediately or gradually consumed, their physical substance is destroyed; the products are consumed in order to satisfy our needs and to renew our strength. Thus, consumption is not only the final phase of reproduction, but at the same time it is the condition and the motive for the repetition of the entire process of reproduction.

Consequently under consumption in the sense of independent sphere of reproduction, we understand consumption of consumers' goods. Marx called it "a final consumption" in order to differentiate



from the consumption of manufactured means which are produced in the sphere of manufacturing. The consumption of manufactured means (raw materials, machinery, instruments, etc) is called "the manufacture or produce consumption."

The division of any consumption into manufacture and final consumption corresponds to the division of all products into manufactured means and consumers' goods. If we attempt any other basic division, we will see that it opposes the objective nature of things and cannot be carried out.

All the presented spheres of reproduction form mutually connected parts of one organic body, i.e., the reproduction process. Therefore they are in no way isolated from one another but are infiltrated and mutually influenced. We know this reality very well from our everyday experience, but as a rule, we do not realize it. For example, the process in the sphere of exchange has a strong influence on manufacture and consumption. The course of division (for example, wage regulation) can either accelerate the growth of production or hamper it. In the same manner it can lead to a rise of consumption or to its decline, etc.

We have to bear in mind this mutual dependence of all the spheres of reproduction during the observation of any one of them, even during the observation of consumption. In this work we will not analyze the connection between consumption and the rest of the spheres of reproduction, but we will only mention one main relation of the entire reproduction process -- the relation between production and consumption.

## 2. The Relation Between Production and Consumption

The relation between production and consumption is the basic relation in the entire process of reproduction. If, however, we have mentioned earlier that manufacture is the starting point of

reproduction (because the entire process starts with manufacture, i.e., the origin or production), we can designate consumption as the goal of any production and more so as the final goal and sense of the entire process of reproduction.

The relation between production and consumption has been for a long time subject of research by the economists. The substance of this relation and its most general aspects were explained by Karl Marx in his work Criticism of Political Economy. (Karl Marx, Criticism of Political Economy, SNPL, 1953, Pages 155-170.) Mutual relation between production and consumption is determined first of all by the fact that production gives consumption its subject -- the product. It is clear that consumption cannot be carried out if there is nothing to consume. Consequently without production there is no consumption.

Production, however, does not produce the object of consumption alone, but it also determines the way of consumption. It effects the way of consumption of different products by means of the fact that the level of production forms the standard of living which is characterized by definite practices and ways of consumption. (The dependence of production and consumption is explained by K. Marx with this example: "Hunger is hunger, but hunger which is abated by cooked meat that is consumed with knife and fork is entirely a different hunger from the one which swallows raw meat with the aid of hands, nails, and teeth. Production therefore creates not only the object of consumption, but also the way of consumption, not only objectively, but also subjectively. Production therefore creates the consumer." K. Marx, *ibid.*, Page 163.)

Finally production creates also the cause for consumption, i. e., when new, previously unknown products are produced an incentive is created in the people to feel the need for these products.

In the reproduction process, however, consumption does not have merely a passive part. It does not depend on production alone. The consumption effects production very actively, not only by determining the very sense and purpose of the entire production, but also by the physical destruction of the product in consumption which creates the need for new production. We can therefore say that consumption creates the need for new production -- the continuous impulse of its development.

The needs which originated as a result of actual consumption are constantly rising. The more products are consumed by man and the better they are, the higher are his requirements for further consumption. This we see everywhere around us. Human needs have a tendency to rise infinitely. This fact creates an incessant impulse for the development of production. This is why our needs cannot be satisfied so completely as to leave us with none. Otherwise production would become stagnant and would lose the natural motivating force of its development.

When we investigate the relation between production and consumption, we see that with consumption the people are renewing their working strength -- their ability to manufacture. By destroying products, the consumption constantly leads to the renewal of production. In the course of constant repetition of production, man acquires working skill and production experience. We can therefore say that to a certain degree consumption directly creates the producer, the working man, the principal agent of productive forces.

This analysis of mutual relationship between production and consumption has a very concrete and practical significance. It demonstrates, for example, that the rise of consumption in reality is possible only when it is based on the permanent growth of production. Therefore it is impossible to require higher wages

or faster falling of prices where the growth of production does not correspond to it. It also shows that belated production of new kinds of goods does not only harm its own consumption, but also directly the very production by paralyzing the cause of its further development and by reducing the people's interest in the growth of production. If we were to examine thoroughly the Marx's analysis of mutual relationship between production and consumption we would be able to make a whole series of similar practical conclusions. We will take up some of these relationships in the course of the following discourse.

The relation between production and consumption, which for the present time we have defined only generally in its essential traits, differs in each social order according to the characteristics of production relations. Thus under capitalism, where the entire system of production is contrasting in character [see note], there is a profound discord between production and consumption. The capitalists are striving to acquire the greatest possible profits. Therefore they are intent on the constant growth of production, for the more products, the greater the profit; at the same time they are trying to pay the laborer just so much that he would be able to work and his wages would suffice for the mere support of his working strength.

([Note] The contrasting character of the capitalist way of production follows from the fact that the capitalist production has reached a high level of general usage. The capitalist concentration and development of social division of labor are mutually uniting the activity of millions of workers into one social production process while the results of this social production remain as the property of a small group of contractors. The way of production and the form of appropriation are therefore in an insoluble conflict. This conflict is manifested as the antithesis between the bourgeoisie and the proletariat.)

These two tendencies of capitalist production eliminate each other. The effort of the capitalists to develop production conflicts with their strive to limit consuming ability of the laborers.

"Such development of production without an adequate development of consumption exactly corresponds with the historical mission of capitalism and its specific social structure; its mission rests in the development of production strength of the society; its structure eliminates the use of these technical achievements by the masses of the population. There is an indisputable conflict between the unlimited tendency toward the development of production which is typical of capitalism and the limited consumption by the masses -- limited by their proletarian position." (V. I. Lenin, "The Development of Capitalism in Russia," Works, Vol 3, SNPL, 1952, Page 45.)

The inexorable conflict between production and consumption is mostly evident at the time of cyclic crises when, on the one side, immense supplies of consumers' goods are hoarded as there is no market for them and they depreciate, while millions of unemployed people suffer from chronic malnutrition. The employed laborers, however, suffer from the capitalist cyclic crisis by having their personal consumption reduced.

Not to go too far after examples, let us look back 20 years at the Republic of Czechoslovakia. Not even the official figures of statistical yearbooks could cover the decline of personal consumption during the years of the world economic crisis. The representative savings of food consumption among the laborer's families show that in 1926-27 a gradual decline of food consumption started and became especially critical during the world economic crisis.

Yearly Food Consumption in Workers' Families in CSR During  
1926/27 - 1933/34 in the Average of one Consumption Unit [see note]

Name of Product	Unit of Measure	1926/27	1933/34	Difference
beef	kg	14.19	11.11	- 3.08
pork	kg	10.49	9.06	- 1.43
veal	kg	2.49	2.15	- 0.34
smoked meat	kg	2.46	2.25	- 0.21
meat products	kg	7.21	7.09	- 0.12
fat	kg	12.92	11.21	- 1.71
butter	kg	4.36	4.83	+ 0.47
bacon	kg	0.78	0.62	- 0.16
milk	l	195.30	168.08	- 27.22
flour	kg	60.92	55.07	- 5.85
bread	kg	129.08	98.48	- 30.60
pastry	kg	15.34	12.23	- 3.11
rice	kg	5.91	4.26	- 1.65
potatoes	kg	103.56	113.51	+ 9.95
legumens	kg	3.44	2.08	- 1.36
sugar	kg	30.87	29.47	- 1.40
beer	l	61.13	41.07	- 20.06

(Statistical Yearbook, CSR, Years 1936 and 1941)

([Note] In the prewar CSR under the consumption unit we understand one mature man at the age of 16 to 60. Persons over 60 and women and children are transferred into this consumption unit by a definite coefficient. For the consumption of food, for example, there are these coefficients: women from 16-60 -- 0.8, persons over 60 -- 0.8, children from 1-2 -- 0.2, from 4-5 -- 0.4, from 6-7 -- 0.5, from 8-9 -- 0.6, etc. See Pramenne Dilo SUS, 1935).

If the consumption of food, rightly called the most conservative factor of consumption, declined so much, then the consumption of other products had to fall even more. The economic crisis pressed hardest on the families of unemployed laborers. The decline of consumption in the families of unemployed laborers was sometimes simply drastic as we shall see from the attached data. The army of unemployed comprised not only thousands but hundred thousands of people. Together with their family members a far greater number of people had met with unemployment than the data on the number of unemployed show.

Number of Unplaced Applicants for Job in the Years 1931-1936  
(in Thousands of Persons)

	Monthly average of unplaced applicants					
	1931	1932	1933	1934	1935	1936
Total	291	554	738	677	686	621
women	73	130	163	140	143	140
men	218	424	575	537	543	481
number of unemployed in industry	149	294	373	330	322	280

(Ten Years of Development of CSR, Rude Pravo, 1956)

The consumption among the families of unemployed laborers differed from the average yearly consumption among the laborers' families as follows:<sup>1</sup>

(An average yearly consumption per consumption unit in the families of unemployed laborers is calculated on the basis of the representative saving effected by the State Bureau of Statistics in February 1932. Data on monthly consumption are multiplied by 12. This manner of calculation of average yearly consumption is naturally not exact, just as the data of the SUS on this saving cannot be considered as representing all unemployed families. Nevertheless we can use these data for comparison as they express quite typical conditions in the families of the unemployed.)

The Comparison of Average Consumption per Consumption Unit between  
The Average Laborers' Families  
and those of the Unemployed Laborers

Kind of food	Unit of Measure	Average Yearly consumption in a laborer's family in 1932/33	Average Yearly Consumption in a Family of Unemployed laborer in 1932. Period of unemployment longer than one year	Difference	Index in %
beef	kg	11.52	7.56	- 3.96	65
pork	kg	9.54	4.80	- 4.74	50
veal	kg	2.16	1.80	- 0.36	83
smoked meat	kg	7.99	5.16	- 2.83	64
fat	kg	11.38	4.68	- 6.70	41
butter	kg	4.57	3.48	- 1.09	76
milk	l	169.55	134.29	- 35.26	79
eggs	kusy	181.00	91.35	- 89.65	50
flour	kg	54.59	44.04	+ 10.55	81
bread	kg	95.23	95.28	+ 0.05	100
pastry	kg	14.42	11.52	- 2.90	80
potatoes	kg	110.34	159.96	+ 49.62	145
sugar	kg	29.97	20.52	- 9.45	68
beer	l	50.33	11.04	- 39.29	22

In the table we can see a sharp decline in the consumption of meat, fat, milk, eggs, and sugar. Thus, it is evident that the families of unemployed laborers first of all reduced their consumption of the most valuable food. The fall in the consumption of flour and pastry is somewhat slower (roughly 30% slower against the consumption in an average laborer's family). The consumption of bread and potatoes shows a growth. With a general absolute decline of food consumption it reaches an acute aggravation of the structure of food consumption, which effected the health of families of unemployed laborers.



The relation between consumption and production has a different characteristic under socialism. Under socialism specific limits of the growth of personal consumption, which follow from the character of capitalist production relation, fall and disappear together with the liquidation of capitalist ownership of production means and with the removal of the exploitation of workers.

This means, however, that the growth of personal consumption under socialism would not have any limits. These limits is the level of production in a given historical period, it is the ability of production to supply the consumers with a fixed quantity of products and in a definite season. The final aim of socialist reproduction -- the consumption of the population -- does not conflict with the cause of production, the motivating force of its development because this motivating force is again the strive toward maximum satisfaction of needs of all the members of the socialist society. This harmony is possible only in such social structures where the means of production belong to the workers who know that each economic achievement will mean the improvement of their standard of living.

Since the limits of the consumption rise under socialism create only the possibility of production, all the workers have a personal interest in the development of these possibilities -- in the raising of the standard of production.

Under socialism, therefore, mutual relationship between consumption and production is the principal agent which accelerates the development of the entire socialist economy. Judging by this relationship, we see the frequent repetition of the statement by I. V. Stalin that under socialism the rise of consumption (buying power) of the masses always exceeds the growth of production and encourages it to move ahead. (I. V. Stalin, Works, Vol 12, SNPL, 1953 page 307.) This concise statement became the foundation of a series of

speculations which were to be explained and proved. (See, for example, the work of V. Kaigel "The Problems of Operation and the Use of Economic Regulations" where the author besides a series of correct views incorrectly explains the manifestation of "superiority" of consumption over production with the excess of income of the population over the buying fund (page 191). He formulates this conclusion more clearly on page 194 by a similarly incorrect assertion that "the buying power of the masses under socialism exceeds the total of manufactured production of consumers' goods and the total of services rendered to the population for reward.") Further experiments were conducted to draw practical conclusions for the Czechoslovak economic policy. This is the principal cause for our attention to this problem.

We suppose it would be incorrect to reject Stalin's statement with one sentence. It seems to be correct until it shows that consumption of the masses is the principal motive of the development of socialist production and that under socialism the rise of consumption drives production ahead. Above we have attempted to show the reason for all this. We consider that this statement is incorrect while it asserts that the consumption of the masses under socialism (the buying power) exceeds production. I. V. Stalin has limited himself only to this brief statement without showing in details where this excess is and how it is manifested. The dogmatic explanation of this "excess" has done much damage both in theory and in practice. (Soviet authors A. Charnak and A. Stanislavskiy discuss this problem in the magazine Partiynaya zhizn [Party Life] No 12/1956. In their article, they point not only at the theoretical incorrectness of the dogma on excess of consumption over production, but also stress that in practice these views would indicate the support of the shortages in Soviet trade and that the temporary disproportions between demand and supply would be presented as lawful phenomena and a precedence under socialist economy.)

We do not wish to enter on an extensive polemic on the accuracy of Stalin's statement. On the entire problem we would only like to remark that first of all one should not confuse the consumption of the population with the buying power (or buying demand).

Consumption is the very act of turning to use a great variety of serviceable values with which man satisfies his needs. The buying power or the buying demand of the population belongs to the category of commodity management. This means the amount of goods which the population can buy on market and which consequently enter the sphere of personal consumption. The extent of the buying demand is determined both by a nominal portion of money which the population can at a definite time dedicate for the buying of consumers' goods and by the leveling of prices on consumers' goods.

Since under the conditions of commodity management the majority of products enter the sphere of consumption by means of buying and selling, the buying demand often mingles with its own consumption and then it is said that the extent of consumption is determined by the extent of buying demand. This, however, is not completely accurate when we take consumption as a whole. There is a relatively considerable amount of consumers' goods which under socialism do not enter the sphere of consumption by way of buying and selling. These are the consumption of farm produce by the farmers, then the consumption of products offered free of charge to the population by the sanitation and social institutions, etc.

Consequently in reality the extent of actually consumed products is far greater than the extent of the buying demand. From the difference between consumption and purchasing demand, besides other things, follows that the total consumption of the population will increase but the volume of the buying demand will not rise; or it will grow slower than the consumption. For example, this is possible on the assumption that in a definite year the amount of

goods sold to the population in the stores will grow but the consumption of farm produce and the consumption of products offered free will grow rapidly. Indeed, mutual relation between the rate of increase of the consumption and the purchasing demand can be reversed.

Thus, if we speak of the "excess" of consumption or of purchasing power over production, we should understand that they are two different things. When we analyze the first possibility, i.e., whether there is any excess in consumption in regard to production, we see that the problem, when defined in such terms, is again not accurate. Is it the question of relation between the entire production and the final consumption or of mere relation between some parts of production and consumption?

There is an entire series of possibilities and we will not occupy ourselves with all of them. The relation between final consumption and production of consumers' goods (i.e., the second group of general production) is of practical importance. To this relation generally applies that which applies to the mutual relation between consumption and production on the whole, i.e., consumption can never exceed production as far as the entire volume is concerned because one can consume only that which was previously produced. This relation can be influenced by the increase of supplies and reserves of the consumers' goods and in some countries also by the structure of foreign trade. This however does not change its substance.

When we take the other possibility and judge the rate of increase of the purchasing demand and the production of consumers' goods, then again we have to formulate the question more accurately. Under planning practice this problem is reduced to a question: which should grow faster -- the purchasing funds of the population

or the market supplies of the consumers' goods? (Purchasing fund is a multitude of money which the population spends at a definite time for the purchase of consumers' goods. Market supply is a multitude of goods which is to be sold to the population within the planned time. Market supply also includes the planned increase of supplies and reserves.)

Not even in this case may we speak of the excess of purchasing funds over market supply. If the purchasing funds of the population increased faster than the market supply of consumers' goods, then it would result in hoarding of surplus money by the population which would not be covered by consumers' goods. This would mean a disturbance in food supply. We know this situation from the times before the currency reform of 1953 and we know how many difficulties it caused.

In order to have the correct stock of consumers' goods for the population and to raise the standard of living it is necessary that the market supply of consumers' goods be increased more rapidly than the purchasing funds of the population. This is the only way to secure the increase of the supplies of consumers' goods and above all the creation of the necessary reserve of consumers' goods for a systematic decrease of retail-store prices. It is consequently obvious that the theory on the excess of consumption or purchasing power over production in quantitative sense can not be considered as correct.

The needs of the population, however, actually exceed the production. These needs originate on the basis of actual consumption. The population requires from the production always new types of consumers' goods and always higher quality of the manufactured goods. The demand for individual types of goods is not uniform and changes constantly in the course of some years. This constant excess of the population needs over the possibilities of production

which is manifested by the demand for definite types of goods is the real and permanent motive of development and perfection of socialist production. Therefore the development tendencies of personal consumption of the population under socialism have to be especially carefully examined and their analysis is of immense significance to the planning of trade, production, and, in general, the entire socialist economy.

### 3. Definition of the Components of Personal Consumption. Personal Consumption and the Standard of Living

So far we have been occupied with the final consumption as a whole without differentiating between its individual parts. As we have mentioned, final consumption includes the use of all consumable goods, therefore, it satisfies any non-manufacturing needs of the society. When we imagine the immense amount of consumers' goods which are consumed annually in Czechoslovakia and when we realize how many different needs are satisfied by them, we would realize that the concept of final consumption is so complicated that it would be difficult to understand. There we have to make a more detailed division -- a classification of individual principal parts of final consumption.

The starting point for carrying out the classification will be the principal types of needs which are satisfied by consumers' goods. When we have examined the needs for these consumers' goods, we would see that they serve for the following purposes:

- (1) individual satisfaction of material needs of the population;
- (2) common satisfaction of some cultural, social, medical, and other needs of the population;
- (3) satisfaction of public administration, defence, and security needs;
- (4) increase of supplies and reserves of the consumers' goods.

An impressive portion of consumers' goods is assigned to the first two purposes.

Which of these parts of the final consumption do we designate as personal consumption?

The Czechoslovak political economy plan classifies into personal consumption only the individual consumption of primary goods which the population finances from its own final income. This means that under individual consumption within the balance of the national economy we count the following:

- (a) the purchase of goods by the population in state stores and cooperatives;
- (b) the purchase of goods by the population from far market;
- (c) the personal consumption of farm produce by the farmers;
- (d) the remaining individual consumption of the population (e.g., the consumption of water, electricity, gas, cost of individual housing maintenance, etc).

The consumption of consumers' goods in the institutions offering services to the population (health, educational, cultural, community service, etc) and the consumption of state administration, defense, etc are designated as general consumption within the balance of the national economy.

