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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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BULGARIA

VARIOUS KINDS OF ECONOMIC CRIMES EXAMINED

Sofia PRAVNA MISUL in Bulgarian No 2, 1979 pp 20-34

[Article by Docent Dimitur Mikhaylov: "Decisions of the National Party Conference and Struggle Against Economic Crimes"]

[Text] I. Penal Policy Trends in the Struggle Against Economic Crimes

1. The BCP National Conference, held on 20 and 21 April 1978, formulated on the basis of the political line adopted at the 11th Congress, scientific decisions and theses on the further improvement of the socialist organization of labor and planned economic management. The report by Comrade T. Zhivkov, BCP Central Committee First Secretary and chairman of the Bulgarian People's Republic State Council, indicated the unquestionable successes in the implementation of the party's course of "considerable quantitative and qualitative changes in building a developed socialist society and creating conditions for a gradual conversion to communism."¹

Compared with 1970, social labor productivity had doubled in 1976; the shift coefficient rose from 1.8 to 2.7; profits more than doubled. Industrial output in the first quarter of 1978 was 6.3 percent higher than in the same period in 1977. Compared with 1975, foreign trade in 1977 was 23.6 percent higher. Compared with 1975 the amount of social consumption funds in 1977 had risen by 408 million leva, while the national income had risen 13 percent within the same period.²

2. At the same time, however, National Party Conference noted certain major shortcomings and violations in the implementation of the Leninist principles of a strict regime of savings and high effectiveness in the use of labor, material, financial, and foreign exchange resources of the country. Losses caused by defective production are above admissible levels. In industry alone such losses in 1977 exceeded the norms by a factor of 2. That same year over 73,000 workers in industry failed to meet their norms,³ whereas 120,000 overfulfilled them by factors of 1.5, 2, and more than 2.

Taking this into consideration, the conference earmarked not only the basic principles and directions but a number of specific ways, means, and methods for the effective protection of the socialist economy. The decisions and

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theses explained the content and significance of the penal policy in the struggle against crimes against the socialist economy, for economic management is the most complex and most creative task facing the new state following the victory of the socialist revolution. Summing up the more than 50 years of the Soviet state, L. I. Brezhnev stressed that the nature of the new approach in economic management and the principles governing the economic policy of the socialist state are expressed, above all, in "strengthening the role of economic methods and incentives in national economic management, radically improving state planning, broadening the economic independence and initiative of enterprises, kolkhozes, and sovkhozes, and upgrading the responsibility and material incentive of production collectives related to the results of their activities."⁴

3. The National Party Conference indicated, above all, the need to strengthen socialist discipline in all its varieties--labor, production, technological, planning, contractual, financial, and so on. The solution of this "key problem" is made necessary by the intensive and ever more complex ties and interrelationships within the national economy, the production rhythm of modern equipment, and the new and more advanced technological processes. The task is "to achieve organic unity and total consistency between the development of the basic production elements such as labor, labor objects, and labor tools."⁵

The implementation of this task calls for the fullest and most efficient utilization of raw materials, materials, energy, and fuels, as well as considerable labor savings. The brigade and other collective labor methods are considered basic in the organization of the work and must be based on internal cost accounting.

4. The dynamic development of the socialist economy also determines new forms, structures, and methods of organization and planning. The comprehensive organization of labor and its direct link with the organization of the wage system are of substantial significance.

The conference calls for the "basic requirement that wages be earned. This means that they must be consistent with the factual results of labor activities and depend on the individual contribution of the worker or employee in carrying out his assigned tasks." It is stipulated that the basic wage system will be "hourly," ie, the payments will be based on the norm output per hour. At the same time, other progressive wage systems will be used--normed planned assignment, piece rate system, payments based on end results, and others.⁶

However, along with the positive trends and high effectiveness, the new methods of socialist organization of labor and planned economic management also open some new factual ways and means for the commission of criminal actions against the national economy. Variability in the organization of labor and wages, the possibility for a specific evaluation of the wage, and so on, create at least an initial condition for criminal actions related to economic activities and for the acquisition of public property.

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5. The improvement of the socialist organization of labor and planned economic management largely depends on the leading cadres in the national economy. The National Party Conference indicated several important stipulations related to leading cadres, stipulations which frequently become the subjects of individual economic crimes. One of them applies to strengthening the "one-man command in economic management." It is precisely this "one-man command" that is a tool for the strengthening of socialist discipline and a basic obligation of party organs and organizations.

The report by Comrade T. Zhivkov (Op. cit. pp 40-41) indicates, in particular, "the need for total consistency between the rights and obligations of every manager and each administrative unit. Should a given manager (or management unit) have a certain range of obligations, they must have all the necessary rights to resolve problems that they are in charge of. On the other hand, henceforth we must not allow a manager or management unit directly responsible for the solution of a given problem to pass on its solution to another manager or administrative unit. It is inadmissible for managers or administrative units to take over functions and assignments within the range of competence of other managers and other management units. It is entirely inadmissible for some managers, usually of superior rank, to impose decisions without assuming responsibility for their consequences."

6. Another exceptionally important feature applies to the quality of the economic manager. The conference indicated two types, two categories of economic managers. The first category consists of no more than conventional timid performers who note weaknesses. The other category consists of managers with knowledge and experience, and with a creative mind and a warm heart, who can soberly assess and boldly assume the risk of innovative decisions and actions. Occasionally they may err, for "there is no creative work without risk" and the party favors the type of managers who assume a "sensible creative risk." In practice, however, frequently this category of managers are constantly guided, controlled, directed, and even prosecuted. They may suffer for the "right cause" or earn the "black ingratitude" for all their noble efforts.

Managers are not simply technical specialists and performers. "They are flesh of the flesh and blood of the blood of the class and the people, promoted to leading work by the party as its representatives, assuming all obligations not only as economic but as political leaders."

It is precisely on such political and moral grounds that the party conference entrusts the leading cadres "to react rapidly to new phenomena and trends, display initiative and assume responsibility, consistently apply modern management methods, and be intolerant of bureaucracy, callousness, and irresponsibility...;" they must not fall behind the initiative of the masses or hinder or suppress their activeness; they must not violate the faith, selfconfidence, and inner impulses of citizens and creative workers.