The use of consumers' goods for the extension of nonproduction basic supplies and for the increase of supplies and reserves of consumers' goods is classified in the state plan partly under accumulation and partly under increase of reserves. This is justified by a series of practical reasons. From the point of view of classification of final consumption, these factions belong to the general consumption because they are financed by the income of the population.

The division of final consumption into two parts -- into personal and general consumption -- has its basis in the diverse manner of payment of individual parts of the ultimate consumption. Personal consumption is financed from the ultimate income of the population. Contrary to this, general consumption is financed from the ultimate income of the companies. (The ultimate income of the population and the companies is produced in the process of division of national income. They originate on the basis of original income and balance of the redistribution of national income. A more detailed explanation of the creation and the use of ultimate income of the population and the companies would take too long and is beyond the scope of this pamphlet.) This criteria of classification of the ultimate consumption is very important for the planning of national economy because it corresponds to the objectively necessary process of the division of national income in a socialist society.

Individual factions of the ultimate consumption, however, cannot be judged only by the type of income they are financed with. For the socialist planning, the ultimate purpose of which is to secure maximum satisfaction of man's needs, a classification of individual parts of the ultimate consumption according to the degree of their influence on the standard of living of the population -- whether or not they are contributing toward its rise -- is immensely important.

Looking at the ultimate consumption from this side, we can again divide it into two parts the components of which, however, would be somewhat different from the components of personal and general consumption. In the first part there will be those factions of the ultimate consumption which directly raise the standard of living of the population. These are the purchases of the population in stores and on the farm produce market, the personal consumption of farm produce by the farmers, the remaining individual consumption of the population, then the material consumption of institutions which



offer services to the population, and finally the increase of basic nonproduction supplies for living quarters construction and for the institutions which offer services to the population.

The entire personal consumption and a greater part of general consumption belong to this division. Consequently it follows that an absolute majority of the consumers goods from the primary national income is determined for a direct improvement of the standard of living of the people.

The second part of the ultimate consumption is produced by those fractions of general consumption, the satisfaction of which is necessary but which do not make direct contribution toward a rise in the standard of living. These are the consumptions of social administration, defense, some expenditures for science and technical development, and then the increase of supplies and reserves of the consumers' goods. Also a part of the increase of basic nonproduction supplies assigned toward the payments of the needs of national administration, defense, etc are in this group.

While compiling the state plan for the national economy, we are doing our best to accelerate the increase of those fractions of the ultimate consumption which contribute toward the rise of the standard of living. Contrary to that, those parts of the ultimate consumption which do not directly serve to raise the standard of living and yet, at a given time, are socially necessary, will be developed only to the necessary extent; and we would gladly take advantage of every opportunity to reduce them when such action is justified.

(The only exceptions here are the expenditures for science and for technical development which, within the balance of national economy, are joined into a single amount together with the expenditures for state administration, etc. These expenditures are of a different type. Their classification in this group is not quite consistent

as they should rather belong into accumulation or production consumption since they mostly serve toward the development of production. As far as these expenditures are concerned, we are trying to accelerate their increase within the limits of our means.)

Consequently there is a basic difference in the approach of the planning agencies to the development of individual parts of the ultimate consumption based on whether or not they raise the standard of living of the population. There is also a practical significance in the application of this second criteria during the classification of the ultimate consumption.

Presented in the form of an outline, the classification of the ultimate consumption according to both criteria reads as follows.

A. Division of the Ultimate Consumption Based on the Income

- |  |  |
|--|--|
| I. INDIVIDUAL CONSUMPTION<br>(financed from the ultimate income of the population) | Purchases of the population in the stores;<br>Purchases of the population on the farm produce market;<br>Personal consumption of farm produce by the farmers;<br>The remaining personal consumption (gas, water, etc)                                |
| II. GENERAL CONSUMPTION<br>(financed from the ultimate income of the companies)    | Material consumption of the service institutions;<br>Consumption of state administration, defense, etc;<br>Increase of nonproduction basic supplies [see note] and supplies of the consumers' goods;<br>Increase of the reserves of consumers' goods |

B. Division of Ultimate Consumption According to its Influence on the Standard of Living of the Population

- |  |  |
|--|--|
| I. CONSUMPTION THAT CONTRIBUTES TOWARD THE RISE OF THE STANDARD OF LIVING          | <p>Purchases of the population in the stores;</p> <p>Purchases of the population at the farm produce markets;</p> <p>Personal consumption of farm produce by the farmers;</p> <p>The remaining personal consumption;</p> <p>Material consumption of the service institutions; Increase of nonproduction basic supplies [see Note 1].</p> |
| II. CONSUMPTION THAT DOES NOT CONTRIBUTE TOWARD THE RISE OF THE STANDARD OF LIVING | <p>Consumption of social administration, defense; etc;</p> <p>Increase of the supplies of consumers' goods (which are predominant in the trade system);</p> <p>Increase of the reserves of consumers' goods (state and government reserves) [see Note 2].</p>  |

[Note 1] In both divisions, the increase of nonproduction basic supplies is of mixed character. Mostly, however, it is financed from the ultimate income of the companies and contributes toward the rise of the standard of living. Into this division belong the basic supplies in the living quarter construction, education, health, and other institutions which offer services to the population.

[Note 2] Increase of the reserves of consumers' goods has a slightly different character than the remaining parts of ultimate consumption. We classified it into the second group because from the point of view of a planned season, it does not directly serve the consumption and consequently does not raise the standard of living. In the next few years however, it can be the instrument of rise of the standard of living if derived from the reserves.

Whenever we speak of personal consumption in this work we should understand its composition as it is defined in point A of our classification, i.e., from the standpoint of income. At the same time we should not forget the significance of the individual parts of the ultimate consumption in the raising of the standard of living, as we have determined in point B of our classification.

Personal consumption is the most important factor in the standard of living of the population. However, this is not its only factor, for the composition of the standard of living is more extensive and cannot be confused with personal consumption.

In short, under the standard of living of the population we understand the sum total of material and cultural conditions amid which the inhabitants of certain country live. Naturally the principal factor and the determining indicator of the standard of living of the population is the level of personal consumption. This means that (according to the explanation of the components of personal consumption we have used above) the principal factor is the quantity of consumers' goods which the population can consume annually, the quality of these goods, their assortment, etc.

The consumption of purchased goods (acquired with own means) is not sufficient for the judgement of the standard of living. An important component of the standard of living are the services, their extent with which they are offered to the population, and their level. To the services belong not only community services, but above all such important services as education, health, social and physical training establishments, recreation, cultural establishments, etc.

In the same manner, the level of housing conditions, i.e., living area per inhabitant, furniture, amount of rent, etc also belong to the standard of living. Then the care for suitable working conditions, the length of working hours, the intensity of work,

and the working conditions of the population in general are also in this group. A significant part of the standard of living is the security of existence, first of all the security of the right to work. There is no advantage if a worker is to live in prosperity for several years -- when he is employed -- and immediately afterwards, for some years he were to suffer from want either because his working conditions become worse or he loses his job.

The rise of the standard of living demands a great deal from this part of the standard of living. This has to be remembered especially when comparing the standard of living on an international scale. The socialist countries, especially Czechoslovakia, have a considerable advantage over the capitalist countries, particularly in these areas of the standard of living. Now it is necessary to continue to increase and to extend this advantage to those factors of the standard of living in which, when compared to the most developed countries of the world, we are still behind. (At the conclusion of the third chapter we will return to the problems of comparison of the standard of living on an international scale.)

#### CHAPTER II. FACTORS WHICH INFLUENCE THE DEVELOPMENT OF PERSONAL CONSUMPTION UNDER SOCIALISM

The size of personal consumption at a definite time, its structure, and its rate of increase are the result of a series of circumstances. A thorough answer to the seemingly simple question: why does personal consumption grow and why does its internal structure change -- is in reality difficult and very complex. If we are now considering the factor of the development of personal consumption, it does not mean that we simply want to determine its influence on consumption as a whole; we are concerned only with the original information of the reader which would facilitate understanding of the development tendencies of personal consumption under socialism.

The basic factor which effects the volume and the structure of personal consumption is the level and structure of consumption. It is the production of the second group of general production -- the production of consumers' goods. When the production grows and the assortment becomes more rich then the material basis of personal consumption is extended.

However, it would be incorrect to suppose that the increase of personal consumption is determined by the development of production of consumers' goods alone. The level of production of consumers' goods is determined first of all by the quantity of production means which light industry has at its disposal. Therefore production of consumers' goods depends on the extent of development of the manufacture and the production means. Without the development of heavy industry which has to supply light industry with machinery and equipment and to secure a sufficient stock of raw material for the production of consumers' goods, we would not have acquired strong basis for the development of production of consumers' goods. However, dependence of the production of consumers' goods on the production of manufacture means does not end with this. The quantity of products which we can consume per capita at a definite time is essentially determined by the quantity of products per capita manufactured by us, in other words, by the level of social productivity of labor. If we do not increase the production which falls to the share of one person, we cannot seriously speak of the increase of consumption per capita.

However, what is it that decides the level of social productivity of labor per capita? The principal factor which determines the degree of labor productivity is the quantity and the perfection of manufacture machinery we have at our disposal -- the more perfect its technical level, the more we will produce; the greater quantity of products will fall to each person, the cheaper and the more accessible they will be to everybody.

Heavy industry, i.e., the first group of general production, is the supplier of manufacture machinery and raw materials. Therefore it is not incorrect on our part to justify the significance of rapid development of the manufacture of production means as the basis for development of the entire national economy, and for the increase of personal consumption.

In the past years Czechoslovakia attained a sharp rise in production both in the area of production means and in the area of consumers' goods. This made the creation of strong basis for improvement of the standard of living possible. In this regard Czechoslovakia is classified among the most developed countries of the world. Industrial production of the CSR increased from 1948 to 1955 by 123.5%. Thus, in 1955 it was almost 2 1/4 times larger than seven years ago. This is a great accomplishment when we realize that in 1948 we crossed the prewar level of production and already then Czechoslovakia belonged to the most industrialized countries of the world.

The development of the Czechoslovak industry is best seen in this survey table.

Branch	Increase in 1955 as opposed to 1948 in %	Branch	Increase in 1955 as opposed to 1948 in %
INDUSTRY AS A WHOLE	+123.5	glass and porcelain	+ 52
manufacture of production means	+147	wood processing industry	+148
manufacture of consumers' goods	+ 98	paper industry	+ 70
power plants	+106.5	textile industry	+ 71
mining fuel	+ 51	garment industry	+104
mining ore	+ 80	leather and fur industry	+ 38
metallurgy	+120	food industry	+ 99
machinery and metal processing industry	+268	fats, soap, and perfume industry	+112
chemical industry	+188		

(Information taken from the publication Ten Years of Development of National Economy and Culture of the CSR, Rude Pravo, 1956.

Hereafter we will identify this publication as "Ten Years of the CSR.")

Production of the Principal Types of Consumers' Goods  
Increased as Follows

Name of Product	Unit of measure	Production in		
		1948	1953	1955
All meats on bones except				
horse meat	ton	162,694	335,493	344,943
meat products	ton	77,297	138,685	141,745
refined sugar	1000 t	517,000	657,000	659,000
vegetable oil	ton	72,104	87,250	91,069
milk	1000 hl	6,531	8,902	8,607
dairy butter	ton	22,856	35,252	43,197
wheat flour	1000 t	589,000	922,000	966,000
bread in the store	1000 t	536,000	899,000	878,000
beer	1000 hl	8,160	10,982	10,486
cigarets	mil. pieces	12,984	16,246	16,136
cotton fabrics	1000 m	279,699	345,871	355,849
wool fabrics	1000 m	42,090	39,839 <sup>1</sup>	39,454 <sup>1</sup>
flax and semiflax fabrics	1000 m	34,495	51,425	55,317
vacuum cleaners	piece	--	29,833	121,977
electrical washing machines	piece	2,098	39,703	205,897
cameras	piece	23,414	65,071	146,455
leather footwear	1000 pairs	27,717	23,289	22,550
rubber footwear	1000 pairs	25,528	25,699	29,709
televisions	piece	--	12,341	17,250
motorcycles	piece	68,007	46,369	95,812

(Statistical Information SUS, No 1/1956.)

(1) Changed content of assortment.



Analyzing the development of manufacture of consumers' goods we should not erroneously suppose that the level of production of the second group by itself determines the actual increase of personal consumption. The growth of production merely makes the increase of consumption possible because -- as we have mentioned in the first chapter -- division and circulation are between production and consumption. First we have to consider the influence of foreign trade, i.e., the fact that each year we export and again import a definite amount of manufacture means and consumers' goods. This changes both the size and the structure of the manufactured product as opposed to the size and structure of the available product.

If in a given year export is larger than import then the available product is less numerous than the manufactured one. If, on the other hand, import is larger than export, then the available product is more numerous than the manufactured one. Mutual relation between import and export analogically effects the structure of these products. When the manufacture means prevail in import and the consumers' goods prevail in export then the share of consumers' goods in the available product is larger than in the manufactured product and vice versa.

Differences between the manufactured and the available product, besides foreign trade, are also caused by losses which occur in production and circulation. We can, however, disregard their influence here for they do not play an important part. The material basis of personal consumption is not created by manufactured production of the second group but by the available production. Therefore personal consumption (and the entire ultimate consumption), for example, can increase more rapidly than the production of consumers' goods, if by means of foreign trade, we will import consumers' goods in exchange for manufacture means.

Present situation in Czechoslovakia is such that machinery and other manufacturing means predominate in our export.

Contrary to that consumers' articles or raw materials for the production of consumers' goods make up greater part of imports than that of exports. Therefore it is evident that for a portion of the exported manufacturing means we buy abroad either directly consumers' goods or raw materials for their production. This is proved by the figures in the following table.

Export and Import Record of the Classes of Goods  
(in millions of crowns, fco supplying country)

Year	EXPORT			
	machines, equipment, and tools for manufacturing	fuel material and raw materials	farm produce and food including raw materials	consumers' goods other than food
1937	767	5625	1179	4412
1948	1099	2361	299	1663
1953	3031	2637	614	871
1954	2788	2811	591	1048
1955	3680	3325	522	940
	IMPORT			
1937	1072	7471	1787	652
1948	354	2770	1649	133
1953	889	3433	1912	96
1954	803	3548	2205	160
1955	1005	4064	2198	312

(Statistical Information SUS, No 1/1956.)

The increase of personal consumption is also effected by the proportion in the distribution of consumers' goods between the individual parts of ultimate consumption, namely their distribution between the personal and the general consumption. If general consumption increases unusually rapidly, then personal consumption rises slowly or may stagnate and even decline.

Stagnation of personal consumption would occur when the entire increase of manufacture of consumers' goods would be exhausted for general consumption. For example, the development of general

consumption is faster than the rise of the manufacture of consumers' goods (if we do not watch foreign trade closely). In this case general consumption is financed in such a way that the funds necessary for goods are obtained at the expense of personal consumption. Such extreme cases, however, do not occur in the normal conditions of a socialist economy (nevertheless, they occurred during the war).

During the transitory period of the building of socialism we encounter such phenomena as general consumption increasing more rapidly than personal consumption. This occurs especially during the initial period of the building of socialism when almost all factions of general consumption increase rapidly. This can be explained by the fact that in the transitory period from capitalism to socialism great social and cultural achievements which had been neglected by capitalism, are carried out. (A free general education system is established; professional and higher learning grows rapidly; medical care and a series of social establishments such as infant homes, old age homes, recreational institutions, mess halls, etc are established everywhere with great speed. In the same way a powerful development of culture is brought about.)

In Czechoslovakia this tendency for faster increase of general consumption was manifested during the First Five-Year Plan. When raising the standard of living, the increase of personal consumption is essential, therefore, in the Second Five-Year Plan, personal consumption will grow faster than general consumption. Faster increase of personal consumption is expected also for future five-year plans.

Personal consumption is also greatly effected by the process in the sphere of division and circulation, especially in the establishment of wages, retail business prices, and supplies of consumers' goods. This occurs because the people are satisfying the majority of their personal needs by purchasing consumers' goods in retail

stores. Consumers' goods which are sold to the population by means of retail-store circulation come into the sphere of personal consumption through purchase and sale by means of circulation. The population is satisfying an overwhelming part of its personal consumption by means of retail-store circulation. The remaining factors of personal consumption play only a small part in relation to the size of purchases made by the population in state stores and cooperatives.

The sale of goods to the population by means of retail business is effected by a series of economic phenomena which depend on the effect of the law of value and on the existence of money circulation in the socialist national economy. These are first of all such processes as establishing the prices of individual types of goods while considering the changes in their value, the mutual relation between supply and demand during a definite period of time, etc. Here we have reached a very extensive sphere of economic process which the planner should use for the advantage of the people.

Among the majority of people the extent of personal consumption depends on the size of their wages and salaries. Nominal wages and salaries under socialism are increasing with a certain dependence on the increase of productivity of labor, while productivity of labor grows with a greater rate than wages.

(Dependence between the increase of wages and the productivity of labor will not be discussed here in detail. A more detailed information on this problem can be found in economic literature, for example, in the pamphlet by A. Chervinka, Dependence Between the Growth of Labor Productivity and Wages under Socialist Extended Reproduction, Rude Pravo, 1956.)

Average Monthly Wages in Crowns

Year	Of a worker in socialist sector of national economy	of a worker in industry	of a worker in construction work
1946	--	655	--
1947	--	657	--
1948	819	735	783
1949	867	785	868
1950	944	878	998
1951	1005	944	1043
1952	1047	1043	1119
1953	1112	1145	1210
1954	1180	1236	1290
1955	1197	1253	1325

(Ten Years of Development of CSR, Rude Pravo, 1956.)

In comparison with 1948, in 1955 the average wages of a worker in a socialist sector in Czechoslovakia increased 46%. The development of nominal wages in CSR is characterized by the above table.

The entire nominal wages, however, will not be spent on the purchase of consumers' goods alone; for taxes, various installments, payments, etc are also paid from wages. In the same manner services like transportation, rent, and community service are to be paid for. These are the so-called out-of-market expenses the portion of which in total expenditures of the population totals about 20%. The remaining 80% of expenses is spent on the purchase of consumers' goods.

The amount of money which is assigned for the purchase of consumers' goods is called the purchasing fund.

Thus the absolute extent and increase of the purchasing fund of the population is influenced by the size of nominal wages, the portions of out-of-market expenditures, and also by the change of

the number of employed persons. Purchasing fund and volume of personal consumption of the population increase together with the rise of employed persons. From 1948 the number of employed persons in the socialist sector of CSR has been rising as follows.

Year	Number of workers in the socialist sector (in thousand of persons)
1948	2527
1953	4046
1954	4196
1955	4248

(Statistical Information SUS, No 1/1956. The figures exclude apprentices and employes of the JZD.)

In the same period of time total wages of the workers of socialist sector increased from 24,847 million crowns payed out in 1948 to 61,527 million crowns in 1955. (Not counting wages of apprentices, loyalty allowances, and rewards payed from the non-personal fund.)

When we compare these facts with those on average wages, we can conclude that as a result of a rise in employment the total income of the population (including the purchasing fund) can increase more rapidly than the average nominal wages. This way personal consumption of the working man can grow faster than the nominal and actual wages [see Note]. In Czechoslovakia, from 1948 to 1955 the number of employed persons in socialist sector (as the above table shows) increased 69.5%, while during the same time the total number of population increased only 6.1%. The average monthly nominal wage of a working man of the socialist sector increased from 1948 to 1955 by 46%, while the total amount of wages increased 147%.

([Note] By nominal wage we understand the wage which is expressed in money units. By actual wage we understand the amount of consumers' goods and services which a working man can purchase

with his nominal wage. When determining the level of the actual wages of working people in individual countries, we should consider not only the height of nominal wages and the level of consumers' goods prices, but also the costs of services, the rent, the amount of taxes, and then also such circumstances as the length of working hours, the intensity of work, the conditions of employment, etc.)

We will understand the relation between the increase in nominal and actual wages, between the increase in number of employed persons and the increase in personal consumption, much better if we present an example of a family.

Suppose there is a family with one employed member so far. Later, without any conditions changed, another member of the family takes employment. For simplicity reasons let us suppose that his salary is the same as that of the previously employed member. Personal consumption of this family will roughly double while actual wages of the employed persons has not increased, nor has their nominal wages. Nevertheless the quantity of the available consumers' goods will be roughly doubled along with the increased number of employed persons in the family. In principle, the same is true on a national scale. In a national economy, however, the rise of nominal and actual wages is even more frequent. In order to compare our relations with the capitalist countries it is necessary to weigh these circumstances. Defenders of capitalism often operate with sensational data on the rise of actual wages of some category of employees and conceal the reduction of employment, the increase of work intensity, and other factors which lead toward decline of the entire standard of living.

International statistics show that chronic unemployment does not spare a single one of the leading capitalist countries. As proved by the following table, even at the time of a boom there are hundreds of thousands and in some places even millions of unemployed in the capitalist countries.

Number of Unemployed Persons  
(according to official data, in thousand of persons)

Country	Yearly Average				
	1948	1950	1952	1953	1954
Great Britain					
totally unemployed	329	332	368	356	303
employed part-time	9	9	94	24	15
France (a)	78	153	132	180	183
Western Germany (b)	592	1580	1379	1259	1221
Belgium (c)	81	170	174	184	167
Austria (b)	43	125	157	184	164
Italy (b)	1742	1615	1850	1947	1959
USA (d)	2064	3142	1673	1602	3230

(a) Not placed applicants for work; (b) registered, totally unemployed; (c) insured totally unemployed; (d) official guess on the number of totally unemployed. (Ten Years CSR, Rude Pravo, 1956. Data taken from the Statistical Year-Book OSN and from the Statistical Year-Book of the International Bureau of Labor.)

We do not have to stress the way the existence of this permanent unemployed army reflects on the standard of living of the working class in the capitalist countries. It is certainly clear to everyone that with regard to the unemployed we can speak of the "standard of living" only figuratively. It would be more convenient to speak of the misery of living which is multiplied by the number of family members dependent on their income.

Let us return, however, to the factors which effect the rise of personal consumption under socialism. We have just explained that the increase of the number of employed persons necessarily leads (under socialist conditions) to absolute increase of the purchasing fund through which grows the amount of money which the population can spend on the purchase of consumers' goods. The sum total of nominal



wages or the level of purchasing fund of the population and their development are not the only factors which determine the actual level of personal consumption. Besides these factors, retail store prices of consumers' goods can also determine this. We know that the price ceiling of retail stores under socialism is constantly falling and the policy of price reduction of consumers' goods is the principal way toward the raising of the standard of living of the population.

From 1953 to March 1956 the total price ceiling of consumers' goods in Czechoslovakia fell 16%. The reduction of prices of food totalled 10% of this amount, of drinks 14%, of non-food articles this reduction of the entire ceiling price came to 23%. Through this reduction of prices the population acquired products to the value of 12 billion crowns. Besides, in 1956 two price reductions were carried out to the extent of over 3.5 billion crowns. Total savings which we have acquired by reducing retail store prices until the end of 1956 come to 15 billion crowns.

(This official calculation of the amount of savings which the Czechoslovak citizens acquired through the reduction of retail store prices does not however exactly agree with the actual savings which the reduction of prices produced. It includes only those savings which were acquired from the price reduction during the year when this reduction was carried out. The sum of these yearly savings makes up the above-mentioned 15,000,000,000 crowns. However, the fact that the reduction of prices applies also to the following years is not expressed here. Thus, for example, price reduction carried out in 1954, 1955, etc applies to the following years and therefore brings to the population further savings which are classified with new savings from the further price reductions.)

Purchasing power of the population is increased both through the rise of nominal wages and by the reduction of retail-store prices. Both ways are necessary for they are the result of the different functions of wages and prices in the socialist national economy.

When we reduce the prices of consumers' goods, almost always a very large circle of population benefits by it. At the same time some social groups can have greater advantages than others. For example, the population of towns and cities principally gain from the reduction of prices of food. Price reduction is carried out on different scales, i.e., some products are reduced more, others less, and still others not at all. In this way price relationships are created and the sale of products is effected in different ways -- according to the requirements of a given situation.

When we increase nominal wages, it is usually connected with the rise of labor productivity or with the preference of definite branches or departments. Thus we are using wages as economic stimuli to raise and to perfect production and to influence the movement of labor force.

One result of the rise of wages and the reduction of prices is uniform: it is the increase of personal consumption. The remaining results, however, are different and serve to other ends. Therefore we cannot use one or the other method exclusively: we must use them both simultaneously.

These are the principal factors which constantly influence the development of personal consumption and which we encounter both during planning and during analysis of the development of personal consumption.

### CHAPTER III. PRINCIPAL DEVELOPMENT TENDENCIES OF PERSONAL CONSUMPTION UNDER SOCIALISM AND DURING THE TRANSITORY PERIOD

During the process of its development, personal consumption changes constantly. First of all there is the question of the quantitative change, i.e., a change in the total volume of consumers' goods. At the same time, however, the change is also qualitative as far as it concerns the composition of individual available products, their quality, etc. Also those changes are important which occur in the course of the distribution of products in terms of the individual districts of the country and then the changes which develop in the portion of individual population groups in the entire personal consumption and in the consumption of individual products.

If personal consumption were to increase in absolute uniformity, always with a uniform rate, and if its internal structure were not to change basically in the course of a series of years, then the planning of the development of personal consumption would be very simple. If, however, constant changes in the internal structure of personal consumption are necessary, and if we are to observe that its total volume would not increase equally during individual years -- then we have to follow very carefully those changes which occur in the development of personal consumption independently of our wishes; we have to investigate the causes and conditions for the realization of these changes and the manner of their probable occurrence during a planned period of time. In other words, we have to look for lawful development tendencies of personal consumption because only on the basis of their detailed knowledge can we see into the future correctly and also carry out a series of measures which would assure a successful development of personal consumption.

Development tendencies of personal consumption are nothing else but the necessary changes in the structure and rate of its increase which occur during a longer period of time. These are the

roads by which the development of personal consumption advances under socialism. The better we know it the less mistakes we make during the planning of personal consumption.

Knowledge of the most important development tendencies of personal consumption is a scientific base for the planning of retail store circulation and for other parts of the state national economy plan which secure the development of personal consumption. Certainly in the course of the practical planning work we always have to consider the extent to which these general tendencies have already developed and would probably develop during a planned time. We have to determine the actual figure of each tendency in a definite period of time. Here a general theoretical knowledge alone will not suffice, for we have to know the actual facts, a series of temporary and often even accidental circumstances which could effect the development of consumption in the nearest future. Even during the planning of personal consumption we are convinced in the correctness of the old principle that even the most difficult task can be duly carried out if theory and practice are combined correctly.

#### 1. Development Tendency of the Total Volume of Personal Consumption

The basic development tendency of personal consumption under socialism is its constant increase. Personal consumption under socialism is rising because the factors which determine its size at a definite time grow and develop. We saw that the total general production, and, within its frame, also the manufacture of consumers' goods are constantly growing. Productivity of labor is rising continuously, so are the average profits and the number of employed persons. In parallel with that the level of retail-store prices is reduced systematically. Under these conditions the rate of personal consumption will also increase.

Constant increase in the total volume of personal consumption is the legitimate tendency of its development under socialism. This basic development tendency of personal consumption has to be always expressed in the state plan for the national economy. It is obvious that the rate of increase of the total volume of personal consumption cannot be the same every year. Since the possibilities of the development of our production are limited by the degree of development of production capacity, during each period personal consumption can be developed only to such extent that it would neither harm the harmonious development of entire national economy nor cause disproportions which could threaten further development of production and standard of living.

Thus, for example, we cannot assign a vast majority of our industrial business to the manufacturing of consumers' goods because in a short time we would lack necessary manufacturing means and would be left without tools or material necessary for manufacturing. In the same manner, we cannot assign all the already manufactured consumers' goods for personal consumption alone, because it is inevitable that we should also satisfy social needs without which human society cannot exist.

Determination of the rate of increase of personal consumption during a definite period does not therefore depend on the subjective wishes of the planning organs or the government but is made by a series of objective conditions. Concrete possibilities for a rise in personal consumption for a definite time can be therefore determined only after a thorough analysis of all our opportunities and needs in connection with the securing of a harmonious and proportional development of the entire national economy.

Tendency toward a constant raise in the total volume of personal consumption is clearly manifested in the Czechoslovak national economy. In the course of the First Five-Year Plan, personal

consumption increased 25%. During the two following years -- in 1954 and 1955 -- we have recorded a rapid increase of personal consumption by further 25% above the last year level of the First Five-Year Plan. Party and government instructions for the Second Five-Year Plan determine that the increase in the total volume of personal consumption is to be at least 33% higher than the level attained in 1955.

Obviously these percentages of personal consumption increase should not be valued on equal basis. We should realize that 1% increase in personal consumption does not have the same absolute volume at different times. During the First Five-Year Plan, when the absolute level of personal consumption was lower, it meant 1% increase less than, for example, during the Second Five-Year Plan. The absolute rise in personal consumption planned for the Second Five-Year Plan will be more than doubled in comparison with the increase achieved during the years 1949-1953.

## 2. Development Tendencies of the Individual Sections of Personal Consumption

In Chapter I we have shown that personal consumption includes:

- (a) purchases of the population in state stores and cooperatives;
- (b) purchases of the population at the farm produce markets;
- (c) personal consumption of farm produce of the farmers;
- (d) the so-called remaining personal consumption of the population.

Now we shall discuss the rate of increase of these individual components of personal consumption. When planning national economy, the question as to which of these sections should increase faster and which slower and why should be of interest to us.

The first section -- purchases of the population in state stores and cooperatives -- is absolutely predominant in the entire personal consumption. This part of personal consumption is carried out by means of retail-store circulation and represents approximately

90% of the entire volume of personal consumption. Consequently it is obvious that its development is of major importance in the development of the entire personal consumption.

The index of the entire volume of retail-store circulation is the index of value, i.e., money. Therefore its increase is effected by the fluctuation in the prices of consumers' goods. If we want the index of retail-store circulation to express the rise of the actual, physical volume of consumption, we have to avoid price changes. This occurs when we present the index of retail-store circulation not in current but in permanent prices.

The development of retail store circulation expressed in permanent prices is of major importance in the judging of consumption development because the major factor is the amount of various products consumed by the population at a definite time and not the amount of money the population pays for them. In the experience of economy we have to plan the volume of retail-store circulation in current prices, i.e., in prices applicable during a planned period since goods are actually sold at these prices.

The rate of increase of the entire volume of retail-store circulation in permanent prices is always higher than in current prices because prices of consumers' goods are regularly reduced. Physical volume of the retail-store circulation grows therefore faster than its value volume. During the past years retail-store circulation in Czechoslovakia has increased as indicated below.

Development of the Total Volume of Retail-Store Circulation  
in CSR  
(in Billions of crowns)

Total volume of the retail-store circulation	1952	1955	Index 1955/52
in permanent prices of 1952	62.65	80.48	128.5
in current prices	62.65	75.78	120.9

Thus in 3 years, the amount of goods which the population purchased, in state stores and cooperatives, increased roughly one-third. This is a great achievement which we have attained in raising the standard of living. The data which has been coming from the Soviet Union for many years prove that this development is legitimate for a socialist economy.

Increase of the Total Volume of Retail-Store Circulation in the USSR  
(in billion of rubbles of current prices)

	1928	1932	1937	1940	1950	1951	1952	1953	1954	1955
total volume of retail-store circulation	11.8	40.4	125.9	175.1	359.6	379.8	393.6	430.7	481.9	501.5

(These and further data from the USSR, except when otherwise indicated, are taken from the statistical almanac National Economy of the USSR, Russian edition. Gosstatizdat, 1956.)

Rise in the Physical Volume of Retail-Store Circulation in the USSR  
(in % on the basis of permanent prices)

	1950	1951	1952	1953	1954	1955
increase in the physical volume of retail-store circulation in relation to 1950	100	115	126	153	181	189

Successful development of retail store circulation in Czechoslovakia continued at an especially rapid rate after 1953. That year a currency reform was carried out which rectified the state of currency and withdrew speculation profits from some classes of the population. We have unquestionably profited by carrying out the currency reform and by loosening the rationed economy. In 1953 the rapid increase in the physical volume of retail-store circulation started, and this will continue also in the course of the Second Five-Year Plan.

Purchases of the population in stores represent that fraction of personal consumption which is growing with the greatest speed. In comparison with them, purchases on agricultural market and personal consumption of farm produce of the farmers increase much slower; only the consumption of gas, water, and electricity can increase with the same rate, sometimes even faster.



There are a series of causes for the differences between the rates of increase of individual components of personal consumption.

In the first place we have to investigate why purchases of the population in state stores and cooperatives are increasing faster than the consumption of farm produce by the farmers and the purchases of the population on agricultural market. The principal factors which are most important here are both the movement of population between city and country and the movement between money income and income from farm produce of the population.

There are two types of income for the population. First, there is money income (wages and salaries, financial rewards for work in JZD, etc), and then the income from farm produce which is practically the consumption of food by the farmers. When we compare the increase of money income and income from farm produce of the population we discover that money income grows faster in longterm perspective. This is true because the share of farmers who are practically the sole bearers of income from farm produce is relatively diminishing and the share of non-farmers who collect only money income is increasing. As this review indicates, in Czechoslovakia there is an absolute decline in the number of people working in agriculture.

Development of the Number of Persons Permanently Active  
in Agriculture  
(in % to 1948)

	1948	1949	1951	1953	1954	1955
	31.12	31.12	1.1	1.1	1.1	1.1
CSR as a whole	100	96	85	73	75	81
Bohemia	100	92	83	84	76	80
Slovakia	100	102	89	70	75	83

(Ten Years of CSR, Rude Pravo, 1956.)

Besides, even money income of the farmers, compared with income from farm produce, grows faster in connection with the increase of market production share in the entire agricultural production and especially in connection with the development of JZD.

During the last 3 years farm produce consumption of the farmers increased as follows.

Farm Produce Consumption of the Farmers per Capita in CSR

Type of food	Unit of measure	1953	1954	1955	Index 1955/53
flour in general	kg	116.40	89.70	134.40	115
wheat flour	kg	77.80	74.20	115.30	150
rye flour	kg	38.60	15.50	19.10	49
boned meat	kg	24.90	27.90	33.60	135
fat	kg	5.50	5.70	7.50	136
butter	kg	1.77	1.89	2.21	125
eggs	piece	298	253	318	107
cow milk	l	312	275	253	82
potatoes	kg	264	262	264	100

Let us compare the increase of money income of the members of JZD with the increase of farm produce consumption of the farmers.

Development of JZD Income per one Hectare of Farming Land  
(in crowns)

	1951	1952	1953	1954	1955	Index 1955/53
total money income per one hectare of farming land	1140	1384	1717	2249	2615	135
income from the distribution among members of cooperatives	355	433	760	1122	1389	183

(Ten Years of CSR, Rude Pravo, 1956.)

In this comparison we see that during the same time the amount of money which is allotted for one hectare of farming land and distributed among the members of cooperatives increased 83%. Consequently

it increased much faster than any other amount of the farm produce consumption of farmers. Although this comparison is not completely accurate, nevertheless it reflects correctly the basic tendency in the development of income.

Because the increase of retail store circulation basically depends on the growth of money income, these circumstances cause a faster rate of increase of the purchases in stores as opposed to the farm produce consumption of the population.

The volume of purchases of the population on agricultural market is increasing less rapidly. Here it is of major importance that purchases on the agricultural markets are almost exclusively purchases of food. Food consumption however grows less rapidly than the consumption of non-food articles (as we will see in further analyses). Therefore purchases at the agricultural markets grow also less rapidly than the entire personal consumption of the population. In Czechoslovakia these purchases have a completely insignificant share in personal consumption. In 1954 they represented about 2% of the entire volume of personal consumption. Data from the Soviet Union indicate that even the share of agricultural market in the very purchases of food is declining.

The Share of State, Cooperative, and Collective Farm Stores in  
the Sale of Foodstuffs in the USSR  
(in % from the whole)

	1940	1950	1954	1955
Total sale of foodstuffs from that:	100	100	100	100
share of state stores and cooperatives	79.8	81.9	84.8	84.9
share of collective farm stores	20.2	18.1	15.2	15.1

The share of collective farm store in the total retail-store circulation of the USSR is much higher than the share of agricultural market in the retail-store circulation of the CSR. However, data from Czechoslovakia cannot be compared with the Soviet data.

That is to say, the conditions for existence and development of the agricultural market are not uniform in the two countries. Density of the state and cooperative retail-store network, distribution of goods, distance between city and village, structure of the village population, and last but not least, established traditions -- all of these are different in each of the two countries.

In Czechoslovakia the town and village population buys an absolute majority of the consumers' goods (and foodstuffs) in the dense network of state stores and cooperatives. Other purchases, as the purchases of a special types of goods, are often obtained in towns which are easily accessible to the rural population. Therefore it is almost certain that the agricultural markets in Czechoslovakia will never be as important in their supply to the population as the collective trade in the USSR.

The remaining portion of the personal consumption is generally small. In 1954 its share in personal consumption was about 1.5%. This fraction of personal consumption, however, will grow more rapidly than purchases by the population in stores. This growth is connected with the growth of urban population and with a better equipment of urban and rural apartments with electric appliances, gas, and water. Perfecting the living quarter conditions is one of the most important elements of the standard of living. Therefore it is of great interest to us to have this part of personal consumption grow as fast as possible.

### 3. Changes in the Consumption of Food and Non-Food Articles during the Rise of Personal Consumption

Any products which become objects of personal consumption can be divided into two groups according to their primary value: the first group is composed of food and the second of non-food articles. (Non-food articles are often called industrial products. We also find this name in the state plan for the circulation of retail goods. Nevertheless it is not accurate. Also food, in its final stage, is

mostly the result of industrial production because it undergoes industrial processing. Therefore a more accurate term for the second group is non-food articles because it characterizes more adequately consumption value of the products which belong to this group.)

Food is almost exclusively supplied by farmers (vegetable and animal products), occasionally obtained through hunting and fishing, and it is mostly processed in the factories of the food industry before it reaches the table of the consumer. That part of food which is consumed directly, without an industrial processing, is constantly diminishing along with the development of social division of labor. Food is basically divided into that of vegetable origin (flour, sugar, vegetable fats, green vegetables, etc) and that of animal origin (meat, milk, butter, etc).

The majority of non-food articles draw their raw material from agriculture, vegetable and animal production, or from forestry; for example, raw textiles (cotton, wool, flax, etc), leather, wood, etc. With the development of chemistry and the artificial materials and fibers industry dependence on raw materials of agricultural origin is gradually diminishing. Nevertheless even in this group of products agriculture will remain an important factor for a long time.

The principal groups of non-food articles are textile and clothing articles, footwear, furniture, factory products (including electric appliances), books, printings, sanitary, and cosmetic products.

For a long time, economists and statisticians were observing changes which are manifested in the consumption of food and non-food articles during the development of personal consumption. They found that when personal consumption is rising, consumption of food increases less rapidly than consumption of non-food articles. Also the reverse is true: when personal consumption is reduced, the

consumption of food falls less rapidly than the consumption of non-food articles. The first tendency occurs under capitalism as well as under socialism, the second can be clearly observed under capitalism when personal consumption falls.