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Naturally, no tolerance could be displayed, not to say encouragement toward managers who are constantly wrong or assume adventuristic risks.

7. The conference further emphasized that the role and significance of control organs in the management of economic activities. Its decisions contain several main aspects concerning the ways and means of control carried out by the various organs and organizations, as well as stipulations concerning the nature, content, and significance of respective control functions. Particular attention is paid to the basic stipulation that all party organizations have the right to control yet do not always use this right expediently, promptly, and fully. Frequently they are unable to act as the political leaders of the respective labor collectives. "Instead of directing the social management organs to the main problems, to strengthen them with cadres, to develop their initiative and creativity, and to control their activities, through petty intervention, tutorship, and insufficient competence a number of party committees take over the functions and even paralyze the work of state and economic organs, grossly violating established management procedures and technology." Any assumption of the operative-directive and economic functions by party organizations and organs, even though they may result in partial or temporary successes, bears the marks of one-sidedness and unjustified actions related to end results. This leads to bureaucratic administration, ordering, and technocracy.

All types of duplication or confusing the tasks and functions of the party organs and organizations with those of state institutions and economic enterprises must be avoided.

8. Another essential feature of control is its effectiveness. Control must not hinder the activities of economic organs and organizations. It must not paralyze the creative initiative of economic leaders but broaden and direct the social activities of the socialist working people. It must be based on the needs and interests of socialist economic activities and help to implement the principles of socialist justice. However, cases of one-sidedness, subjectivism, pettiness, and professional distortion, which are more damaging than the actual use of control-auditing activities, are no exception. It is precisely in this sense that the responsibility of the controlled economic leaders must not be converted into irresponsibility on the part of controlling or auditing organs.

The conference clearly and definitely stated that preventive control must be the main content in controlling activities. This reasserted and developed the task included in the Uniform Program for the Struggle Against Crimes and Other Legal Violations and Antisocial Actions (adopted by the Bulgarian People's Republic State Council with Decision No 38, dated 27 November 1975), namely: the state and social organs and organizations "shall take measures to intensify the educational influence of the social environment, improve the social climate in the collectives, and eliminate conditions which arise leading to the commission of antisocial actions; they shall take measures to create an atmosphere of intolerance toward individuals committing such actions..., and to energize and upgrade the effectiveness of the work of the

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courts, the prosecutor's office, and the other state and control organs for the discovery and elimination of the reasons and conditions for crimes and other legal violations and antisocial actions."

9. The earmarked political measures for improving the socialist organization of labor and planned economic management are also a concern for the molding of the new man and his mentality and ideological education. This means that the practical activities of party, state, economics, and public organizations and organs "must cooperate most fully in the further improvement and assertion of the socialist way of life and contributes to the overall shaping of the new man--the socialist working man."

We must ensure the stability and unity of labor collectives and establish "social mechanisms" consistent with the highly organized nature of labor under socialism. We must increase the level of organization, creativity, and self-initiative of all socialist working people. We must decisively struggle against cases of careless or neglectful attitude toward social interests and public property, piece organization in the work, and endless waste of time.

The implementation of this task calls for a "profound reorganization of thinking and concepts" and actions of the working people in order to reach a high quality and effectiveness of labor in all realms of social life. No tolerance should be displayed and, even less so, "favors" be done at the expense of the collective and the public interests. A firm end must be put to all kinds of "channels and loopholes" leading to easy and light earning of unearned income or obtaining material benefits. The efforts on the ideological and legal fronts must be focused on developing a "sharp feeling for the new, a feeling of responsibility for assignments, and intolerance of weaknesses and shortcomings in the work," and for enhancing the level of socialist consciousness and labor upbringing, particularly among the growing generation.

10. These ideas and directions in the struggle against economic crimes are of exceptional importance and leading significance in the case of judicial, prosecutor's and investigative organs in "systematically struggling to prevent and expose crimes against socialist property and the socialist economy--mostly thefts, embezzlements, neglect, improper documentation, and reporting of production results, and production of substandard goods."

From this viewpoint, the basic principles of socialist penal policy (legality, democracy, humanism, and socialist internationalism) are specifically manifested in the struggle with crimes against the socialist society, as follows:

Measure of economic, organizational-cadre, educational, and social controlled nature, and so on, are of decisive significance;

The real and effective protection of the socialist economy could be ensured mainly through the ways and means of preventive work;

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The function of the penal law in the struggle against economic crimes is important, above all, with a view to preventive-restraining and educational influence;

Socially dangerous actions directed against the socialist economy must be considered as crimes only to the extents to which they harm or threaten substantially, lastingly, or to a higher extent social relations related to directing economic activities;

Reckless actions committed against the socialist economy are essentially not punishable; should they be punishable, by exception, substantial limitations and guarantees have been stipulated;

The criminal nature of actions against the national economy is limited by a number of objective circumstances--value of the respective type of economic relation, characteristics of the object of the crime, importance of harmful consequences, peculiarities related to the ways and means of the perpetration, and so on;

In some minor cases the existing trend of decriminalization is most extensively manifested at the present stage in the commission of economic crimes;

The objective need arises for cooperation among CEMA-member countries in the struggle against economic crimes, on a broad basis and in a variety of directions--legislation, reciprocal aid among courts, cooperation among specialized state organs, protection of international construction projects, and so on.

These basic trends are further determined by the status and trends of development of economic crimes.

II. Some Trends in the Development of Economic Crimes

11. Crimes against the socialist economy are the most severe forms of direct or indirect violations of social relations related to socialist ownership and the national economy which are "the foundations on which the material and spiritual values of the socialist society are created and multiplied."¹² In 1977 such crimes accounted for approximately one-third of all crimes of a general nature. This does not include so-called latent or concealed crimes. Taking into consideration undetected and unknown crimes the actual percentage of crimes within the overall condition of criminality in our country would be higher.