The roots of this tendency are in the development of needs which are satisfied by food and non-food articles. Basic physiological needs of man are satisfied by food. Food processing depends on a considerably large number of products which form the necessary base of nutrition and cannot be freely increased or changed.

The limits of food consumption are therefore relatively narrow; the demand for food is slowly extending, and for a long time in the future a rise in food consumption would depend mainly on the population increase. More extensive changes will undoubtedly occur in the composition of foodstuffs, in its diversity, but we are now not concerned with this problem. Now it is the question of quantitative increase of food consumption as a whole, compared with the increase of consumption of non-food articles.

The development of personal consumption of non-food articles has a different course. Needs, satisfied with these articles, have many more varieties and practically no limits. Regardless of the level of non-food consumption, further needs will always arise -- needs which are different from the present ones and which are satisfied by different products.

Consumption of individual non-food articles has also certain limits. Thus, for example, man can only have a limited number of suits, furniture, and it would be absurd for him to have 10 cars, etc. The assortment of non-food articles, however, is so wide (today there are several thousands of articles) and is constantly being enlarged that as far as this group is concerned one cannot speak of any satisfaction of needs.

In Czechoslovakia, consumption of food and non-food articles developed in accordance with the following table. (For the characterization of this development tendency of personal consumption we are using the index of retail-store circulation because the share of this circulation is the major factor in the entire personal consumption.)

Evolution of the Structure of Retail-Store Circulation in CSR  
(in permanent prices, 1952)

	1952	1953	1954	1955
Total retail-store circulation	100	100	100	100
Food	52.96	54.14	50.55	49.68
Non-food articles	47.04	45.86	49.45	50.32

The structure evolution of the circulation of retail goods in permanent prices indicates that the sale of food in physical volume increased less rapidly than the sale of non-food articles. In comparison with 1952, in 1955 the amount of food sold increased 20.6% but during the same period the amount of non-food articles sold increased 37.3%. Gradual decline of the share of food in the total volume of retail-store circulation corresponds to a faster rate of sales of non-food articles. In 1955 non-food articles increased to such extent that they became predominant and their share in the Second Five-Year Plan will continue to increase.

Consequently, these data clearly affirm that the above-mentioned tendency toward a faster increase of the consumption of non-food articles is also current in the CSR when we investigate it from the material point of view (as far as the physical volume is concerned) which is always most important for the characteristics of consumption development.

As these data from the Soviet Union testify, this tendency is legitimately manifested also in other countries.

Share of Food and Non-Food Articles in the Total Volume of  
Circulation of Retail Goods in the USSR

	1937	1940	1950	1954	1955
Total Circulation of retail goods from that:	100	100	100	100	100
Food	63.1	63.1	58.4	54.8	55.2
Non-food articles	36.9	36.9	41.6	45.2	44.8

Even though these data are presented in current prices and consequently are distorted by the fluctuation of prices, nevertheless, a uniform tendency is quite evident from them, i.e., reduction of the share of food in personal consumption and faster increase of consumption of non-food articles.

Observation of changes in the development of the share of food and non-food articles is of greatest importance in the planning of retail-store circulation. When the organs of domestic trade determine their demands for supplies from production they have to consider that in due time this tendency will predominate. With this they execute pressure on the development of agricultural products and light industry.

4. Changes in the Structure of Consumption within the Groups of Food and Non-Food Articles

Changes which occur in the structure of consumption do not remain limited only by the mutual relation between the consumption of food and non-food articles on the whole. They extend much farther and project into the internal structure of food and non-food articles of consumption. A detailed analysis of all these changes would be too complicated, disregarding the fact that we do not yet have data for an extensive length of time to be able to reveal all the share tendencies. Therefore we will only show some principal changes which occur inside the consumption of food and non-food articles. These changes have been known for some time and we can observe them in a series of statistical data from various countries.



A. Changes in the Structure of Food Consumption

When food consumption is increasing, consumption of all types of food does not grow with the same rate. An analysis of statistical data yields that the share of some food increases, of other declines, and of still other types of food declines more rapidly.

Consumption of the food of animal origin, i.e., consumption of valuable albumins and fats is increasing with the most rapid rate. The share of these foodstuffs in the total food consumption is constantly growing. Contrary to that, the consumption of some food of vegetable origin is increasing with a lesser speed, for example, flour, potatoes, etc. Their share in the total food consumption is declining.

Description of changes in the structure of food consumption is given in the table which gives the rate of sales increase of individual types of food. The data are calculated from the amount of goods sold (in physical units) which falls to the share of each citizen of the CSR.

Increase of Sales of Principal Articles of Food per Person in 1955  
in Percentage in Relation to the Data from 1952 and 1953

Name of article [1]	Index 1955/52 [2]	Index 1955/53 [3]
retail meat	111.9	103.3
butchers' produce	104.4	102.1
canned meat	131.7	120.2
poultry	130.5	111.9
salt water fish	124	119.2
fish products	193	175.6
milk	--	100.1
cheese	152	160.2
cottage cheese	176	--
eggs	--	112.5
pork lard	105.5	130

[1]	[2]	[3]
vegetable fats	110.5	98.8
bread	118	97.6
wheat flour and fine groats	88.4	103.9
groats, grits, and oat flakes	98.6	130.6
wheat cookies	112.8	119.8
pastry	75.1	87.2
peeled rice	244	204.5
sugar	118.2	119.8
potatoes	96.8	--
beer	86.6	98
wine	101.4	108
spirits	131.7	132.2
coffee	133.3	181.8
tea	166.6	166.6

Data given in the table generally confirm that in recent years even in Czechoslovakia a notable movement in the demand toward products of animal origin has been manifested. A more expressive application of this tendency is prevented by the frequently limited extent of market supplies of meat, milk, and other products the demand for which is increased.

Naturally one cannot draw any definite conclusions from the data on two or three years because they are filled with certain accidental influences, seasonal fluctuations, etc. Price relations between individual types of food also have great influence here.

Besides this, the sale of food per capita mostly characterises the food consumption of non-agricultural population and does not show the increase of farm produce consumption of the farmers. However, it quite truthfully expresses the main feature of the above-mentioned tendency. If we look at the long-term data from the Soviet Union, we will again see the same tendency.

Sale of Food in State Stores and Cooperatives in the USSR  
(in permanent prices)

Name of product	Index 1955/40	Index 1955/50	Index 1960/55
meat products	261	220	185
from that: meat and poultry	296	231	--
fish products	263	185	159
animal fats	253	158	157
vegetable fats	242	222	160
milk and milk products	--	--	270
eggs	150	185	260
sugar	241	188	170
flour, bread, and bread products	141	158	--

(According to instruction of the Twentieth Congress of the Communist Party of the Soviet Union for the Sixth Five-Year Plan of the USSR, "Novaya Mysl," extra edition, February 1956, page 542.)

This tendency in food consumption is also expressed in our proposal for the Second Five-Year Plan. Instructions of UV KSC for the Second Five-Year Plan explicitly urge to secure a faster increase of supplies of food of animal origin compared with the food of vegetable origin. By 1960 the sale of basic types of food will increase as follows: meat and meat products 35%, fish and fish products 42%, butter 30%, fat 45%, fine pastry 29%, rice 134%, coffee 114%, etc.

B. Changes in the Structure of Consumption of Non-Food Articles

The tendency which is manifested in the changes of structure of the consumption of non-food articles can be expressed in short as follows.

When the consumption of non-food articles rises the consumption of high quality products of all types; especially the consumption of such products as washing machines, refrigerators, vacuum cleaners, motorcycles, cars, televisions, etc which, as a whole, are usually called the products of long-term consumption; would increase with

the greatest speed. (This definition is not completely accurate for also other non-food articles are mostly articles of long-term consumption, i.e., their service is guaranteed for longer than one year.)

Movements in the consumption towards better quality products are not easily noticeable for the nomenclature in which we plan the circulation of retail goods is very general for this purpose and, as a rule, does not detect the qualitative differences of individual groups of products. In a limited way we can judge the qualitative movements, for example, in textiles (sale of wool, cotton, and silk fabrics, etc) and partly also in footwear (leather and rubber footwear), but otherwise it is considerably difficult; also the movement of demand is to be deduced indirectly, mainly according to the average price of sold goods of individual groups of products.

Increase of Sales of the Principal Types of Non-Food Articles in the CSR

	Unit of measure	Sale in 1953 in quantity	Sale in 1955 in quantity	Index 1955/53
wool fabrics	1000 m	7,223	9,892	136.9
cotton fabrics	1000 m	49,194	57,170	116.2
silk fabrics	1000 m	10,117	19,269	190.4
leather footwear	1000 pairs	16,035	16,559	103.2
rubber footwear	1000 pairs	12,910	17,221	133.4
soap	1000 pairs [sic]	26,366	36,202	137.5
cigarettes	million pieces	14,938	16,320	109.2
motorcycles	piece	24,480	52,010	212.4
refrigerators	piece	2,725	21,690	795.8
radios	piece	89,636	170,194	189.8
televisions	piece	335	29,143	8209.3

(Statistical Information SUS, 1956)

During the years of 1953-1955 the physical volume of all the sold non-food articles increased 47.9% (compared with prices of 1952). The table shows that this average cannot be compared with the rapid increase in sale of motorcycles, refrigerators, televisions, etc (i.e., products which, as we have mentioned above, will grow much faster in the future than other products.

Likewise we cannot draw any final conclusions from this table. Here the sale of some products is effected by the deficient supplies of goods (wool fabric, leather footwear) which is again connected with the import of raw materials. On the other hand, other products show an excessive rate of increase (televisions) because their manufacturing was begun only recently and therefore in 1953 there was a minimum of these products on the market. Consequently, again -- just as in the above table of food sale -- a series of short-term, temporary influences which distort the long-term development tendency have been active here.

Nevertheless we consider it correct to present these data here for they will acquaint the reader with at least the basic facts and although in rough lines, they still show certain development tendencies.

With regard to what we have just said about the unreliability of short-term data on consumption, it is very instructive to look somewhat further into the future -- at the planned perspective of consumption development in the Second Czechoslovak Five-Year Plan. Tendencies toward change in the consumption of individual types of non-food articles which previous data only gave in an outline, are much more evident when we observe the planned development of consumption for 1960.

Consumption of the most important non-food articles per person will increase in the Second Five-Year Plan as follows:

Clothing and footwear 43.5%, consumption of machinery products of longterm service 124%, and consumption of building material 45%.

The increase of sales of the most important non-food articles is depicted by this table:

Product	Unit of 1955 measure	1955	1960	Index 1960/55
private cars	ks	1,700	24,700	1468
motorcycles including scooters	ks	52,000	80,000	115
tires including motor wheels	ks	164,100	190,000	116
home electric washing machines	ks	193,600	260,000	134
home refrigerators	ks	21,700	120,000	553
sewing machines	ks	44,900	56,000	125
radios	ks	170,200	210,000	123
televisions	ks	29,100	198,000	680
cameras	ks	136,700	380,000	278

(Planned Economy, 8/1956.)

These long-term data show very clearly movements in the structure of consumption of non-food articles.

#### 5. The Tendency Toward Adjustment of Local Differences in Consumption

So far we have been discussing the changes which occur in personal consumption at different periods of time. We did not investigate what differences there are in the level of consumption for an identical period of time but in different regions of the earth. It is important to know regional peculiarities in personal consumption in order to plan the circulation of retail goods. If we had planned incorrectly the regional structure of retail store circulation, if we had incorrectly allocated the supplies of consumers' goods in individual regions, then, even in the presence of total prosperity, the supply of the population in some regions could be obstructed while at other places there would be a surplus of goods. Consequently it is very important to study regional differences in consumption to observe their development -- if and how they increase or are adjusted.

Local differences in consumption can be roughly divided into two groups:

- (a) differences in the absolute level of consumption per person;
- (b) differences in the structure of consumption.

Differences in the absolute level of consumption are first of all aroused by the inequality of economic development of individual regions and districts of the land. Unequal development is typical for a capitalist national economy. It is manifested in different ways, for example, in such way that certain districts of a state remain greatly behind in economic development, especially in industrial production; they vegetate and become a reservoir of labor for other districts.

In capitalist Czechoslovakia there were, above all, great differences in the economic level between the Czech region and Slovakia. The population of Ruthenia was much worse off. Differences in the economic development of these regions are evident from the structure of employment of the population.

Division of the Population of CSR According to Professions

Region	Year	From 100 persons to individual branches belonging:		
		to farming, forestry, and fishing	to industry and production in maintenance	to commerce and farming
[1]	[2]	[3]	[4]	[5]
Bohemia	1921	29.69	40.55	6.87
	1930	24.06	41.78	8.91
Moravia and	1921	35.27	37.79	5.30
Silesia	1930	28.56	40.82	6.67
Slovakia	1921	60.63	17.43	4.14
	1930	56.82	19.07	5.44
Ruthenia	1921	67.63	10.41	4.66
	1930	66.29	11.94	5.73
CSR	1921	39.56	33.44	5.78
	1930	34.64	34.94	7.43

From 100 persons to individual  
branches belonging:

Region	Year	to trans- portation	to public service and free professions	to armed forces	to the remaining professions and non professionals
[1]	[2]	[6]	[7]	[8]	[9]
Bohemia	1921	5.58	4.95	1.13	11.23
	1930	6.18	5.13	1.19	12.75
Moravia and	1921	4.97	4.39	1.05	11.23
Silesia	1930	5.46	4.64	1.31	12.54
Slovakia	1921	3.53	3.58	1.43	9.26
	1930	4.73	4.69	1.62	7.63
Ruthenia	1921	2.47	3.23	1.12	10.48
	1930	3.18	4.15	1.06	7.65
CSR	1921	4.84	4.44	1.18	10.76
	1930	5.53	4.86	1.31	11.29

(Statistical Index of the CSR, 1956, page 10.)

From this table we can immediately see how much the Czech regions were ahead of Slovakia and especially of Ruthenia in industrialization. The sphere of farmers in Slovakia was almost double the share in the Czech regions, and in Ruthenia it was even more than double.

Moreover there was a considerable difference in wages between the Czech regions and Slovakia and Ruthenia. Thus, for example, the wages of farm day laborers (to which group belonged the majority, of the population of Slovakia and Ruthenia) varied as follows: ©

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Wages of the Farm Day-Laborers in 1934

Region	Average daily wages in crowns per			
	man with food	woman	man with- out food	woman
Bohemia: industrial region	11.59	8.79	16.05	10.71
non-beet-growing region	11.96	8.67	16.23	11.22
beet-growing region	11.35	8.21	15.52	10.36
Moravia and Silesia: non-beet-growing region	9.65	7.49	13.97	10.51
Slovakia: non-beet-growing region	9.58	5.89	13.34	8.42
Ruthenia: non-beet growing regions	7.38	5.67	11.33	8.49

(Statistical Index of the CSR, 1936, page 215.)

However, differences in the economic development did not exist only between the Czech regions and Slovakia but also within the Czech regions and within Slovakia. The so-called poor regions, as was the Czech-Moravian Highland, Wallachia, parts of Sumava, Krkonose region, eastern Slovakia, and other smaller regions are generally well known. Here, often little over 10 kilometers from towns, the population practically vegetated, lived mostly on the poor produce of their small fields and on occasional seasonal work.

We inherited these differences in the absolute level of consumption between various regions and districts from the capitalist republic. From them -- to a certain degree -- also follow differences in the structure of consumption.

Local differences in the structure of consumption have basically two reasons. First of all they result from the differences in absolute level of consumption and from the economic development of respective region on the whole. In the second place they come from the deep-rooted national traditions, occasionally from climatic differences, etc.

The first reason exerts influence mostly on the share of consumption of both food and non-food articles, the second -- mostly on the assortment of consumption, for example, preference

for certain types of goods, models, etc. To our regret we do not have sufficient statistical materials available to be able to elucidate these local differences in consumption more concretely for our statistical data are too general to be able to detect these fine differences in consumption. Nevertheless these differences exist, each one of them is known from experience and we have to take them into consideration during planning.

For the time being we give most of our attention (and rightly so) to the adjustment of absolute differences in consumption between individual regions. The only correct and effective way to this goal is the policy of economic development of all regions and districts of the republic which we are carrying out since 1945. (We are not giving the facts on the economic development of Slovakia and individual regions for it would be too space-consuming and, moreover, it does not enter into this subject.)

Results of this policy appeared in the development of the circulation of retail goods. From the table that follows we will see that the volume of retail-store circulation grew with different rate even in individual regions. Those regions which previously suffered from a low standard of living and where person consumption has been for many years behind, were developing with an above-the-average speed.

Development of Retail-Store Circulation according to Regions,  
in Current Prices  
(1950 = 100)

[1]	1952 [2]	1953 [3]	1954 [4]	1955 [5]
Entire CSR	110	111	124	133
Czech regions	109	110	122	131
Slovakia	114	115	127	137
UNV Prague	99	95	104	111
KWV Prague	117	122	135	146
Czech Budejovice	110	112	125	137

[1]	[2]	[3]	[4]	[5]
Pilsen	114	118	132	141
Carlsbad	107	106	128	139
Usti nad Labem	108	114	125	131
Liberec	105	105	117	122
Hradec Kralove	107	108	120	128
Fardubice	122	124	137	148
Jihlava	113	116	129	140
Brno	109	111	124	133
Olomouc	105	109	121	130
Gottwaldow	110	114	127	137
Ostrava	112	111	122	128
Bratislava	117	113	126	137
Nitra	118	125	136	148
Banska Bystrica	113	116	124	134
Zilina	107	111	122	132
Kosice	114	113	123	130
Presov	109	115	133	144

(Information on Domestic Trade, MVO, 1956.)

We should not forget, however, that the table depicts only that part of personal consumption which is satisfied by means of the circulation of retail goods and that other parts, mainly the farm produce consumption of the farmers, are not included here. This has to be taken into consideration, especially in connection with Slovakia and other agricultural regions where the growth of the farm produce consumption represents an important component of the rise of the entire personal consumption.

The table shows that retail-store circulation increases faster in Slovakia than in the Czech regions. This fully corresponds to the faster economic development of Slovakia within the frame of the republic.

Further we see that the volume of the circulation of retail-goods is growing with an above-the-average speed exactly in those regions which previously belonged partly or totally to the so-called poor regions. These are specially the regions of Presov, Nitra, Gottwaldow, Jihlava, and Czech Budejovice. The tendency which is expressed in our table is a healthy tendency which will continue to develop although perhaps in some other concrete form.

The success of this policy is beginning to manifest itself even today. As these facts prove, the absolute level of consumption of the principal types of consumers' goods per person is in our regions entirely well adjusted.

Comparison of the Sale of Food per Person in 1955 in Individual Regions with a National Average (in Physical Units)  
(CSR = 100)

Region	Bread, flour from groats [2]	Rice and legumens [3]	Meat and meat products [4]	Sugar [5]	Beverages [6]
Entire CSR	100	100	100	100	100
Czech regions	106	102	114	101	94
UNV Prague	91	116	176	81	117
KNV Prague	117	108	102	106	72
Czech Budejovice	103	98	91	107	71
Pilsen	102	110	116	102	63
Carlsbad	108	114	143	100	135
Usti nad Labem	115	109	140	96	79
Liberec	115	113	123	97	86
Hradec Kralove	110	97	110	101	97
Pardubice	111	93	96	106	87
Jihlava	94	78	78	113	70
Brno	102	81	96	109	86
Olomouc	105	108	95	100	107
Gottwaldov	101	92	80	111	98

[1]	[2]	[3]	[4]	[5]	[6]
Ostrava	109	111	137	101	135
Entire Slovakia	86	93	61	97	117
Bratislava	78	103	56	110	113
Nitra	71	89	49	102	95
Banska Bystrica	95	93	59	108	126
Zilina	107	88	66	78	147
Kosice	87	104	70	98	130
Presov	77	73	43	90	102

In analyzing this table we should not forget that it does not include the entire personal consumption but only sales per capita. This means that in the regions with a larger agricultural population the sale of food per capita will be necessarily smaller since the farmers obtain a majority of the food consumption from their own sources and do not buy them in the stores. This concerns mainly Slovakia as a whole and especially its eastern regions.