Compared with crimes directed against socialist ownership (chapter five of the special section of the Penal Code) crimes committed against the socialist economy (chapter six of the special section of the Penal Code) are not so substantial and do not account for a considerable percentage of the overall condition of criminality in our country. Over the past nine years their share of all crimes of a general nature was as follows: 1969, 5.6 percent; 1970, 5.1 percent; 1971, 4.4 percent; 1972, 3.9 percent; 1973, 4.0 percent;

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1974, 4.7 percent; 1975, 5.2 percent; 1976, 5.3 percent; and 1977, 6.0 percent. These data indicate the following: a. an uneven relative increase in the number of economic crimes; b. a steady decline of their absolute and relative percentages in the first four years, reaching the lowest point in 1972--no more than 3.9 percent of all crimes of a general nature--after which they began to rise again, reaching their peak in 1977--6.0 percent; c. the nearly identical position within the overall state of criminality at the beginning and the end of this nine year period with a slight increase of 0.4 percent in 1977, ie, a slight rising trend; d. a certain stationary nature of punished economic crimes and punished individuals (over the past five years an average of 5.0 percent of all crimes of a general nature and a nearly equal amount of sentenced individuals).

12. However, this does not exhaust the overall characterization and percentage of crimes committed against the socialist economy in the overall condition and dynamics of crime.

First, the damages caused by crimes committed against the national economy are far more considerable in terms of volume, size, and importance compared with harm caused by crimes directed against socialist property. This conclusion is based on data on malicious damages caused the national economy detected through financial audits. Such damages have been steadily rising after 1969, ie, since the enactment of the new Penal Code. In 1977 the absolute volume of noted damages was higher by a 2.5 factor compared with 1969.

Second, outside such data there remain unnoticed damages, including so-called latent economic criminality. The real harm caused the national economy is far more considerable. This fact increases the social danger of economic crimes and emphasizes the socio-political significance of the struggle against them at the present stage.

Third, another factually existing circumstance is of no lesser essential importance; crimes against the national economy create favorable conditions or grounds for crimes against socialist property--thefts, embezzlement by officials, documentary fraud, misappropriations, and others. Naturally, the opposite influence is present as well: encroachments against socialist ownership create objective and subjective conditions for committing economic crimes which parallel, facilitate, or conceal them.

13. Crimes against the socialist economy are unevenly broken down sectorially as well.

Over the past five years general economic crimes have accounted for 20.9 percent, ie, for about one-fifth of all crimes committed against the socialist economy. The most numerous among them are crimes related to violations of the price system as per Article 225 of the Penal Code (13.3 percent), followed by negligence as per Article 219 of the Penal Code (4.2 percent), and, thirdly, crimes related to planning as per Article 222 of the Penal Code (0.7 percent).



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Crimes committed in the different economic sectors account for 79.1 percent or for approximately four-fifths of the crimes committed against the socialist economy. The highest share among them is that of crimes committed by individual economic sectors as per Part II of Chapter Six of the special section of the Penal Code (47.4 percent). In other words, they account for nearly one-half of the crimes committed against the socialist economy.

Most frequent among the crimes committed in the various economic sectors is profiteering as per Article 233 of the Penal Code (29.7 percent); second is cheating purchasers or customers as per Article 232 of the Penal Code (7 percent), followed by crimes related to the quality of industrial goods as per Article 228 of the Penal Code (0.8 percent).

Second among the crimes in different sectors are those related to the monetary and credit system as per Section IV, Chapter Six (24.6 percent), mainly foreign exchange related crimes as per Article 250 of the Penal Code; third are crimes against foreign trade monopoly as per Part III of Chapter Six of the special section (7.1 percent), essentially smuggling as per Article 242 of the Penal Code.

14. Data on the specific sectors in which economic crimes are committed are also of substantial interest. Over two-thirds of all economic crimes are committed in trade as per Articles 233, 232, and 225 of the Penal Code. This is followed by crimes in the financial and credit sector; third are crimes against rural and forest economy; they are followed by the industrial, construction, and other sectors. This gradation reflects the nature of social relations in the corresponding sector of the socialist economy, the characteristics of the individual types of crimes, and the specifics of the struggle against them.

From this viewpoint not only crimes in the various economic sectors whose direct target is social relations in the corresponding sector (such as, for example, the production of substandard industrial goods as per Article 228 of the Penal Code), but general economic crimes are characteristic and most frequently committed in one or several economic sectors. As a typical general economic crime neglect alone is found in nearly all economic sectors. Still, data for 1973-1977 indicate that over one-third of criminal neglect cases (35.2 percent) take place in the field of trade, followed by agriculture and the forest economy (27.8 percent), industry (16.7 percent), construction (5.6 percent), transportation and communications (3.7 percent), housing and communal construction (3.7 percent), health care, social security, and physical culture (1.8 percent), finances, credit and insurance (1.8 percent), and other national economic sectors (3.7 percent).

15. In reality the socialist economy suffers its most substantial damage as a result of neglect and the production of poor quality, substandard, and unfinished industrial goods. The corresponding crimes as per Articles 219 and 228 of the Penal Code are second and third in the state of delinquencies as per Parts I and II of Chapter Six of the Special Section of the Penal Code.



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They are extremely insignificant in the overall condition of the crime rate in Bulgaria. This significant yet contradictory situation may be explained with the help of different circumstances, the most important among which follow several directions.

First, lack of adequate concern or production of substandard industrial goods leads to major damages inflicted on the socialist economy. However, this is not always due to actually committed crimes. Most frequently the reasons are of an objective nature--accidental, economic-organizational, administrative, cadre, and so on. Subjective reasons are most frequently linked with collective decisions, lack of individual responsibility, or non-punishable responsibility--political, administrative, financial, civic, etc.

Second, there indeed exists some gaps and inaccuracies in determining the grounds, content, and system of penal responsibilities and in separating penal from other types of responsibilities for economic delinquencies. Nevertheless, since penal corrective ways and means are important yet not decisive in the struggle against crimes under socialism, they could be applied with even greater substantiation on an exceptional basis only and extreme illegal cases affecting the conduct of economic activities. Of all actions considered crimes according to the penal code, actions against the socialist economy are the least subjected to penal control, entailing the greatest difficulties, and punishments stipulated and imposed for such crimes are, perhaps, the least effective. Far more effective, in practice, are measures of organizational-political, administrative-economic, financial, labor-legal, or civic-legal nature.