© The greatest fluctuations occur in the consumption of flour, flour products, and meat -- consequently in the typically self-supporting product. (Besides, size of the consumption of farm produce per capita is by no means insignificant, as we have shown on page 46. Therefore conclusion presented in the following paragraph is fully legitimate.)

Fluctuation in sugar and beverages are much smaller for the consumption of farm produce is practically not taken into consideration. However, there are only 8 regions out of 20 with flour and flour products where the deviation, when compared to the national average, represents more than 10%. With meat there are 14 regions, but here, besides the influence of the consumption of farm produce, also acts a contrary influence which is the high consumption of meat in industrial centers such as Prague, Pilsen, Usti nad Labem and Ostrava.

If we examine these circumstances closely the conclusion which follows from the table is synonymous. Basic differences in food consumption between individual regions and districts do not exist any more in Czechoslovakia. Previously existent differences in sales will continue their adjustment by means of a more rapid economic development in the less developed regions.

Comparison of the Sale of Non-Food Articles per Capita in the Individual Regions with a National Average (in Physical Units)  
In 1955

Region	External fabrics	Top garments	Foot-wear	Radios and televisions	Tires per 1000 persons
Entire CSR	100	100	100	100	100
Czech regions	96	107	100	103	100
UNV Prague	117	147	109	158	75
KNV Prague	88	78	109	98	84
Czech Budejovice	106	101	83	92	118
Pilsen	107	101	96	96	98
Carlsbad	75	135	115	139	117
Usti nad Labem	75	156	105	120	105
Liberec	69	111	96	94	84
Hradec Kralove	82	95	96	91	127
Pardubice	97	88	90	92	109
Jihlava	99	89	89	84	96
Brno	102	103	95	84	88
Olomouc	84	111	98	93	132
Gottwaldov	115	99	108	78	110
Ostrava	105	118	106	115	104
Entire Slovakia	110	93	99	92	100
Bratislava	100	93	103	93	118
Nitra	123	93	98	98	136
Banska Bystrica	113	93	102	103	80
Zilina	100	92	94	82	80
Kosice	109	107	101	97	81
Presov	111	76	87	69	68

This table shows that the division of sales of the basic non-food articles, i.e., textiles, confection, and footwear, is much more commensurate than the one of food. More so, because the purchases of textiles and confection are mutually complemented. The above-average sale in UNV Prague should be considered in connection with the below-average sale in KNV Prague. It is obvious that the inhabitants of the outskirts of Prague are buying their materials and confection in Prague. In the majority of regions in Slovakia, contrary to confection, textile yardage is bought in larger quantities. The sale of footwear is balanced in the best way. Only 4 regions show more than 10% differences with the national average.

A much larger inequality exists in the sales of radios, tires, and wheels and other plant products which are not mentioned here. The fact that television was introduced only in 1955 has some effect on the lower sales of radios and televisions in Slovakia and some Moravian regions. Assortment of the remaining non-food articles is very extensive and a series of products can be substituted by each other. Because of the limited extent of the book, it is impossible to carry out a deeper analysis of regional distribution of sales which would require detailed data on great number of products.

Purchases of non-food articles are to a certain degree supplemented between individual regions. The people often make their purchases in regions other than their residence. Thus, for example, a large number of visitors from the entire republic and many foreigners who come to CSR for a visit, shop in the region of UNV Prague. Also a number of brigaders and other temporary mine and furnace workers who live in other regions shop in the region of Ostrava. In the same way, the people from bordering territories of individual regions often shop in county seats which already belong to another district. We have to take all this into consideration when we judge the distribution of purchases in various regions.

6. Examination of the Development of Personal Consumption according to Population Groups

So far we have examined the development of personal consumption either from the point of view of its entire volume or its structure, etc -- in short we were interested in personal consumption mostly from the point of view of products which compose its material content.

Problems of the development of personal consumption do not rest only in the type of products and the quantity in which they are consumed on national scale during individual years. After all, personal consumption is carried out by the people; besides, not all the people consume the same amount of products in the same period. The level of personal consumption is different in the same period of time within different groups of people. Consumption of these individual groups will also develop differently. The entire satisfaction, the relation to work, and a series of other important relations depend on the volume and the structure of consumption of various population groups.

Therefore the examination of personal consumption according to different population groups is very important and cannot be disregarded in the planning of personal consumption.

After we have recognized this fact, comes the problem how to classify the diverse population of Czechoslovakia into groups according to which we could follow the development of personal consumption. There can be as many such population groups as there are criteria of division chosen by us. For example, we can classify the population according to age, sex, professions, etc. Which criterium, however, is important for the study of personal consumption?

All the conditions mentioned above and a series of others influence personal consumption to a lesser or greater degree. However, we are not concerned with all of the conditions but only with the most important of them. First of all, the amount of wages and then the belonging to either the agricultural or the non-agricultural



population has an important influence on the level of personal consumption of individual groups of the population. The influence of wages on the level of personal consumption is completely clear and we do not have to make any further comments. Division of the entire population into agricultural and non-agricultural groups is important because the farmers consume part of the food from their own natural sources and the structure of their consumption and purchase is therefore different in domestic trade from those of the remaining population. Moreover workers and farmers (workers represent the majority of non-agricultural population) are the principal classes in a socialist society and it is important to study their personal consumption also from the point of view of strengthening the union between their classes.

After this problem is solved, immediately arises another one. How should we study the development of personal consumption according to these population groups? Today we are solving this problem in such way that we study personal consumption according to the above-mentioned population groups by means of the so-called family accounts. The State Bureau of Statistics compiles family accounts on the basis of representative statistical examination of the structure of expenses in individual families which are divided into groups according to professions (agricultural and non-agricultural population) and according to the level of income which belongs to one member of a family.

There are around 3000 families under observation which are being chosen on the basis that they most accurately reflect the true structure of all the families in our republic. The individually chosen families keep accurate records of their income and expenditures which show in details what was bought in each period of time. In such way we obtain from direct consumers a series of unusually valuable data which we otherwise would not be able to obtain from the national statistical data.

(Statistics of family accounts have (and had especially in the past years) certain shortcomings as, for example, small representation of families under observation, too general a structure of income groups, insufficient control over the accuracy of reported data, etc. These shortcomings sometimes caused difficulties during the practical application of data from family accounts. In 1957, however, begins a basic improvement of this statistics and consequently all the data will be more accurate.)

A. Comparison of the Structure of Expenditures in Non-Agricultural and Agricultural Families

Statistics of family accounts enable us to look carefully into the management of individual families. Non-agricultural families (families of laborers, office workers, and other employees) satisfy their personal consumption mostly with purchases of goods in retail-stores. On the other hand, families of the farmers obtain a great portion of food from their own sources and purchase mostly non-food articles.

Statistics of family accounts give us a picture of the natural part of personal consumption. This is very important for judging the development of personal consumption of the farmers. The subject of this investigation is merely that part of personal consumption of non-agricultural and agricultural population which is satisfied by purchase of goods on the market. The observation of this part is of great importance for the planning since the central office has to secure it with proper supply of goods with which is the volume circulation of retail goods filled.

What do the statistics of family accounts tell us of the structure of expenditures of the two principal groups of our population?

Structure of Expenditures in Non-Agricultural Families  
(in current prices)

Expense Items	1953	1954	1955
Total financial expenditures from that:	100	100	100
1. expenditure on consumers' goods	64.8	65.1	64.7
(a) expenditure on food	40.3	41.6	40.9
(b) expenditure on beverages	2.3	1.9	1.9
(c) expenditure on non-food articles	22.2	21.6	21.9
2. expenditure on common meals	3.5	3.8	3.7
3. expenditure on building, equipment, and maintenance of apartment houses	0.3	1.5	1.9
Portion of expenditures on food and beverages from the expenditures on consumers' goods	66	67	66

Now let us compare this table with another one which shows the structure of expenditures in families of farmers.

Structure of Expenses in the Families of Farmers  
(in current prices)

Expense Items	1953	1954	1955
Total expenditures from that:	100	100	100
1. expenditures on consumers' goods	51.9	54.9	46.7
(a) expenditure on food	19.7	20.2	17.9
(b) expenditure on beverages	3.3	3.3	2.7
(c) expenditure on non-food articles	24.9	29.4	26.1
2. expenditure on common meals	1.5	1.5	1.4
3. expenditures on building and equipment	6.3	10.6	12.5
Portion of expenditures on food and beverages from the expenditures on consumers' goods	44	43	44

This general division of expenditures of urban and rural families immediately shows several basic differences which are typical for these population groups. First of all we notice that the portion of expenditures on consumers' goods from the total expenditures is much higher within the non-agricultural population than

between the farmers. This is mostly caused by the expenditures of farmers on building and farm equipment and partly also by the relatively higher out-of-the-market expenses of the farmers.

Basic difference in the structure of expenditures between both population groups, however, rests in the different portion of expenses on food, be it measured in regard to the total expenses or to the expenses on consumers' goods.

(The data of both tables are given in current prices. This means that during individual consecutive years we cannot compare their dynamics with other data of this pamphlet expressed in permanent prices. Data in current prices are effected by price fluctuations (as the reduction of food and non-food articles' prices which is carried out in various degrees for each group) which are excluded from the data in permanent prices. We are using here the data in current prices because they are more correct for the comparison of structure of expenditures between both population groups. On the other hand, data given in permanent prices (as we have stressed above) are more reliable for the purpose of expressing the development tendencies of personal consumption as a whole and according to individual types of goods.)

It is quite understandable that the agricultural families spend much smaller amount of money on the purchase of food than the families of town population. From the table we can see that the portion of expenditures of the farmers on food is (in comparison to the total expenditures) roughly half the portion of non-agricultural families. Differences in the structure of expenditure between both population groups are relatively steady during individual years and in the coming years will probably undergo only slight changes.

The second striking difference is noted in the third group of expenses to which belong expenditures on building and maintenance of apartment houses and on the developing of the farmers'

economy. Between the farmers this expenditure is considerably large and their portion has been rapidly growing in the past few years. As our table shows, in 1955 it represents 13.5% of the total expenditures of agricultural families and almost 22% of the expenditures which the farmers spent on the purchase of goods (sum of the items 1 - 3). Certainly this is an evidence of rapid rise of the farmers' standard of living who are rapidly improving their housing conditions and their economy. In connection with the development of JZD, the share of expenses on the maintenance of living quarters and their building will undoubtedly rise within this expenditure.

On the other hand, among the non-agricultural population, this expense represents relatively small portion of the total expenditures and of expenditure on goods. Besides, it is growing with a simply terrifying speed, much faster than in the agricultural families. We can almost certainly count on the fact that their volume will continue to grow fast in the future.

During the evaluation of the above tables we have to combine the amount of expenditures on non-food articles with the increase of expenditures on building and equipment. Compared to 1952 the expenditures of the farmers on non-food articles relatively decreased, but if we combine both amounts, we will find that on the contrary, their portion increased. (The relative decline of expenditures on non-food articles in the families of farmers is effected by the fluctuation of prices. That is to say, in the last few years we have reached a rapid decline in prices of non-food articles the prices of which were falling much faster than those of food. If in our table we had used permanent prices, the portion of expenditure on non-food articles in 1955 would have been much higher than in 1953, as the following table shows.)

Statistics of family accounts enable us to conduct closer observation of the management of agricultural and non-agricultural families. On the basis of family accounts we can classify the purchases of consumers' goods state stores and cooperatives according to two principal groups of goods. Then we will obtain the following picture:

Comparison of the Structure of Purchases of the Workers' and Farmers' Families in State Stores and Cooperatives

(Percentile shares calculated according to the structure of purchases in the prices of 1953.)

	Workers' families			Farmers' families		
	1953	1954	1955	1953	1954	1955
Total expenditures in store	100	100	100	100	100	100
1. food <sup>(1)</sup>	62.01	60.39	57.85	36.73	37.80	37.11
meat and meat products	14.25	12.75	13.01	7.96	5.38	5.18
fats	10.62	10.19	9.65	5.71	4.32	4.40
milk and milk products	5.62	4.89	4.65	0.47	0.59	0.49
eggs	2.38	2.04	1.97	0.12	0.03	0.05
flour, flour products						
legumens and rice	12.02	11.50	10.96	5.53	5.45	5.84
sugar and sugar products	8.46	7.88	7.88	9.81	9.36	9.03
coffee, tea	0.74	0.80	0.96	1.06	1.18	1.44
2. beverages	3.86	3.32	3.52	6.49	6.07	5.53
3. non-food articles	34.13	36.29	38.63	56.78	56.13	57.36
textiles	14.89	16.45	17.70	17.91	28.86	27.52
footwear	3.42	3.69	3.89	6.15	5.97	5.90
soap	1.65	1.82	2.02	1.69	1.74	1.79
goods of investment value	5.13	6.05	6.90	9.24	10.70	13.96
fuel	2.23	2.07	1.98	3.27	1.96	2.01

(1) Without expenditure in public mess halls

Again appears the familiar difference between the share of food and non-food articles in the total purchases of workers' and farmers' families and again we note the tendency of faster increase of the consumption of non-food articles in contrast to consumption of food.

The portion of food in the total volume of purchases in stores grows normally in the farmers' families which is caused mainly by the fact that to a greater extent, farmers buy food which they do not supply themselves. This is evident from the fact that the portion of expenditures on food which the farmers produce themselves (meat, milk, eggs, etc) is not growing but declining because the consumption of farmers' produce is growing. Besides, because of insufficient extent of investigation, a slight distortion is not excluded here.

Remarkable is the very rapid growth in purchases of goods of investment nature (as furniture, building materials, etc) especially among farmers and to a lesser extent, among workers. Both among the farmers' and the workers' families we see that in the expenditures on non-food articles purchases of textiles and footwear plays the leading part (together they form more than half of the expenditures on non-food articles). This means that the principal portion of supplies of non-food articles meanwhile has to be assigned for the financing of these purchases.

Further, it is significant among the workers' families that the share of expenditures which these families spend on the purchase of food is declining not only in general but also in the principal types of food. (We should not forget that these are portions from expenditures and therefore are not absolute numbers. When the total expenditures are growing then even a smaller portion can mean an absolutely greater part. This is true both on paper and in reality.) This means that the workers do not feel a necessity to increase the purchase of food with the same rate as their income and therefore spend a part of their increased income on other ends, for example, on non-food articles or on services, etc.

From the above-mentioned relations between the structure of expenditures of urban population and the farmers, besides the above-mentioned conclusions on portions, also follows one basic conclusion

for the future. First we will have to gradually and more intensively expand the purchases of non-food articles by urban population. Otherwise the urban population would be at a disadvantage against farmers who can (relatively in regards to the amount of their income and consumption of farm produce) buy much larger quantities of non-food articles as shown in our tables.

The best acceptable way to solve this problem, according to all indications, is the policy of systematic reduction of food prices which we have already introduced and will continue in the future according to the condition of supplies on the domestic food market. Such a policy will have favorable influence on other relations within national economy, especially on the removal of equal precedence in the problem of wages, etc. (If, however, the prices of food are higher in comparison with other types of goods then we have to give a considerably high remuneration for non-professional work so that even non-professional workers would have not only plenty to eat, but also could live in corresponding cultural conditions.)

These are the principal conclusions which follow from the deliberations on structure of the expenditures of rural and urban families. So far, however, we have been examining individual groups of households as a whole, without being concerned about the type of families they are composed of. When we examine the families more closely and divide them into several groups, we see further differences in their consumption and reach new conclusions which we then utilize directly in the planning experience during the planning of retail-store circulation and also during the planning of retail price reduction.

B. Comparison of the Structure of Expenditures in Families according to Income Groups

Classification of the population according to the size of income is of great importance for the study of the development tendency of personal consumption and for the analysis of the standard of



living of these groups. Until 1956, according to the rules of our statistics of family accounts, the population was classified into the following income groups:

- I. families with an average yearly income up to 3600.00 crowns per capita;
- II. from 3600.00 to 4800.00 crowns;
- III. from 4801.00 to 6000.00 crowns;
- IV. from 6001.00 to 7200.00 crowns;
- V. 7200.00 crowns and higher.

Recently, however, this classification became inadequate mostly because the higher income group -- over 7200.00 crowns yearly income per capita -- does not represent the really highest income but the average national income per capita. According to the balance of income and expenditures of the population, in 1955 the average yearly income per person in CSR was 7277.00 crowns. Therefore beginning with 1957 the number of income groups is to be increased by several groups with above-the-average income.

Observation of the structure of expenditures (especially the structure of consumers' goods in stores), according to individual income groups of the population, enables us to discern the development tendencies of personal consumption just the way they actually occur in a given year. The structure of consumption of the higher income groups represents the probable future consumption of lower income groups which these groups will reach in coming year, after the increase of their actual income.

In recent years, the increase of average income calculated for one inhabitant of CSR was developing as follows:

	1952	1953	1954	1955	1956 <sup>(1)</sup>	Index 1952/55
Income in crowns per inhabitant	5999.91	6262.07	6849.62	7277.31	7626.49	121

(1)Planned development.

The increase of income causes constant movement of individual families into higher income groups. This means that these families also change the structure of their consumption in the direction which is determined by the structure of consumption of a given higher group. Therefore data of the statistics on family accounts are of invaluable help during perspective planning of the retail store circulation, during the planning of reduction of prices, etc. Consumption according to income groups is important because after studying it we come to important conclusions, as it is also noticeable from the following explanation.

In the preceding chapters we have shown that our nominal wages and salaries are constantly growing and so are the number of employed persons and the actual income of farmers. Besides that every year we are reducing the prices on consumers' goods. Therefore, not only the average income per person, but simultaneously also the actual income of the population and especially, the quantity of consumers' goods are increasing.

In the third part of this chapter we have discussed the development tendency in the consumption of food and non-food articles. We have proved that under physical manifestation the Czechoslovak consumption of non-food articles is growing faster than the consumption of food. Therefore the share of food is falling if we are using permanent prices. From the statistics of the circulation of retail goods, we know the total development of the portion of food (see table on page 52). This, however, is too general an index for a more thorough analysis and if we want to foretell probable future development, we have to know what is this general index composed of and how did we obtain it.

When examining food consumption, we have to consider first the consumption of non-agricultural population because this is the major consumer of purchased food. We have seen that the non-agricultural

population as a whole invests an average of almost 60% of all expenditures in stores for the purchase of food, while for the same purpose, the farmers dedicate only 37% of expenditures on purchases in stores. (See table on page 72 which shows the structure of expenditures among workers' and farmers' families. The structure of expenditures among office workers' families is slightly different -- in 1953 share of food was 57.46%.)