Third, in the case of criminal actions committed against the national economy (particularly in cases of neglect or production of substandard industrial goods), it is not always possible promptly to establish all direct or indirect damages caused the national economy. Possibilities exist of counter-ing damages done the national economy with advantages or even profits benefiting the individual enterprise, and vice-versa.

A number of factors exist (tempestuous development of the socialist economy, frequent changes in the legal management system, and so on) to provide "objective" foundations or to "legitimize" damages caused as the result of improper actions.

Fourth, a number of weaknesses and shortcomings may be found in the activities of operative-research, financial-auditing, investigative, and other specialized state organs in exposing and proving economic crimes. Consequently, frequently no prosecution is instigated. The so-called latent or concealed criminality is most characteristic in this case and appears in a variety of forms.

Fifth, there is a certain practical underestimating of legal punitive measures and means in the struggle against neglect and the production of substandard industrial goods. This is due not only to shortcomings in legal regulations but to difficulties in the application of penal norms (as, for example, in cases of extreme necessity, justified production risk, improper official order, or equality of official positions in terms of punitive norms).

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On the basis of the basic directions followed in penal policy at the present stage, and taking into consideration the condition, dynamics, and structure of economic crimes, let us note the more important tasks and problems of criminological, penal-procedural, and penal-legal nature in the struggle against this category of crimes.

III. Basic Penal-Legal Problems in the Struggle Against Economic Crimes

16. The tasks related to the clarification of the reasons and conditions for the commission of economic crimes and the elaboration of measures for their reduction or prevention are particularly topical. The traditional and to a certain extent, routine statistical indicators are obviously insufficient. Effective ways and means for the clarification of the reasons for and the elaboration of effective measures in the struggle against economic crimes must be elaborated and applied on the basis of contemporary economic, scientific and technical achievements.¹³ The comprehensive approach, the real ways and means used for the exposure of so-called latent economic crimes, and so on, are of great theoretical and practical importance.

It is true that no special stipulations exist in the field of penal procedural law and criminology on the procedure governing trials for economic crimes, the competence of corresponding judicial organs, and so on. In reality, however, this category of crimes is characterized by a number of specific features which determine the need for a certain specialization on the part of the operative- investigative and prosecutor's- investigative and judicial organs. The comprehensive nature of economic crimes demands of the specialized organs firm knowledge in the various fields of socialist law (penal, civil, labor, administrative, and so on), as well as durable knowledge in other scientific areas such as economics, finance, accounting, sociology, psychology, and so on.

The characteristics in providing proof of economic crimes determine the need for the elaboration of a special method and tactics for the investigation and exposure of such crimes. In this case the "quality or level of financial-auditing activities and preliminary control are of substantial significance. A number of theoretical and practical problems arise concerning the nature, tasks, and functions of financial-accounting expert assessments related to economic crimes--the legality and substantiation of primary financial-accounting data, the possibility to resolve this way the problem of the financial or administrative nature of actions committed against the socialist economy, making a distinction between¹⁴ the practical competence of the expert and of the judicial organ, and so on.

The nature of economic crimes and the personality of their authors are substantially reflected on the penalty: the determination of the initial penal system and the prerequisites for its amendment, places where imposed penalties must be served, jail terms in particular, ahead of term release, etc.

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Naturally, the directions in the struggle against economic crimes, based on the decisions of the National Party Conference, formulate a number of specific tasks concerning further improvements in the field of socialist penal legislation and punishment. The penal theory equally faces a number of problems the most important of which could be classified into several more important groups.

17. The nature of crimes against the socialist economy may be reduced to improper economic activities, or illegal or economically improper implementation of entrusted tasks and functions by economic subjects. This is a violation or infringement of the requirements related to the normal, correct, and legal conduct of socialist economic activities. Such requirements are based on the objective economic laws under socialism. They are consistent with contemporary scientific and technical accomplishments and are found in party decisions and existing laws.

It is on this basis that the line dividing the two most important categories of crimes against the socialist economy is drawn: "Norms applicable to crimes committed against social property retain this characteristic in the case of certain criminal encroachments over individual projects regardless of subsequent specific consequences of the action, whereas norms related to economic crimes protect the proper conduct of socialist economic activities and the dynamics of economic life."¹⁵

The basic distinction between economic crimes and other groups of crimes listed in the special section of the Penal Code--crimes against the People's Republic (Chapter One), against the activities of state organs and social organizations (Chapter Eight), and others--is made in accordance with the same criterion. The direct object of crimes committed against the People's Republic and, above all, subversion and sabotage (Articles 106 and 107 of the Penal Code) are social relations linked with the socio-economic organization, the dictatorship of the proletariat, or the state of the whole people. The influence method alone is "economic." In the case of economic crimes not only the method of influence is economic but the directly affected targets are precisely socialist relations related to the conduct of economic activities.

The object of crimes as per Chapter Eight of the special section of the Penal Code include socialist social relations related to the proper and normal functioning of the state, economic, and social apparatus, its prestige and the trust of the working people in state organs and social organizations. "The social danger of economic crimes is that they violate normal economic activities. It is precisely this characteristic that must be borne in mind with a view to reducing the number of economic crimes committed against socialist ownership and crimes based on official position which, even though in some cases may present certain obstacles to the conduct of economic activities have another target--socialist property and the proper activities of the state apparatus."¹⁶

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18. The characteristics of the target of economic crimes are reflected on their system as per Chapter Six of the special section of the Penal Code. The legislator proceeds on the basis of two criteria: a. Basic: nature of established requirements, norms, or regulations governing the conduct of economic activities, ie, whether or not they are universally applicable, whether or not they apply to all or most sectors, or else apply merely to the respective sector, subsector, or unit of economic activities; b. Supplementary--the characteristics and the socio-political significance of economic relations of specific economic sectors or units.

Compared with the abolished penal code the thus described system of economic crimes offers a number of advantages. Based on scientific criteria, it introduces considerable order and clarity. It is used to explain the content and significance of the nature of corresponding economic crimes and their separation from similar homogeneous or heterogeneous crimes.

However, the system and structure of economic crimes suffer from certain gaps, lack of specificity, and imperfections. The socio-political nature and content of individual economic crimes, differences between general and special crimes, and the distinction between them and individual similar or different crimes and, particularly, similar administrative violations, have not been comprehensively and profoundly clarified. A number of theoretical and practical problems have remained controversial while improvements in legislation and judicial practices have raised new problems facing penal law. Following are some of them:

a. Not all general economic crimes may be committed within each of the individual national economic sectors. Neglect alone (Article 219 of the Penal Code) is of such general significance, for it could be committed to a greater or larger extent in all sectors of the national economy. Other general economic crimes have a more or less limited range for their real implementation, depending on the nature of the direct target, and their specific content and purpose. On this basis some authors even reject the possibility that "general economic crimes" may be classified in a separate subgroup or individual category.

It is also possible to argue against the view that some economic crimes have been classified in Part I of Chapter Six of the special section of the Penal Code (such as, for example, disclosure of a so-called economic secret as per Article 224 of the Penal Code in which the direct target of the crime are social relations linked with foreign trade activities; violations of the procedure governing building on cultivated land or pasture as per Article 221a of the Penal Code in which the land is the direct target).

b. The adopted system of economic crimes should not be considered as complete. Some economic crimes stipulated in other laws remain outside the Penal Code, such as criminal encroachment on state measurements and measuring tools as per Article 43 of the Law on Measurements and Measuring Tools (DV, No 289 of 9 December 1948, amended in IZV., No 14 of 15 February 1952); destruction or damaging of natural sites, earth formations, and others, as per Article 35, paragraph 2, and Article 36, paragraph 2, of the Law on the

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Protection of Nature (DV, No 47, of 16 June 1967); criminal violation of the system governing inventions and rationalizations as per Article 93 of the Law on Inventions and Rationalizations (DV, No 81 of 18 October 1968).

c. The indicated criteria for drawing the distinction between general and separate economic crimes are not identically accepted in the legislations, judicial practices, and theories of the socialist countries. For example, commercial intercession and enterprise are considered as per Article 234 of the Penal Code, crimes committed in individual economic sectors; yet according to Article 153, Part II of the Penal Code of the RSFSR they are considered general economic crimes;¹⁸ according to Article 233 of the Penal Code profiteering is usually considered a crime against socialist trade,¹⁹ even though some authors consider it a form of exploiting economic activity.

d. Of late crimes against the natural environment are assuming ever greater domestic and international significance. A number of problems arise of their systematic classification within the penal code and in connection with drawing a distinction between them and similar crimes such as crimes committed against public health, socialist property, citizens' rights and others.

19. The subject is of very great importance in determining the mechanism, structure, and content of the nature of corresponding economic crimes. Depending on additional features of the perpetrator, his relationship with the object and the target of the crime, and the rights and obligations entrusted to him by virtue of legal norms and the rules governing the socialist community, we could distinguish among three basic categories of subjects of economic crimes, namely:

1) An official (Article 219, paragraph 1; Articles 220, 221, and 221a; 222; and 226, paragraph 2, of the Penal Code); a manager or a control organ (Article 219, paragraph 2; Articles 228, 231, and 239 of the Penal Code);

2) Individually defined features: seller (Article 225, paragraph 3 and Article 232, paragraphs 1 and 3); lessor (Article 25a); receiver (Article 229); middleman (Article 234, paragraph 1); entrepreneur (Article 234, paragraph 2), and foreign citizen (Article 240 of the Penal Code);

3) Any criminally liable individual who violates or fails to carry out certain economic obligations (Article 221, paragraph 5; Articles 223, 224, 225, 226, paragraphs 1 and 2, 227, 230, 232, paragraph 2, 233, 236, 237, 238, and 241-250 of the Penal Code).

Particularly interesting is the concept of official. This has been the object of separate and extensive clarification in theory and judicial practice.²⁰ Certain difficulties have appeared also in clarifying the content of specific subjects. Some of them are legally defined in laws outside the penal code,²¹ while in other cases this has been left to legal theory and judicial practice.

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Along with the special qualities of the subject, in the case of some economic crimes certain relations are stipulated to exist between the perpetrator and the object or the target of the crime. For example, a known advantageous harmful deal, as per Article 220 of the Penal Code, may be made only by an official authorized to make deals by virtue of a law, regulation, bylaw, or other legal act, or has been given such rights on the basis of other legitimate means (Decree No 7, 1976; SB, page 12; Resolution 58-75-OSNK, SB., page 70).

20. Substantial problems arise in legislation and, particularly, in judicial practice in the clarification of some characteristic objective signs of economic crimes.

a. A typical form of encroachment on the socialist economy may be found in active actions violating the established general or specialized requirements and rules governing the conduct of economic activities. Naturally, also entirely possible are cases of inaction or failure to carry out specific economic obligations.

Characteristic of economic crimes are the complex combinations of actions and inactions, or combinations of active and passive acts of behavior. Frequently the perpetrator begins with a legitimate action pursued in a certain direction which, however, may be preceded, paralleled, or followed by the nonfulfillment of strictly defined obligations related to security or economic expediency measures or requirements following a different direction. The opposite is possible as well: The perpetrator may be inactive legitimately and economically expediently, but it is precisely such inaction that must be preceded, paralleled, or followed by active economic actions in the same or a different direction.

b. Some characteristic features of the action have a further influence on the forms of more complex economic crimes: a. a continuing economic crime (Article 26 of the Penal Code) is a complex combination of the basic forms of the corresponding executive action with specific and various committed actions and inactions; b. extended economic crimes based not on the structure of the penal norm or type of corresponding crime but on the legal nature of another law or legal norm specifically or not specifically stipulated by the penal code; c. specific more complex economic crimes committed "repeatedly" (Article 231, paragraph 1, item 1 of the Penal Code), "systematically" (Article 242, paragraph 1, "a," Article 233, paragraph 2, item 2, and Article 250, paragraph 2, item 1 of the Penal Code) or "exercised as an occupation" (Article 234, paragraph 1, item 1 of the Penal Code).

c. One of the basic objective criteria which distinguishes economic crimes from other crimes and from administrative violations or other illegal acts is the extent of the harm or endangering of socialist economic activities, ie, the nature, size, or dimension are of harmful consequences. A considerable number of such actions are considered economic crimes precisely because of the size and significance of harmful consequences and their reflection in the development of the national economy, namely: "considerable

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damages," "considerable illegal income," "considerable material benefits," "large size," "high value," or "major harm." This is a question of the so-called factual characteristics which must be established by the prosecution-investigative and judicial organs on the basis of their factual features, explained in terms of content, and assessed in terms of penal significance. Regardless of the established criteria and indicators of supreme court practices, the judicial organs are experiencing major difficulties in their clarification and precise application.