Distributed into individual income groups, this general indicator is manifested as follows:

Share of Food Expenses from the Total Expenditures in State Stores and Cooperatives among Non-Agricultural Families<sup>(1)</sup>  
(in permanent prices of 1953)

Annual income per capita	1953	1954	1955	Index 1955/53
to 3600.00 crowns	67.75	67.50	69.11	102
from 3601.00 to 4800.00 crowns	65.86	66.42	65.22	99
from 4801.00 to 6000.00 crowns	63.30	60.93	60.21	95
from 6001 to 7200.00 crowns	61.35	56.57	54.59	89
over 7200.00 crowns	56.55	53.47	52.87	95

<sup>(1)</sup>Food without beverages and without expenditures in common mess halls. The same applies to next tables.

The table shows that with the exception of the first income group, in all the remaining groups the portion of food in the total amount of purchased goods declines during individual years. Then we see that each year the same tendency appears in various income groups. This tendency is manifested in such a way that the portion of food in the total purchases constantly declines in the families with higher income. This is the concrete form of the general tendency which we have discussed in the third part of this chapter. Besides, the decline of the food portion in the total purchases is higher in the two highest income groups than in the preceding groups.

These data could point to the fact that the rate of decline of food portion in the purchases of nonfarming families will increase in the future years while a greater number of families will transfer into the higher income groups which are characterized by the faster decline of food portion. However, for final conclusions the above-mentioned data are still not completely adequate both because of lack of time and possible shortcomings of the inquiry.

Further aspects of the rise of personal consumption will appear if we look at the portion of the major types of consumer's goods in various income groups of the city population, especially in food.

Shares of Major Types of Food from the Total Purchases of City Families in 1955

Type of foodstuffs	Income groups					Index	
	I.	II.	III.	IV.	V.	$\frac{V.}{I.}$	$\frac{V.}{II.}$
food as a whole (without beverages)	69.11	65.22	60.21	54.59	52.87	76	81
meat and meat products	13.23	12.92	13.42	12.76	12.39	94	96
fats	12.30	11.04	10.32	9.14	8.04	65	73
milk and milk products	5.55	5.77	6.30	4.53	3.84	69	67
eggs	1.95	2.08	2.23	1.85	1.90	97	91
flour, flour products, legumens and rice	15.99	13.73	11.75	10.41	8.34	52	61
sugar and products from sugar	9.09	8.60	8.35	7.98	7.15	79	83
coffee, tea	0.78	0.80	0.91	0.83	1.33	171	166
beverages	2.85	2.88	2.89	3.59	3.43	120	119

We have already seen that the share of food in total purchases declines together with growing income. Now we see that this decline is not the same in all types of food. In the table we present indexes of shares of the highest group (i.e. above 7,200.00 crowns of yearly income per capita) to the shares of the first 2 income groups.

In the share of food as a whole, the index of the fifth group to the index of the first is 76%, index of the fifth groups to that of the second is 81%. From the following data we see that the share

of expenditures for meat and meat products, eggs, sugar and products from sugar declines together with growing incomes less rapidly than the shares of food as a whole. The share of expenditures for coffee, tea and beverages even increases. Contrary to that the share of expenditures for fats, milk and milk products declines a little faster and the share of expenditures for flour, flour products, legumens and rice, declines most rapidly.

These facts show that demand for food in the highest income groups as a whole (which actually is nearer to the average than to the above-average incomes, as we have shown above) is satisfied in the vegetable and major animal products. Families that belong to this group readily increase their expenditures for other goods. The same tendency also appears occasionally in the comparison of shares of expenditures between all income groups. The differences between neighboring groups are naturally smaller but the basic tendency remains mostly unchanged.

Therefore we can rightly certify the conclusion that with the rising of income of the city population, the demand for non-food articles will continue to grow rapidly. Among the different articles of food, the demand for flour, flour products and legumens will grow less rapidly; the demand for meat, eggs etc will grow faster and the demand for luxury food will increase most rapidly. The structure of food consumption is therefore improved systematically from one income group to another. We made this conclusion in the fourth part of this chapter on the basis of the total nationwide data. This was again confirmed by the analysis of different types of facts and we projected this general tendency into the actual conditions of individual population groups.

Similar tendency in separate income groups can be found with non-food articles. Analysis of the statistics of family accounts completely certifies the fluctuation in consumption of non-food articles which we have characterized in general terms in the fourth part of this chapter.

Changes in the structure of purchases in separate income groups can also be described in a different way, not according to shares, but according to the growth of absolute expenditures. Then we will have the following pictures:

Consumption of the City Population According to Income Groups  
in % of the Increase of Absolute Expenditures

	Income group				
	I.	II.	III.	IV.	V.
Total expenditures in stores from that:	100	124	152	174	222
food	100	122	142	151	181
non-food articles	100	131	180	240	340
eggs	100	150	211	192	233
sugar	100	110	119	121	128
butter	100	126	161	161	208
lard	100	133	143	171	173
edible fats	100	106	105	101	105
meat and meat products	100	125	150	164	196
bread and pastry from rye flour	100	101	97	97	104
potatoes	100	93	119	93	128
wheat flour	100	98	95	90	94
cotton fabrics	100	142	183	284	351
silk fabrics	100	162	235	335	494
wool fabrics	100	127	153	273	473
footwear as a whole	100	118	144	161	182
radio receiving sets	100	318	208	682	1819
furniture	100	151	214	519	894
remaining apartment furniture	100	251	306	472	767
books	100	155	216	263	405
transportation means	100	118	210	269	458

(Planned Economy No 4, 1956.)

Again the previously found tendency appears in another form in this table. We see that the rise of food consumption in the highest income groups is slower than the rise in consumption of non-food articles. We observe that the higher the income group which we analyze the bigger are these differences. The evolutionary tendency in food and non-food articles is also corresponding.

Among the non-food articles the rapid increase of the consumption of silk and wool fabrics and machine-shop products deserves special attention. This table certifies again that the reduction of prices of the rising of income of city population will develop pressure first of all on the increase of purchases of non-food articles. If the prices of food become reduced, it will mean only a smaller increase of their consumption and a bigger part of thus freed purchasing power will be directed toward the purchase of textiles and machine-shop products.

Data of the statistics on family accounts are far more detailed and the ways of their use are more manifold than we showed above. Our task was to draw only the major conclusions which follow from the analysis of family accounts.

#### 7. Personal Consumption in Czechoslovakia Compared to the Consumption in the most Developed Capitalist Countries

We would like to close the analysis of the evolutionary tendencies of personal consumption in CSR with the comparison of the results of progress of personal consumption in our country and with the results which were achieved by other European and overseas countries. This comparison will certainly be very useful and will allow us to create a wider scope of opinion on the standard of living in CSR. First however, we have to discuss the difficulties of such a comparison.

If we have to compare the level of personal consumption in various countries, it is necessary to compare the comparable data first. So, for example, we cannot compare the height of nominal wages because it does not tell us what a worker could actually buy for his wages. Even the dimensions of real wages could not be

compared without further analysis of data on the average conditions of employment, number of unemployed persons and so on. Also the way of calculating various indexes which characterize the level of personal consumption, varies in different countries, so that their components are often very different. Besides that the incomplete bourgeois statistics and the almost universal effort to base as much data as possible on the standard of living of the population make most of the official data in capitalist countries unreliable. In order to describe the level of personal consumption, the analysis of reliability of bourgeois statistics and the problems of methods of calculation of correct indexes do not belong to this pamphlet but to the special statistical works. In this work we have to draw attention to the difficulties of the comparison, but we cannot solve it.

Therefore we can not make an international comparison of the level of consumption in its entire scope: instead we will limit ourselves to some major types of consumer goods. We will make the comparison on the basis of calculating consumption per person in material units because this represents relatively the smallest danger of distortion, if we wish to stay within the simple indexes. For the capitalist countries we use the data obtained by the Institute of Technical-Economical Information in Prague which produced the original data of official statistics. [See note] Because some countries do not have this, for comparison we always use the previous year for which we have more data.

([Note] It is necessary to say that these data do not render an exact representation of the level of personal consumption but, as a rule, make it appear higher. They are obtained by means of the method of balance, that is, we start with the volume of production of appropriate types of goods, add the import, subtract industrial processing and export and (if there are any data), we also take into consideration the fluctuation of supplies. Thus obtained :



multitude of products is divided by the amount of population. Disregarding the fact that the starting data often are not precise, consumption per capita, found in this way, also includes group consumption as is the consumption of the Army, various institutions and so on.)

Consumption of Food per Person

Country	Meat <sup>1</sup>	Butter	Margarine <sup>2</sup>	Flour <sup>3</sup>	Sugar <sup>4</sup>	Eggs
	kg 1953	kg 1954	kg 1954	kg 1953	kg 1954	pcs 1953
Czechoslovakia	38.5	4.8	6.81	132.3	32.4	156
Belgium and Luxembourg	47	11	9.5	104	27	204
Finland	30	15.3	5.0	127	35	119
France	68	6.7	--	120	30	187
Italy	18	1.5	--	155 <sup>5</sup>	16	119
Western Germany	41	6.7	12.4	98	25	153
The Netherlands	32	2.9	18.4	95	36	102
Norway	35	4.2	23.6	104	38	102
Austria	42	4.2	2.8	118	26	102
Sweden	50	11.4	12.8	83	43	170
Switzerland	48	6.3	--	108	39	153
Great Britain	56	6.2	8.4	98	38 <sup>6</sup>	204
USA	75	4.1	3.6	74	41	391

<sup>1</sup>The data for meat, flour, sugar, eggs and milk are from 1952-53, 1953-54 etc.

<sup>2</sup>Vegetable edible fats in CSR.

<sup>3</sup>Grain is counted in the price of flour.

<sup>4</sup>In CSR, only refined sugar is included. In the remaining countries there are data including honey and syrups.

<sup>5</sup>1953-54.

<sup>6</sup>1952-53.

For comparison we chose all the leading capitalist countries with a highly developed economy and a series of smaller countries which have highly developed industry and agriculture. In the next

series of capitalist countries the level of consumption per capita is far lower than in the countries shown here. Food consumption in various countries is influenced by a series of specific factors, such as the level of agricultural production, common traditions of consumption, sometimes also climatic conditions and so on. However, in the countries which we introduced, these influences are not strong enough to make any comparison of food consumption per inhabitant possible.

From the table is first seen the fact that in the consumption of food per capita, Czechoslovakia occupies one of the leading positions in the world. Let us look closer at the consumption of various types of food.

The consumption of meat in CSR is higher than in Finland, Italy, the Netherlands and approaches the level of consumption in West Germany and Austria. The difference between us, West Germany and Austria is no longer great. However, we are considerably behind the highest consumption in the USA, Great Britain, France and other countries. But the consumption of meat in Czechoslovakia grows steadily and will mostly depend on the development of animal husbandry, until we will reach and exceed the level of consumption of countries which today are still ahead of us.

Butter and margarine: A comparison in this sphere is especially difficult because the consumption of fats has numerous peculiarities. In some places mostly butter or margarine are consumed (in northern countries), elsewhere again more oil (for example in France and Italy). In still other places the consumption of lard is higher. In the consumption of butter we surpass Italy, the Netherlands, Norway, Austria and the USA. In the consumption of margarine we are behind the majority of countries because we consume more lard and butter than margarine.

Flour and flour products: In the consumption of these products, Czechoslovakia surpasses all the given countries, with the exception of Italy. High consumption of flour is traditional in our country and without doubt it is connected with the relatively lower consumption of meat. As we showed already, a universal tendency toward the decline of the share of flour in the consumption of food is appearing.

In our country consumption of sugar is on a high level, as is proved by comparison with other countries. Besides the data from GSR do not include consumption of syrup and honey. The differences between our level of consumption and the consumption of sugar in such countries as USA, Sweden, Switzerland or Great Britain can be overtaken in a short time.

The same is true in the consumption of eggs where we surpass the majority of the above-mentioned countries, among them such countries as West Germany, the Netherlands, Austria and Switzerland. In the USA the consumption of eggs is extraordinarily high which (excepting possible inaccuracies in the inquiry) is doubtless caused by the specific character of American kitchen. In the majority of European countries the structure of consumption is different, therefore the extreme case USA should not be considered in the comparison.

Especially instructive is the comparison of consumption of food between Czechoslovakia and Austria because these countries have very similar structure of economy and geographical conditions. We see from the table that except for meat the consumption of all food in GSR is higher than in Austria and in some places even considerably higher.

Because of the lack of reliable statistical data from capitalist countries, it is impossible to make a comparison of the level of consumption of non-food articles. Bourgeois statistics pay attention

first of all to the consumption of food and in most cases give only incomplete and often indirect data on the consumption of other goods. Mostly they give only the total amount of processed raw materials etc. While the more comparable data on the consumption of non-food articles in various countries are not yet prepared or publicized, it would be foolish to make any kind of comparison. [See note] To that which we said about the consumption food (and it also applies to the consumption of non-food articles) we have to add these further explanations:

([Note] In the magazine "Nova Mysl" (The New Thought), No. 12 from 1956 a valuable article by J. Flek and B. Lefcik was published. It compares the level of production per inhabitant from the international point of view. There are also data on the production of consumers' goods per capita in CSR and in the capitalist countries which can give us an indirect idea about consumption.)

(a) When we are examining the data published here we must realize that they characterize only the immediate state of consumption in a given year and do not say anything about their dynamics.

At our disposal we have only data for one year, thus only one point on the development curve, which is not much. Besides, the direction of the curve - either upward or downward - is to be of great interest to us. Comparison of the dynamics of consumption needs an analysis of time series on the development of consumption. To avoid the necessity to give a series of tables on the consumption of various kinds of food in various countries, we will quote the most representative data on the relation of consumption in prewar years and at the present time. Some data quoted in the previous table in absolute quantities are transferred here into the indexes against the prewar averages.

	Meat	Butter	Mar- garine	Flour	Sugar	Eggs
CSR	127	100	145	127	136	119
Belgium and Luxembourg	102	126	142	90	96	150
Finland	91	145	132	99	125	--
France	128	124	--	97	125	122
Italy	90	125	--	95	228	87
West Germany	80	79	159	87	96	129
the Netherlands	84	48	300	89	124	67
Norway	92	60	127	87	126	86
Austria	86	117	187	86	108	86
Sweden	102	103	121	87	98	125
Switzerland	91	98	--	98	102	100
Great Britain	82	55	216	103	83	92
USA	117	54	276	82	93	127

This table is in one direction more objective and more truthful than the table on the absolute level of the consumption per capita in one year. It shows namely the direction of the development of food consumption in CSR and in the major capitalist countries.

In 1953 consumption of meat in Czechoslovakia exceeded the prewar level by 27%. In 1955 consumption of meat per capita in CSR was already 42.2 kg and thus exceeded the prewar level by 39%. Contrary to that in the majority of the capitalist countries the consumption of meat per capita declined against the prewar level, in some places substantially (in West Germany by 20%, in the Netherlands by 16% and in Austria by 14% etc). The decline of the consumption of meat in the majority of the capitalist countries is a doubtless proof of the aggravation of nutrition of the workers because meat belongs to food, the consumption of which has to grow absolutely and relatively in relation to food of vegetable origin.

Consumption of fats: If we judge the consumption of butter and margarine at the same time, we see that the consumption as a whole in Czechoslovakia increased. With butter it reached only the

prewar level which is a success, if we consider that in 1954 there were 352,000 less milking cows than in 1937. Yet the consumption of vegetable fats (the quality of which remarkably improved) increased almost by one half.

In the capitalist countries the situation is remarkably different. In all the countries which are shown in the table, the consumption of butter and margarine together increased, in some places however, only slightly, as in Sweden and Switzerland. In Great Britain and the USA there even occurred a gradual absolute decrease of the consumption of butter and margarine. In the majority of capitalist countries we can watch a typical phenomenon in that the consumption of butter stagnates or absolutely decreases but the consumption of margarine increases. In Great Britain and in the United States consumption of butter decreased against the prewar level almost by one half, in Norway by 40%, in the Netherlands even by 52%. While each year we increase the consumption of butter and in 1955 we crossed the prewar level, in the capitalist countries the workers have to buy margarine because they do not have enough money to buy butter. The consumption of flour decreased against the prewar level in all the capitalist countries except Great Britain where it shows a slight increase. In Czechoslovakia consumption increased more than by one fourth against the prewar level. In the preceding parts of this pamphlet we showed that the share of vegetable products, especially flour decreased in the whole consumption of food. But if we observe now that in the majority of capitalist countries occurs an absolute decline of the consumption of flour with a simultaneous absolute decrease of the consumption of meat, it could only mean that the population in these countries lacks the money for the purchase of basic food, i.e., the level of nutrition is not even such as it was before the war.

In the majority of capitalist countries the consumption of sugar develops noticeably unsymmetrically. In the rate of increase of the consumption of sugar we surpass all the capitalist countries except Italy, where however, consumption of sugar per capita in absolute quantity is indeed still very low.

The consumption of eggs presents a different situation in the individual countries of our table. In a series of countries the level of consumption is well below the prewar average. Only 4 out of 12 capitalist countries surpass us in the rate of increase of the consumption of eggs.

From the mutual comparison of both tables, as we have done now, follows this general conclusion about the consumption of food per person in Czechoslovakia and in the chosen capitalist countries:

As far as it concerns the absolute level of consumption of food per person, Czechoslovakia ranks with the foremost countries of the world. It did not reach the highest level of consumption yet, as we see it in Sweden and the USA. However, we surpass all the capitalist countries in the equal and also fast rate of increase of food consumption. Here rests our basic priority and it depends only on us how quickly we will increase it.

(b) Further it is important that the consumption of products in our country is divided among the inhabitants far more equally than in the capitalist countries. While here the indexes of average consumption per capita in reality characterize the level of consumption of the majority of population, in the capitalist countries, on the other hand, there exist sharp differences between the level of consumption of the capitalists and some well paid groups of the population and also in the level of consumption of laborers and the majority of workers. The consumption of the unemployed and parttime employed person is minimal, i.e. millions of people whose existence is closely connected with the capitalist system.

(c) During the comparison of the consumption per capita in our country and in the capitalist countries we finally must also bear in mind that the standard of living (as we already showed in the first chapter) is not only the consumption of products per capita. Important factors of the standard of living are the services which we are not discussing in this pamphlet because they do not belong to personal consumption but with which we have to deal if we want to be able to judge which laborers live better - ours or those of some capitalist country.

In order to realize the doubtless and great achievements that we reached by raising the standard of living with the exception of the area of personal consumption, we will now present a brief outline of the major facts on the development of social, cultural and other services. Facts which we will discuss are not new. However, we often forget the great achievements of our young republic or we are not always capable of being emphatic enough in reminding the people about them, for they "forget" on purpose, in order to lessen the results of our socialist buildup. [See note]

([Note] Almost all the data on the progress of education, culture and health and other services are obtained from the publication Ten Years of CSR, Rude Pravo, 1956.)

First we will observe our education. The care of the state for the education of youth and grownups is now such a natural phenomenon that we do not even realize what our education means to us and that in the world there are many countries where education is still the privilege of the rich.

In the academic year 1955-56, in our schools of general education 2 million pupils studied. Their number was only 300,000 less than before the war when we had almost one and a half million more inhabitants. At the same time the number of pupils who receive higher general education is rapidly increasing. In the academic year of



1955-56 almost every sixth eighth-grade graduate was registered in the ninth grade of the 11 year schools. In our professional schools there are now more than 140,000 pupils, that is 86% more than in 1936.

The biggest progress however, was made by our universities. The highest possible education can be now obtained by everyone who can prove his ability to study at a university. After 1945 we established new universities and colleges in a series of cities of our republic. The total development of the universities in Czechoslovakia is characterized by this table:

Universities in the Academic Years 1936-37 to 1955-56

	1936-37	1945-46	1949-50	1953-54	1955-56
Number of schools	13	11	25	39	40
Number of colleges	52	44	54	106	106
Number of students with Czechoslovak citizenship	23,435	54,902	41,243	46,738	48,534

As far as the extent of the university education is concerned, not one of the leading capitalist countries can compete with us as it is shown in this table:

Number of University Students for Every 100,000 of Inhabitants

Country	Year	Number of students
Czechoslovakia	1950	302.3
Czechoslovakia	1953	364.6
Czechoslovakia	1955	370.8
England	1953/54	195.4
France	1953/54	306.7
West Germany	1953	217.8
Sweden	1952	279.4
Switzerland	1954	237.0
Italy	1954/55	285.8
Austria	1954	193.0
Norway	1951	183.3

At the same time there are thousands of people studying while working who enter under the category of special students. The above table does not include their number. In 1955-56, in our highschools and professional schools there were 51,566 special students. The same year, at the universities there were 22,302 special students.

In great contrast to these data is the information from capitalist countries. According to the information of The New York Times, in 1952 more than 3.5 million of American children could not attend school because of the lack of schools, teachers and financial funds. According to the official data, during the same time, there were over 2,800,000 illiterate persons of 14 years of age in the United States.

Such is the brief outline of the situation of our education which is fully sufficient for documentation of the indisputable priority of our socialist organization. We are not even mentioning the great extent of our non-academic establishments as student boarding houses, mess halls, groups of school youth and so on.

Further division of the standard of living is culture and enlightenment. Because of the small size of this publication we can take up only some mass forms of cultural services.

Our theater made remarkable progress after liberation. The number of permanent theaters increased from 52 in 1937 to 70 in 1950 and the number of visitors increased in the same time from 5,000,000 to 12,700,000. Attendance in the moving picture theaters reached a still higher peak. The attached table shows the increase of the number of movie theaters, movie performances and the rise of the number of visitors from 1937 to 1955.

	1937	1948	1953	1955
Number of movie theaters	1,838	2,647	3,466	3,478
Number of performances	424,600	724,400	960,600	989,100
Number of visitors (1000 persons)	84,500	154,300	144,400	163,600

The table does not include the regular movie performances which are arranged by cultural clubs and other organizations which yearly have an attendance of about 11 million people. If we take into consideration also these performances then in 1955 there was an average of about 13 visits to the moving picture theaters per person. Contrary to that, in 1954 in France there were nine visits per person. Approximately the same amount of visits per person was true in Austria and Denmark, while in the Netherlands there were in the same year six visits and in Norway 10 visits per person.

The amount of radio licenses grew in 1955 against 1946 by 70.8%. In 1955 there was one radio license for 4.6 persons, while in 1937 it was for 14 persons. Although we introduced television later than the capitalist countries, in 1955 there was one television license for 410 persons. Among the European countries only England, France, West Germany, Italy and Belgium surpass us in the development of television. The remainder of the countries, among them Sweden, Switzerland, Denmark, the Netherlands are behind us in the progress of television.

The rapid rise of published books joins the general progress of our culture. In 1937 we published 32,000,000 books and an average edition of one book had 4,931 copies. In 1955 we published more than 46,000,000 books and an average edition of one book had 10,551 copies.

Such are the brief characteristics of the development of our cultural services. Not one capitalist country can boast such a rate of development of culture and its mass expanding among all classes of the population.

An unusually successful chapter of the rise of standard of living in the people's democratic Czechoslovakia is the development of our health institutions. By the law of people's insurance all the laborers and their families, members of JZD and self-employed persons -- that is, almost all the inhabitants of the state -- are

insured for hospitalization and income. Contrary to that, in the capitalist countries illness represents a real disaster for the afflicted and his family. Data of the American bulletin Labor Fact Book, volume 12, 1955, assert that about eight million of American families are indebted as a result of expenditures for medical treatment. About one million families spend one half of their income for doctors' care because they cannot afford the high insurance.

In 1937 there were in our country 1,218 inhabitants to one physician. In 1946 this amount increased to 1,283 inhabitants. After this followed a rapid increase of the number of physicians so that in 1955 there were only 714 inhabitants to one physician. Herewith Czechoslovakia ranks among the most developed countries of the world, as the attached table shows:

Country	Year	Number of inhabitants to one physician
Czechoslovakia	1953	760
Czechoslovakia	1954	740
Czechoslovakia	1955	714
Australia	1952	1016
Belgium	1953	982
Denmark	1953	954
Finland	1953	1870
France	1953	1132
Canada	1952	937
West Germany	1953	751
the Netherlands	1953	1166
Norway	1952	920
Austria	1953	646
Sweden	1953	1357
Switzerland	1954	705
USA	1953	763

At the same time our own experience teaches us that a large number of our physicians are fully used by the inhabitants, while in the capitalist countries there are a number of physicians without employment or with part-time employment only.

Finally we have to mention the further and no less important factor of the standard of living -- home culture. Our government rightly emphasizes the improvement of housing conditions.

Even though our dwelling construction is continually behind the needs of the population, yet the number of apartments consigned yearly to utilization is increasing. This review testifies it:

In 1946 there were 21,683 apartment units consigned to utilization.

In 1953 there were 38,957 apartment units consigned to utilization.

In 1954 there were 38,193 apartment units consigned to utilization.

In 1955 there were 50,951 apartment units consigned to utilization.

(Statistical Data SWS, No 1/1956.)

From the beginning of 1948 to the end of 1955 in the socialist sector there were 206,313 apartments with living area of 9,029,000 m<sup>2</sup> (square meter) and within the frame of individual home construction 80,599 apartments were gained. Besides, the average rent today in Prague is substantially lower than it was in the times of the first republic, representing an average of 2,200,00 crowns yearly including the appropriate payments and central heating.

It is very instructive to look into the prewar statistical year-books on the data of the height of rent. An average yearly rent in Prague, in the capitalist republic was not only high, but was steadily rising. The rent of a two-room apartment which came under the law of rent control, developed as follows:

	Year				
	1930	1931	1932	1933	1934
Average yearly rent in crowns	2220	2220	2220	2250	2300

As the following review indicates, the rent was much higher on those two-room apartments which did not come under the law of rent control (in 1934 such apartments were in the majority).

	Year				
	1930	1931	1932	1933	1934
Average yearly rent in crowns	4500	4750	5150	5300	5500

The balanced average of rent of both categories of apartments was such:

	Year				
	1930	1931	1932	1933	1934
Average yearly rent in crowns	2836	3232	3523	3775	3958

Besides the number of apartments which did not come under the law of rent control was systematically rising. While in 1930 there were 2.5 apartments not under rent control to one apartment belonging under rent control, in 1933 the difference between both categories was 1:1 and in 1934 1:0.9 (all the data on rent are taken from the Statistical Year-book of CSR, 1936).

Besides that we have to consider the equipment of apartments with gas, water, bathrooms and electricity. In 1930 only 31% of Prague's apartments had gas, 32% bathrooms, 50% water and 73% electricity.

In 1950 gas was installed already in 52% of Prague's apartments, electricity in 97%, water in 88% and bathrooms in 54%. Consumption of electricity in households increased in the previous years as follows:

	Year			Increment in 1955 against 1948 in %
	1937	1948	1955	
Consumption of electricity in households in million KWH	281	712	1371	+92.5

All these are the indisputable facts which speak in our favor - in favor of Socialism. Our standard of living is rising noticeably every year despite all difficulties and mistakes.

#### CHAPTER IV. PLANNING OF THE CIRCULATION OF RETAIL-GOODS IN CSR

In the preceding chapter we have analyzed the situation of personal consumption in the process of reproduction and its principal development tendencies in socialism. In this last chapter we will discuss the methods of planning of personal consumption in our republic.

The development of personal consumption is included in various parts of the state plan of national economy. Almost every part of the state plan of national economy expresses either a side of the rise of personal consumption or secures the creation of conditions for its lasting growth and improvement. Therefore it would not be possible to speak here about the methods of compiling all the parts of state plan which are directly or indirectly concerned with personal consumption. Therefore we will analyze only those parts of the plan which are most significant for the determination of expected development of personal consumption.

The most important problems of the development of personal consumption are concentrated in the plan for retail-store circulation. The consolidated plan of retail-store circulation belongs to the principal parts of state plan of national economy. Almost nine-tenths of any personal consumption of the population is carried out by means of retail-store circulation. No other part of the state plan is concerned with the development of personal consumption as extensively as the plan of retail-store circulation.

The following pages will acquaint us with the main principles of planning of the retail-store circulation on the national scale. We will not discuss the problems of planning of retail-store circulation on the level of ministries or business concerns. As far as these problems are concerned, we recommend that the reader obtain literature in the field of domestic trade.

### 1. Parts of the Consolidated Plan of Retail-Store Circulation

The consolidated plan of retail store circulation is composed of 4 principal parts. These are:

(a) The proper plan of retail-store circulation which contains the denominator of the total volume of retail-store circulation in the distribution according to systems and regions.

(b) The plan for securing retail-store circulation in state stores and cooperatives with goods.

(c) The plan for the circulation structure of common mess halls.

(d) The plan of the retail-store system and the system of common mess halls.

For every year the actual content and form of these parts of the plan are determined by methodical directions which are issued by the State Bureau of Planning. The plan of retail-store circulation is compiled by all the ministries and central bureaus which are carrying out the retail-store circulation. In the same way, the KNV and the Slovak planning organs compile a draft of the plan which concerns the region that is in their jurisdiction. The Ministry of Domestic Trade and the State Bureau of Planning are compiling the plan of retail-store circulation on national scale.

### 2. The Planning of Total Volume of Retail-Store Circulation

The first task which the planning organs have to consider is the determination of total volume of retail-store circulation during the planned year. The index of retail-store circulation represents an index of value, i.e. money. It is manifested in billions of crowns in current prices. The problem which concerns us now is the type of methodical progress to be chosen by the planning organs in order to determine correctly the expected volume of retail-store circulation during the next year.

Before solving this problem however, we have to explain what retail-store circulation actually means and what the form of this index is in the state plan. Theoretically, under retail-store



circulation we understand only the sale of good to the population. Therefore, the total volume of retail-store circulation will be determined by the sum of the prices of sold goods or by the amount of money which the population spends in stores.

The actual content of the index of retail-store circulation in the state plan is however somewhat different. Besides the purchases of goods by the population, retail-store circulation also contains the sale of consumer goods to different collective consumers from the state and cooperative concerns. For example, it is the sale of small office supplies to business, schools etc, the purchase of tools and equipment and other necessities by individual agricultural organizations etc. If, however, these purchases in a store by a public organization are financed with market funds and are carried out for retail-store prices and if these purchased products are not resold, then they are included into the retail-store circulation.

Such a form of indicating retail-store circulation has its own justification. It would be both impossible and a bad economic policy if we had excluded the small purchases of public sector from the retail-store circulation, especially since they represent only a small part of its total volume. [See note] However, purchases of the population have always had the major share in the retail-store circulation. From these characteristics of the index of retail-store circulation also follows a methodical progress during the planning of its total volume. The determination methods of the volume of retail-store circulation is based on such considerations.

([Note] On the other hand, it is not purposeful that the purchases by general consumers in retail stores be carried out on large scale. That is to say, these purchases are financed from the funds of consumers' goods, in other words from the same funds which also cover purchases of the population. If we do not limit the possibilities of the general sector to purchase goods with market funds, various concerns, organizations, cooperatives, etc, would

be able to buy such manufactured goods as television, radios, record players, musical instruments, furniture etc, in other words, goods on which the population concentrates its demand and therefore we have to secure these goods first of all for personal consumption.)

Development of retail-store circulation in socialism is undividedly united with money circulation, for it is carried out by means of this circulation. Thus, if a definite volume of retail-store circulation is to be realized, (volume which is determined by the sum of prices of sold goods) then the population has to take first of all the money for purchases of these goods. If therefore we want to determine the extent of the volume of planned retail-store circulation, first we have to decide on the volume of financial income of the population, since the volume of expenditures naturally depends on it.

The income of the population depends mainly on the planned development of production and on the increase of labor productivity because these circumstances determine the amount of financial income of the largest part of population. The size of income of the population is further effected by the expected increase of salaries of employees in the nonproduction sphere and by the increase of payments from the financial and credit system of the state, as pensions, subsidies, scholarships, credits, etc.

The population however, does not spend all its money on goods in retail stores. Part of the money goes for services or for the payment of taxes, dues, installments, etc. These expenses are called out-of-the-market expenses because for money spent in this manner the population does not receive any goods as counter value. Now the population leaves the remainder of spending money for the purchase of consumer goods in retail stores. The amount of money designated for the purchase of consumers' goods is called the purchasing fund. The volume of retail-store circulation depends basically on its size.

If we want to plan correctly the total volume of retail-store circulation for a given year we have to start with the purchasing fund of the population at that period of time. For that purpose we compile a balance of income and expenditures of the population which in a simplified form - as "calculation of purchasing funds of the population" is a basis for the total volume of retail-store circulation.

The calculation scheme of purchasing funds of the population is such:

I. Money income of the population from state and cooperative organizations:

A. Money income from labor relations:

Wages.

Money income of the members of cooperatives according to the amount of work units and their remaining money income.

Income from the sale of products to state and cooperative organizations (sale of agricultural produce, occasionally manufacture of independent craftsmen).

B. Income of the population from the financial and credit system:

Pensions, subsidies, scholarships.

Insurance compensations.

Offered credits.

Gains and interests from investments.

C. The remaining money income of the population:

Money income of the population from the socialist sector, the sum total of A-C.

II. Expenditures of the population in state and cooperative concerns:

A. Money spent on services:

Rents and community services.

Transportation and communication.

Personal services.

Admission fees to cultural, amusement and sport centers.

Recreation, child care, medical care.

The remaining services.

Total for services.

B. Payments to the financial and credit system:

Taxes, dues and installments.

Insurance fees, cooperative dues and payments to public organizations.

Payed credits.

The remainder.

Total out-of-the-market expenditures (A to B).

Reduction in rate of decrease in saving and credit accounts.

Total expenditures.

Increase and decrease of ready cash of the population.

III. Purchasing funds of the population - from that:

(a) for the purchases in state stores and cooperatives,

(b) for purchases in JZD.

The method for the determination of the planned purchasing fund of the population is evident from this calculation. The purchasing fund is therefore that part of the financial means which the population uses for purchases of consumers' goods and to which the total volume of retail-store circulation is to correspond. The purchasing fund represents about 75 - 80% of the total expenditures of the population. When compiling the state national economy plan we are interested only in that part of the purchasing fund which will be used in the state stores and cooperatives. In order to finance it, it is necessary to secure proper supplies of consumer goods for the state

stores and cooperatives. Purchases in JZD which at the present time represent only an insignificant fraction are covered with the products of agricultural surplus and therefore are not secured by the center. Also these purchases are not included in the plan of retail-store circulation.

In order to understand correctly the above mentioned calculation, we have to add this:

On the side of income the most important items are the wages which are paid to the population by cooperative and state concerns and organizations. We find it according to the volume of wage funds; their share in the total income of the population forms about 73% in CSR.

The next important income item is the money income of the farmers. With the progress of collectivization, the money income of the members of cooperatives for units of work predominate steadily, while the share of profit from the sale of production will fall even though these profits will grow. Since the content of this item is as a rule misunderstood, we are again warning that this balance shows only financial relations between the population and the socialist sector. This means that the profits of private farmers or members of JZD of types I and II and the profit from small farmers are given only when their produce is sold to the state or cooperative purchasing organs. Therefore the profits of JZD of types III and II as a whole and the profits of individual farmers on agricultural market do not belong here. Both types of data on money income of the farmers are obtained from the financial plans JZD, the total results of which are at the disposal of the ministry of agriculture, both coming from the tasks planned for state purchases.

The third basic source of the money income of the population is the income from the financial and credit system of the state. The majority of this income source consists of payments on

hospitalization and social security which in 1956 are to reach almost 13 billion crowns. The tendency to increase is common to all income from the financial and credit system. This is both a manifestation of better state care for social security of the population, development of education and culture, and a manifestation of the improved standard of living which is notable in the increase of deposits, insurance etc. The growth of interest payments and insurance premiums corresponds to that.

On the side of expenses there are 2 groups of items. First, the out-of-the-market expenditures which consist of expenses for services not included in the retail-store circulation and payments to the financial and credit system of the state. The portion of these out-of-the-market expenditures makes up about 21% of the total money expenditures of the population.

The second item of this side is the purchasing fund, i.e. expenditures of the population on the purchase of consumer goods. Purchasing fund is the result of the entire balance, if we subtract the out-of-the-market expenses from the total income and take into consideration the balance of deposits and the balance of ready money of the population. Increase of the deposits (which is a normal tendency) and increase of the treasury of ready money among the population are actually expenditures; decreases of the deposits and the treasury, from the point of view of balance, mean the increase of money income and therefore increase the purchasing fund.

The total purchasing fund is divided into 2 parts. The first and the principal part is the purchasing fund which is designated for the purchase of consumers' goods in the state stores and cooperatives; the second (still an insignificant part in CSR) is the purchasing fund which is determined for the purchase of food in JZD. When considering the planning of retail-store circulation we are interested only in the first part of purchasing fund which is assigned for the purchase in state stores and cooperatives.

That is to say, in the State plan, retail-store circulation represents only the circulation of the state and cooperative sector (circulation of the private sector is practically insignificant). This circulation is to be planned on a national scale and then particularly secured with due supplies of consumers' goods in order to correspond to the needs of the population. Compared to the circulation of state stores and cooperatives, the sale of food from JZD has only a supplementary significance and the supply of goods does not have to be secured by the central organs but instead flows from the surplus of JZD.

Therefore all further bindings in the state plan occur only between the first part of purchasing and the extent of retail-store circulation in the state stores and cooperatives.

The planned extent of retail store circulation however, cannot exactly agree with the size of the purchasing fund, but instead is always larger. Thus retail-store circulation includes also such purchases which are not paid from the purchasing funds of the population but from the means of the society. These, the so-called growing items represent about 10% of the total volume of retail-store circulation. Among these, the most significant are purchases of the general sector in retail stores which are included in the retail-store circulation and which, especially recently, are growing with the increased purchases of products for general consumption of JZD.

Purchases by the general sector in retail stores is unavoidable when it concerns those products which it would not be advantageous to allot to the state and cooperative organizations by means of the materially technical storage supply. Meanwhile, we should not allow this purchase to go beyond certain limits or to remove exceedingly large quantity of goods from the market supply designated for the population.

Further growing items are the payments of employers for common meals in factory mess halls, the state taxes on some products and the duplicities which occur during the carrying out of retail-store circulation.

Thus, such is the basic progress during the planning of the total volume of retail-store circulation. This however, does not mean that the volume of the retail-store circulation would mechanically follow from the sum total of the purchasing fund and the growing items. Such an explanation would be incorrect, since we have to realize that behind these financial indexes there are material relations, which is their basis. In order to be able to actualize the planned total volume of the retail-store circulation, it is necessary to have a sufficient supply of consumer goods because otherwise the number representing the retail-store circulation will be incorrect, no matter how accurately calculated. Finally it is necessary to secure even a greater amount of goods than is necessary for retail-store circulation under present conditions, because we have to count on further reduction of prices and a corresponding growth of consumer goods supply. Therefore, during the planning of retail store prices we cannot agree with such growth of its total volume as we can actually secure by increasing the supply of goods in the business system.

Until it becomes a question of the volume of retail-store circulation, the previously mentioned tendency is fully applied during the planning of this circulation, that is to say that both the value and the physical volume of the circulation of retail goods is increasing.