21. Essentially, actions against the socialist economy are punished when committed deliberately. In the case of a subgroup of economic crimes the intent may be only direct while in others it may be direct or eventual. Should economic crimes be committed with a direct intent, subjectively they are characterized most frequently by the special purpose, usually expressed in terms of gaining material benefits (Articles 222, 224, and 234 of the Penal Code).

Of all economic crimes neglect and failure to exercise adequate control (Article 219, paragraphs 1 and 2 of the Penal Code) are punishable should they involve carelessness as well. Accepting, on an exceptional basis, the punishability for such uncautious actions, the legislator has also stipulated adequate grounds and guarantees: the affected social relations must be of substantial socio-political and juridical significance; the actions must present increased social danger; real and significant damages must be caused to the enterprise or the national economy, and so on. Nevertheless, the socialist legal theory is faced with the problem of whether or not we should exclude the punishability for an action committed against the socialist economy in general, caused by lack of caution, or at least adopt the position of the penal code of the GDR--that the action must be deliberate--and that lack of caution may have been displayed only in terms of generally dangerous consequences.

22. Decriminalization is an essential trend in socialist penal policy. Currently it is most systematically and extensively applied in economic crimes even though it does not follow a single line. Along with decriminalization, the penal code applies recriminalization, ie, the restoration of penal liability should the same type of action recur after the perpetrator has been subjected to nonpenal measures of influence.

The penal code makes use of three basic methods for the penal treatment of economic crimes of minor social danger.

a. On the basis of Article 424, paragraph 1, of the Penal Code, the stipulations of Articles 31 and 32 of the Law on Administrative Violations and Penalties are applied, ie, they are considered administrative violations. The main criterion here is the level of social danger of the action expressed through two legal-technical methods: a. In the case of "minor cases" and b. when the "value of the target of the action is minor." According to the Law on Administrative Violations and Penalties five "minor cases" of encroachments against socialist economy are penalized (Article 225, paragraph 6; Article 228, paragraph 3; Article 231, paragraph 2; Article 232, paragraph 3;

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and Article 242, paragraph 5 of the Penal Code). The only case of administrative penalty based exclusively on the "value of the object of the crime" is stipulated in the case of foreign currency crimes as per Article 250, paragraph 3 of the Penal Code, should the value of the foreign exchange values or property under foreign exchange control ranges from 20 to 250 leva.

b. In two cases decriminalized actions are, once again, considered economic crimes: violations of the price system (Article 225, paragraph 7) and deception of purchasers or customers (Article 232, paragraph 4). This requires three prerequisites: a. an administrative punishment must have already been imposed on the perpetrator by decree enacted for such a crime, consisting of a "minor case;" b. the perpetrator must commit the same crime considered a "minor case;" c. at the time that the second crime has been committed less than one year has passed since the commission of the first crime. The perpetrator is held criminally liable for the second crime even though it may be a "minor case."

c. Violations of rental regulations are considered a separate type of crime: the earning of rental exceeding the legally admissible level (Article 225a of the Penal Code). One of the conditions for this crime must be the fact that the perpetrator has already been punished administratively for such an action. The first occurrence is not subject to penal regulations. The second action is considered a crime providing that the perpetrator has already been punished for the initial action before that. The period of time elapsed following the punishment for the first violation is ignored providing that the legal consequences of the administrative punishment are still on record. This is a case of a crime for a violation committed for the second time.

23. Finally, an immediate practical task affecting the penal theory stems from the decisions of the National Party Conference: to clarify the comprehensive and complex problems of sensible and creative risk in production work and its importance in terms of criminal law. According to the predominant concept in socialist legal theory, a justified production risk is a separate circumstance which excludes the social danger stemming from the committed action. "Grounds for freedom of responsibility in such a case consist of social usefulness of such manner of carrying out professional obligations, based on the purpose of improving the production process and upgrading its productivity."²²

Despite this, a number of matters remain unclarified in the field of socialist legal theory: the legal nature of the justified production risk and its significance, types of risks, correlation between justified production risks and other grounds or circumstances leading to the exclusion of the social danger, guilt and the illegality of the action, and so on. For this reason the penal code does not contain stipulations regarding justified production risks even though a stipulation was considered in one of the drafts of the penal code. Judicial practices, however, do not acknowledge its right to exist (Decision 1138-70-III, SB, pp 26-27). Justified production risk is found only in Article 169 of the Penal Code of the GDR and Article 217,

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item 3 of the Penal Code of the Polish People's Republic, by virtue of which certain actions committed against the socialist economy are not considered criminal.

FOOTNOTES

1. T. Zhivkov, "Za Usuvurshenstvuvane na Sotsialisticheskata Organizasiya na Truda i na Planovoto Rukovodstvo na Ikonomikata" [On Improving the Socialist Organization of Labor and Planned Economic Management], Partizdat, Sofia, 1978, page 18.
2. See "Reshenie i Tezisi na Natsionalnata Konferentsiya na BKP" [Decision and Theses of the National Conference of the BCP], Partizdat, Sofia, 1978, pp 8-9.
3. See T. Zhivkov, Op. cit, pp 24-25, 27.
4. L. I. Brezhnev, "Leninskim Kursom. Rechie i Stat'i" [The Leninist Course. Speeches and Articles], 41, Politizdat, Moscow, 1970, page 308.
5. See "Reshenie i Tezisi...", pp 23-24.
6. Ibid.
7. Ibid, pp 41-55.
8. See T. Zhivkov, Op. cit, page 58.
9. "Reshenie i Tezisi...", page 15.
10. Ibid, pp 47-48.
11. "Basic Stipulation on the Role and Activities of Judicial and Prosecution Organs in the Period of Building of a Developed Socialist Society," adopted with Decision No 37 of 27 November 1975 by the State Council of the Bulgarian People's Republic, Sofia, 1975, page 7.
12. T. Zhivkov, "Otchet na TsK na BKP za Perioda Mezhdur Desetiya i Edinadesetiya Kongres i Predstoyashite Zadachi" [BCP Committee Report on the Period Between the 10th and 11th Congresses and Forthcoming Tasks], Partizdat, Sofia, 1976, page 113.
13. See V. V. Korobeynikov, "Strengthening Socialist Legality in Economic Activities Through Prosecutor's Supervision," SOVETSKOYE GOSUDARSTVO I PRAVO, No 2, 1978, pp 106-114.
14. See A. S. Koblikov, "Social Significance of Criminal-Procedure Law and Means to Upgrade It," SOVETSKOYE GOSUDARSTVO I PRAVO, No 9, 1978, pp 14-20; A. A. Khmayrov, "Criminalistic Characterization of Crimes and Ways for Obtaining Proof in a Criminal Case," PRAVOVEDENIYE, No 3, 1978, pp 59-66;

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Erven Ceka, "Some Procedural Problems of a Criminal Trial Involving Economic Matters" (Report Submitted at the International Conference on "Crimes Committed in the Course of Economic Activities") Seged, 2-6 October 1978; Geza Katona, "Tasks of Bookkeeping Expertise in the Course of Providing Proof for Economic Crimes," (Report at the same conference), Seged, 2-6 October 1978.

15. Iv. Nenov, "Prestupleniya Protiv Sotsialisticheskoto Stopanstvo po Bulgarskoto Narodnodemokratichesko Pravo" [Crimes Against the Socialist Economy According to the Bulgarian People's Democratic Law], Sofia, 1953, page 20.

16. "Kurs Sovetskogo Ugolovnogo Prava" [The Course on Soviet Criminal Law], Vol V, Moscow, 1971, page 388.

17. See P. T. Nekiplov, "Ponyatiye i Sistema Khozyaystvennykh Prestupleniy po Sovetskomu Ugolovnomu Pravu" [Concept and System of Economic Crimes According to Soviet Criminal Law], Rostov na Donu, 1963, page 107.

18. "Kurs Sovetskogo Ugolovnogo Prava," Vol V, pp 394, 403-418.

19. See Iv. Nenov Op. cit, pp 291 and following; Criminal Law, Special Section, Vol 1, pp 315-320.

20. See, for example, Decree No 3, 1970, SB, pp 11-12; No 6/1971 SB, pp 10-11; No 12/1973, SB, pp 13-14; and No 9, 1975, SB, page 16; Decision 73-74--OSNK, SB., and Resolution 3-77-OSNK, SOTSIALISTICHESKO PRAVO, No 5, 1978, pp 92-93.

21. See, for example, Articles 187 and following, Article 228 and following, of the Law on the Defense of the State [DV No 275, 22 November 1950].

22. "Kurs Sovetskogo Usolovnogo Prava," Vol II, Moscow, 1970, page 397.

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NUCLEAR RESEARCH INSTITUTE IN REZ STUDYING FAST BREEDERS

Prague TECHNICKY TYDENIK in Czech No 19, 1979 p 1

[Article: "Before Fast Breeder Reactors Begin Operation"]

[Text] The Nuclear Research Institute in Rez is involved in studies important for the development of nuclear power system and technology not only in Czechoslovakia but also in other CEMA member states. It is closely collaborating in particular with the Soviet institutes. In cooperation with the nuclear institute in Obninsk and with the direct participation of Soviet experts, the institute in Rez is dealing with such important problems as improvement of internal screening of fast breeder reactors. It is known that fast breeder reactors are systems of the future. Their advantage is that they can utilize nuclear fuel considerably more efficiently and that they also produce more source of fuel than they use (they are the so called fertile reactors). Fast breeder reactors will be introduced in industrial operation by the 1990's. The Soviet Union is leading in their development.

The research tasks assigned to the institute in Rez will be resolved in three stages: calculated and experimental tests of the passage of neutrons through pure iron; transport of neutrons through sodium; and tests of the proposal for internal screening with measurements using VVR-3 reactor.

The first stage took place last year. The calculations were conducted during September and October with the participation of three Soviet experts. Balls with diameters of 20, 30 and 50 cm were made of pure iron (bulk 31.8 kg, 107 kg, and 497 kg, respectively). Neutron source Cf^{252} was placed by remote control in the center of the balls--source FJF1 10^8 n/s was used--and after their passage through the iron the spectrum of the neutrons was measured. The following spectrometric methods were developed and applied for the measurements: Scintillation spectrometer for fast neutrons with a stilben crystal, proportional hydrogen computer, multisphere spectrometer. For comparison of the calculated and experimental solution one may consider the extent to which the applied system of constants may be accepted and in what area the data need correction.

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The studies in the field of screening exemplify the way Czechoslovakia may participate in the solution of urgent research problems in close contact with the Soviet institutes.

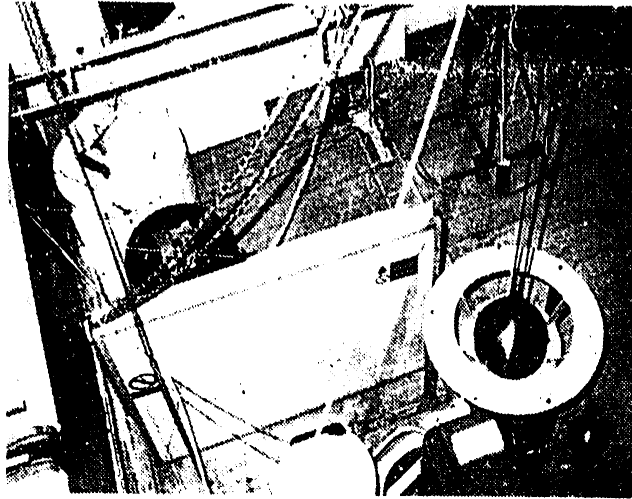
Nuclear technology has been developing rapidly in the CEMA countries. We all are concerned about future needs of energy. That is not expressed solely in the cooperation in research; for instance, the participation of Czechoslovak mechanical engineering in the approaching development of nuclear power is sufficiently well known.