### 3. Determination of the Time and Regional Proportions during the Establishment of Retail-Store Circulation

However, in order to secure the accurate amount of goods supplied to the population it is not sufficient merely to determine the total volume of the retail-store circulation for a whole year and for CSR



as a whole. It is also necessary to determine the basic time and regional proportions in the establishment of retail store circulation. Therefore we have distributed the retail-store circulation also quarterly and territorially.

The basic tendency toward continuous increase of the retail-store circulation is manifested not only during individual years, but also every 4 months. This is caused by the fact that during the year not only production, but also the productivity of labor are growing and therefore not only the products of workers but also their purchases on the domestic market are increasing. This basic tendency is also supported by the seasonal prevalence of agricultural production and purchase of products which increases the purchasing power of the farmers, especially in the last quarter of the year. The fourth quarter has an extraordinarily large share in the total yearly retail-store circulation of goods. This fact is caused by the peculiarity of consumption itself and by the division of purchasing through which a part of yearly savings of the population is carried out.

The distribution of the retail circulation of goods into quarters is best carried out according to quarterly balances of money income and expenditures of the population. Since however, it is very difficult and practically inapplicable to compile a balance in such a short time, the planning organs are mainly directed by experience from past years, with most careful consideration of those influences which could change the considerably stable shares of individual quarters in the yearly volume of retail store circulation of goods.

Even more significant is the correct territorial division of the retail-store circulation. The smallest deficiency in the territorial division of retail circulation of goods can cause heavy disturbance in the supply of the population and can also lead to unnecessary losses in goods and to unnecessary transporting and storing of products.

The extent of retail-store circulation in individual regions is far from being the same both as a whole and as a portion of the retail-store circulation that belongs to each individual. Therefore we should not plan the territorial distribution of retail-store circulation mechanically, according to the size of the population, but should begin with the analysis of the socio-economical digits which have an influence on the size of the retail-store circulation in individual regions.

Volume of the retail-store circulation in each region is first of all effected by the number of inhabitants employed in industry, farming, etc. The greater the employment in a region (especially employment in industry), the higher the money income of the population, and consequently also his purchases in stores. Equally important is the development of industrial and agricultural production in the region, the rise of labor productivity, occasional change of structure in industry products because all these circumstances have an influence of the form of the purchasing funds in a region. Besides the analysis of these digits we are concerned with the degree of assumed money fluctuation between individual regions. That part of money which will be payed to the population in an appropriate region will not be used for the purchase of goods in that region but will be applied on the domestic market of other regions. As a result, complicated fluctuation of purchasing funds occur which can have great influence on the size of retail-store circulation in some regions, either increasing or decreasing it.

It is evident that the development of the given socio-economical indexes differs in some regions and therefore, the rate of increase of retail-store circulation differs according to individual regions, while at the same time, the differences in consumption between individual territories of the country are gradually levelled.

Influence of the socio-economical indexes on the establishment of retail-store circulation in individual regions is observed through the territorial balance of money income and expenditures of the population. Volume of the purchasing funds planned according to individual regions is the most reliable basis for determination of territorial proportions in the retail-store circulation. The territorial balance of money income and expenditures of the population is compiled by the territorial people's committees who present them to the ministry of domestic trade and the State Planning Bureau.

Since the individual KNV, when compiling the regional balances, could commit even bigger mistakes, especially in the calculation of interregional money circulation, it is necessary to make not only a confrontation of the regional balances with the national balance (which is more or less precise), but also a continuous comparison of the development of retail-store circulation in individual regions during a few past years when the retail-store circulation in individual regions during a few past years when the retail-store circulation is distributed among the individual regions, and, according to this to discover the mistakes in the calculations of purchasing funds.

The main responsibility for correct division of retail-store circulation into separate regions is now transferred to the ministry of interior trade. The government does not approve the indexes of retail-store circulation for regions but only for the entire state.

Besides time and territorial rates in the retail-store circulation, the state plan indicates also the interior structure retail-store circulation according to its individual types. Index of the entire volume of retail-store circulation is further divided into:

- (a) The system of retail-store circulation from that:
  - circulation for repairs of items of personal consumption, household necessities and circulation for commission work;
- (b) circulation of common meals establishments from that:
  - circulation of plant dining rooms and canteens.

We divide the circulation of common meal establishments according to its structure into:

(a) Circulation of restaurant meals in general from that:

entire circulation of products of own production from that:  
sale of main meals of own preparation (in million crowns  
and in million portions);

(b) Circulation of factories dining rooms and canteens (in the same division as point a).

The division of retail-store circulation into the circulation of the retail-store system and the circulation of the common meals establishments is of great importance in the advancement of the standard of living of the population. Demands for common meals are growing very rapidly with the construction of socialism which rapidly increases employment possibilities, especially where women are concerned. At the present time, the circulation in the factories of common meals represents about 14% of the entire volume of retail-store circulation. While the entire volume of retail store circulation increased from 1951 to 1954 by 24% (in current prices), the circulation in the plants of common meals increased in the same time by 53.7%.

The state plan must also correctly depict the development of the structure of circulation in the plants of common meals in such way as to increase first of all the sale of meals of own production, especially the portion of main meals in the whole circulation of the plants of common meals.

#### 4. Planning of the Supply of Consumers' Goods

Determination of the value of the volume of retail-store circulation -- either for the whole state or regions only -- is only the first stage in planning. The aim of this stage is to secure harmony between the buying demands of the population and the sum of prices of all goods which will be sold by means of interior trade.

Planning of the retail-store circulation only in general expression of money is not sufficient for the state political economy plan to secure entirely the increase of personal consumption within the limits of common tendencies which we explained above. We can speak about the actual increase of personal consumption only when the quantity of goods consumed by the population grows physically and when the assortment and quality of consumed goods improves simultaneously. This side of the development of personal consumption, which is the most important one, we do not see from the summary indexes of the volume of retail-store circulation (which is always planned in current prices), for the dynamics of its growth could be distorted by the fluctuation of prices of consumers' goods and this summary index does not give us the structure of sold goods as far as it concerns its applicable value.

Therefore during the planning of retail-store circulation, the planning of the supply of consumers' goods is greatly important; it is expressed in the plan for the securing of the retail-store circulation with goods either in physical units or in retail prices to be able to establish a union between the supply of goods and the indexes of the value of retail-store circulation.

The planning of the supply of consumers' goods belongs to the most complicated and difficult parts of planning of the interior trade. It meets with evolutionary proportions of production which is the source of the supply of consumers' goods; also the multiple influence of all the evolutionary tendencies of personal consumption manifests itself. Here also belong the relations of the Czechoslovak economic policy with foreign countries, situation of the reserves of consumers' goods and, so forth. Also, besides the long-term evolutionary tendencies of personal consumption the planners have to count with the short-term fluctuations of consumption, with the influence of fashion, and so forth.

Knowledge of the long-term evolutionary tendencies of personal consumption is very important for the organs which are occupied with the planning of retail-store circulation. It gives them the guidance for the development of the interior structure of retail-store circulation, shows them which product should be secured in the constantly growing multitude, and so forth. This especially applies to the perspective planning of retail-store circulation.

The biggest problem in the practical planning is to establish the extent of development of this or that tendency, mainly the kind of concrete form it has to have in the planned year. In this work only general conclusions on the evolutionary tendencies would not be sufficient, for it is necessary to start here with a detailed analysis of factors which influence the sale of individual types of goods in the planned period.

In the plan of securing the retail-store circulation with goods we plan the material structure of the supply of goods according to the principal groups of food and industrial goods. In the state plan we present a total of about 120 main groups of foodstuffs and industrial goods which are determined in the list issued by the State Bureau of Planning. In this list the separate items of food and industrial goods are divided into 3 groups:

- I. Food consuming goods - balanced in the State Bureau of Planning;
- II. Goods planned by central offices -- balanced by the individual ministries in the main administration of production;
- III. Goods not planned at the central offices, which are shown in the state plan only totally in million of crowns.

The division of consumers' goods among these groups is corresponding to the nomenclature for material technical supply.

The proper task of the plan for securing the retail-store circulation of goods is to establish the volume of necessary supply of individual types of consumers' goods to the trade system in regard to the expected movement of supplies so that the planned realization of retail store circulation and the possibility of further decrease of retail prices be fully secured.

The complexity of relations during the securing of consumption for different types of consumers' goods demands that the planning of individual kinds of consumers' goods must be done by specialized groups of workers who know the problems related to various types of goods thoroughly and who can correctly establish the demands of interior trade for the deliveries of different kinds of goods.

In the drawing of the plan for securing, we start from the following main bases:

1. the analysis of the sale and state of supplies of various kinds of goods during the previous periods, especially in the current year;
2. the analysis of data found by investigating consumers demand, as far as it concerns the degree of its satisfaction and the future probable development;
3. discussions with the organs supplying production and foreign trade in which the possibilities to satisfy the demands of consumers are explained;
4. the tasks included in the resolutions of the party and the government to improve the supply of the population.

From these analysis gradually follow demands for the deliveries of consumers' goods for interior trade which are included in the plan of securing and which are applied during the discussion of balance. During the compiling of material balances of consumers' goods, the appropriate balancing offices cannot be occupied with the establishing of needs for market supply. Workers, during balancing, start from the demands of trade which follow from the plan for securing, and coordinate these demands with the possibilities of production and eventually import.

5. Determination of the Entire Extent of Retail Price Reduction

Market reserve which is determined in the material balances of consumers' goods, serves partly to cover the planned sale, partly includes the planned reserve of consumers' goods for reduction of

retail store prices. We have to mention this actuality in detail because it has big influence on the determination of the size of market reserve. During the planning of the reserve of consumers' goods, it is impossible to ignore the necessity of systematic reduction of prices of consumers' goods which is one of the basic roads to the increase of actual wages and to the rise of the standard of living. Conditions for the planned reduction of retail prices have to be stated already in the plan of securing the retail-store circulation with goods and in the material balances of consumers' goods.

It is connected with the fact that by the reduction of prices of consumers' goods we create the situation when the population receives more goods in material for the same market reserve, but the volume of value of the retail-store circulation as a rule does not change. It is obvious that the reduction of prices demands bigger delivery of consumers' goods to trade.

The extent of planned reduction of retail prices for a given year is determined by the amount of goods which we can render to the population with the exception of funds which compose the retail-store circulation in present prices. In other words, the extent of price reduction is basically determined by the rise of market reserve above retail-store circulation.

Percentage of the reduction of retail prices is calculated from the formula

$$\% = \frac{f - m}{f} \cdot 100$$

where "f" is the general market reserve, "m" is the volume of retail-store circulation, both in current prices. "f - m" is the surplus of market reserve over retail-store circulation and expresses absolute extent of the portion by which it is possible to reduce the prices of consumers' goods. The financial reserve in the total financial plan for the reduction of retail prices also corresponds to this.



The percentage of reduction is determined the way it is shown in the formula that this absolute saving is compared with the market reserve of goods determined for sale.

During the calculation of the reduction of prices we must also count with another factor which is the increase of standardized supplies of consumers' goods resulting from the reduction of prices. This growth will be expressed materially but not in value because the pecuniary volume of the standardized supplies does not change, but must be (after the reduction of prices) filled with bigger amount of goods.

Therefore the entire rising of the market reserve above retail-store circulation cannot be dedicated solely for the coverage of increased sale after the reduction of prices, but in some particular part, must be dedicated also for supplementing standard supplies on account of reduction of prices. With this the total percentage of the reduction of prices will somewhat decrease and it is necessary that the denominator of the shown formula for calculation of the percentage of reduction be supplemented with the size of standardized supplies so that the final formula for the calculation of reduction of prices has the denominator " $x + n$ " where "n" is the size of standardized supplies.

This is in main features the procedure for determining the extent of reduction of retail prices. In reality the calculations are made in far more detailed way, observing other factors, as for instance the above-standard supplies and so on.

At the same time with the determination of the total extent of reduction of retail prices, it is necessary to determine in which main types of consumers' goods and to which extent will this reduction be made. This again influences the work during the planning of reserves of separate kinds of consumers' goods because both in the total and in the separate kinds of goods, the possibility of reduction

of prices is given by the rise of market reserve over the planned circulation. Now there appear new complications as the fluctuations in the demand among separate kinds of goods with which it is necessary to count beforehand.

In order to determine the probable fluctuation in the demand for reduction of prices of consumers' goods, family accounts serve as a substantial source of material.

From the above-mentioned brief interpretation it follows that the reduction of prices remarkably complicates the planning of the structure of reserves of consumer's goods. Because together with the development of socialist production and with the growth of the productivity of labor, bigger possibilities are created for the reduction of retail prices, the influence of price factors on the planning of the reserve of consumers' goods will be continuously bigger. Therefore it is necessary to perfect the planning of the reserves of goods from this side, namely we must acquire the thorough and rapid review on the present structure of consumption, on the possibilities of production and on the structure of supplies of consumers' goods.

#### 6. Planning of the Supplies of Consumers' Goods

Correct determination of the size and assortment of the supplies of consumers' goods is of great importance for the drafting of material balances of consumers' goods, for the compiling of plans for securing the retail-store circulation with goods and in general, for the planning of activity of our interior trade. The supplies of consumers' goods are the inevitable condition for a smooth supply of the population. They are formed both by the producers and in the wholesale stores of interior trade and in the retail-store system.

Without adequately extensive supplies we could not secure smooth supply for the population, we could not secure that the consumer always have at his disposal a sufficient amount of goods to choose from. In a series of cases the creation of supplies of consumers'

goods is the only possibility to satisfy the consumers' demand even when the production is not able to deliver in a short time the required amount of particular goods or when the cycle of production is not in harmony with the cycle of consumption. In this case it is necessary to create the seasonal supply of goods. This occurs for instance in the majority of agricultural products but also in the non-food articles of seasonal character (for example, textiles or footwear made especially for a particular season of the year, etc).

The creation of due supplies of consumers' goods is also necessary for the execution of reduction of retail prices (see preceding chapter). In short the supply of consumers' goods fulfills not only significant but also complicated tasks so that their determination is quite complicated.

In this dissertation we will not occupy ourselves with the determination of size and structure of the supplies of consumers' goods for various possible purposes.<sup>33</sup> We will explain only in short the method of calculation of the size of current supplies of goods which help the warehouses and stores to fulfill their function correctly in the course of supply to the population.

The number of individual types of goods which has to be kept in stock in the stores (or in warehouses) is determined by the norm of supply. The norm of supply is determined in days, in such way that for example, the supply of ready-made clothing will be for 40 days, the supply of footwear for 30 days and so on (numbers are made up). Knowing the amount of one day's sale, we can transfer this time norm of supplies into money or into an amount either in physical units multiplying it by the amount of one day sale in crowns or in quantity.

Gradual procedure of the determination of the time norms of supply is such that for each type of goods we determine, the so-called minimum supply and then we examine which period will elapse

approximately between the two deliveries of goods (the so-called delivery cycle). On the basis of these quantities we determine afterwards the maximum and the average supply.

Minimum supply of goods is the supply which always has to be in stock and which protects the store (warehouse) from unforeseen circumstances. Probable fluctuations in the deliveries of goods, complexity of the assortment of an appropriate type of goods, qualities of goods, warehouse possibilities, and so on effect the size of minimum supply. Thus, for example, with the goods of complex assortment (textiles) we must count with higher minimum supply than in the goods the assortment of which is very simple (flour), in order to guarantee adequate choice for the consumer. In the same manner, the minimum supply of goods must be higher if the deliveries are irregular because otherwise it could happen that the store would be entirely without particular goods.

Delivery cycle influences also the height of supply. It is clear that the supply can be lower for those goods which are delivered, for example, twice a week than for those goods which are delivered only once a month.

Maximum supply appears immediately after the delivery of goods. If, for example, the minimum supply of goods is 4 days and the cycle of delivery is 30 days, then maximum supply will be 34 days. This maximum supply decreases gradually in the periods between deliveries to the height of minimum supply.

We can determine the average supply of goods by adding the maximum supply to the minimum supply and dividing the sum by two. We will receive the same result by adding to the minimum supply one-half of the delivery cycle (all the calculations are in days).

Determined supply norms are the basis for planning of the size of supplies of individual groups of consumers' goods. Of course, the norm of supply could not be determined once and for all. Because the conditions of delivery and sale of goods and, therefore, its

assortment and often also seasons of production and consumption change. It is necessary to control and arrange the determined norms of supply again and again so that they would not become obsolete and would actually express the greatest height of supplies of consumers' goods.

#### CONCLUSION

I completed the dissertation on the development and planning of personal consumption in Czechoslovakia with the explanation of the main questions of planning of retail-store circulation. There are a few words to be said for the conclusion of the whole work. I do not want to recapitulate in the conclusion the objective problematics of this pamphlet which the reader has before him. I would like only to add some remarks in connection with some problems of this work which were my guidance during writing.

First basic connection which the reader has to consider seriously is the mutual relation between the final consumption and the remaining spheres of reproduction. The relation between production and consumption is of extraordinary importance. I wanted to reach the point of making the reader realize that the development of personal consumption does not depend on the desire and subjective wishes of the people. It does not depend on the percentage of growth that the party and government directives determine for him. Development of personal consumption is the result of economical processes occurring in all the spheres of reproduction, especially in production.

First of all it is the level of productivity of labor -- economy not only in production but in our entire life which decides the increase of personal consumption and the standard of living of all of us. Neglected shifts, uneconomically working machine, shop, or factory, wasting common property anywhere -- these are the parasites which devour billions from our personal consumption. For them we all have to pay additional amounts because nobody will pay them to us. We can afford only that much which we can buy with our earnings.

It is remarkable how in public life this primitive truth, which everybody recognizes without discussion in his private life, is violated by us perhaps in the supposition that the necessary and harmful results will not arrive. They undoubtedly will arrive, only the connection here is not as obvious as in the family and in household.

Further connection, which we have to mention, is the connection between the evolutionary tendencies of personal consumption and the development of production. It is again the question of mutual relation between production and consumption but comprehend from another point of view.

The evolutionary tendencies of personal consumption shows the ways by which consumption advances. Sometimes it appears that their roots are somewhere outside of economy, as if these tendencies were caused by subjective delights of the people, tastes, fashions, etc. There cannot be any discussion about the fact that noneconomical factors influence the structure of personal consumption. But the basis of evolutionary tendencies of consumption is again in production. The growing and more manifold production enables us to increase the level of personal consumption in the quantitative and qualitative sense. It gives us objects by which we change the size and structure of personal consumption. It is then the development of production which evokes to life the development of personal consumption and with that also its evolutionary tendencies.

Because socialist production is purposefully directed toward the satisfaction of the demands of people, the evolutionary tendencies of personal consumption influence backwardly the rate and structure of production in the individual branches. We must not neglect this reality when planning political economy. Planning of the development of production without the close connection with knowledge of tendencies

of development or consumption is condemned to failure, just as the planning of development of consumption without the connection with knowledge of the real development possibility of production.

Finally I want to mention also the connection between concrete forms and methods of planning of retail-store circulation (see Chapter 4) with the whole objective economical evolution which is described in the previous chapters.

Many people look on the methods and forms of planning as on an affair more or less of personal opinion of the planner. But actually each method and organization form of political economy planning must be depicted in some part of the plan and determined in the future evolution.

In the same manner the plan for retail-store circulation, construction of its indexes, and method of its composition -- all grow from the knowledge of the real objective substance of personal consumption, from the study of its position in the reproduction process and from the knowledge of the objectively necessary way of its satisfaction. There is no doubt that today used methods and forms of planning of personal consumption are not perfect and that they do not give us full possibility to foresee and direct the development of personal consumption. Yet if we realize the objectively economical bases of the planning of personal consumption, we surely will find the correct way to improve the system of management and planning of our political economy.

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