Measurements of neutron passage through pure iron. P. Otopal adjusting a control device for the remote control placement of a neutron Cf^{252} source into the center of the ball. The department of Czechoslovak Institute of Technology in Prague made its premises available for this purpose.

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A view at the place of work: container, travel, control device for remote control placement of the neutron source, and the balls (with 20, 30, and 50 cm diameter).

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CZECHOSLOVAKIA

DEVELOPMENT OF CNC SYSTEMS IN CSSR NOTED

Prague TECHNICKY TYDENIK in Czech 22 May 79 p 6

[Article by Ivan Kršiak, CSc, Research Institute for Machine Tools and Machining Processes: "The Development of CNC Systems With Miniprocessors in Czechoslovakia"]

[Text] In recent years the machine tools industry has gone through some major changes caused by the ever more widespread use of miniprocessor-type control equipment. Whereas in earlier years the applications of control equipment were confined to the use of so-called numerically controlled (NC) machines, the output of which, as measured in terms of single workpieces (not at all in terms of lot volumes), amounted to only a few percentage points of the total output of all machine tools, current miniprocessor control devices are now beginning to have an impact on the industry as a whole, since they are now also being applied to the main classes of machine tools, i.e., conventional or manually controlled machines (in this case the term manual control refers to the control of a machine by means of buttons on a control panel or in accordance with a program which is manually inserted by means of a push-button keyboard into the memory of a simple machine control system and not to the manual control of a machine by means of cranks or levers). At the same time, the similarities between NC machines and conventional machines are constantly increasing, since the conventional machines are being adapted to accommodate certain functional components that were originally intended exclusively for NC machines, e.g. feed drive mechanisms.

What are the principal benefits of the application of miniprocessors in the machine tools industry? The most important aspect of these benefits has nothing to do with the advent of complex computational systems stored on single silicon chips, that is, in terms of the density of bits per chip in relation to its physical dimensions. Identical or even greater bit densities had been achieved even earlier in semiconductor memories and calculators. The main benefit created by the use of

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miniprocessors consists in the fact that they have enabled manufacturers of control systems and, more and more often, the manufacturers of machine tools themselves to make systematic use of the capabilities of computer technology systems.

Attempts to use computers for the control of machine tools were in evidence at the very outset of the development of NC systems, but at that time these applications proved to be too costly. This situation changed somewhat with the advent of minicomputers at the start of the 1970's. The relatively low cost of minicomputers permitted their use for certain more complex applications. However, it needs to be said that the cost of minicomputers was not so low so as to permit a general changeover from fixed-connection systems (i.e., systems with invariable logic functions) to computer-equipped systems (called CNC systems--in English "Computer Numerical Control" systems). This conversion process is just now getting under way, thanks to the advent of miniprocessors and minicomputers.

The first CNC systems equipped with minicomputers appeared on the market as early as 1970. But the significantly more widespread application of computer systems in this industry did not take place until after 1974, when CNC systems equipped with miniprocessors appeared on the market.

For example, at the Second EMO [expansion unknown] machine tools exhibition held in 1977 in Hannover, out of a total of 345 NC machines that were on display, as many as 221, or nearly two-thirds, were equipped with miniprocessor CNC systems. This ratio was even more marked in the case of lathes, where out of a total of 156 NC lathes on display 75 percent were equipped with miniprocessor CNC systems. Further progress was made last year in the development of CNC systems equipped with miniprocessors, while the use of fixed-connection NC systems and CNC systems incorporating minicomputers levelled off or declined.

The harnessing of microelectronic technology in the machine tools industry paved the way for the emergence of a new class of control systems, i.e., systems with manual data input capabilities that are often referred to as HNC systems (Hand NC in English or Handeingabe NC in German). The physical dimensions of these systems are small, and so they are often mounted in machine control panels. They are also inexpensive and very dependable. In the case of these systems it is possible by means of a pushbutton keyboard to set up or modify the program for a given machined component directly on the machine. These systems are very popular and the number of their users is constantly growing. Since the production of these systems is very simple owing to the use of minicomputer technologies (the focal point of production problems has shifted to the software area), these systems are being produced more and more often directly by the manufacturers of machine tools which are

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able to do the best possible job of adapting them to the requirements of the machines in terms of their controls, installation, and hookup with high-voltage feed boxes. Marketing issues and the simplification of servicing are also an important consideration.

The production of miniprocessor systems has also gotten under way in some of the socialist countries. Among these we should mention the Soviet systems 1M22 equipped with an Elektronika 60 minicomputer and 2U32 equipped with an NC 03T minicomputer, the Hungarian systems Unimerik 200 and 700 equipped with a Texas Instruments 990 miniprocessor, Dialog equipped with a Motorola 6800 miniprocessor and the Hunor PNC 712 system with a manual data input capability, the GDR NC 621 system equipped with a domestically manufactured U 808D miniprocessor (similar to the Intel 8008 miniprocessor), and the Polish Mera Nucon 400 system equipped with an Intel 8080A miniprocessor produced under a license purchased from the Swedish firm Asea. Most of these systems were displayed at the exhibition of machine tools produced by CEMA countries held in November of last year in Brno.

In line with worldwide trends in the development of NC technologies work has also gotten under way in the CSSR on the development of CNC systems equipped with miniprocessors. The Tesla plant in Kolin has been working on the development of a minicomputer-type system ever since 1975. Due to the inaccessibility of the needed miniprocessor circuits this development work has been carried out using available domestic components, even though it is true that the central unit is completely interchangeable with the Intel 3000 or, for simpler applications, the Intel 8080A miniprocessor systems. At the present time the Tesla-Kolin plant is wrapping up work on the development of and gearing up for the production of the NS 660 system for the continuous control of lathe machines. In addition, work is proceeding in this enterprise on the development of the NS 680 system for precision applications (machining centers, continuous milling). In the case of both systems a programmable NS 900 series automatic can be installed in a housing module with dimensions of 600 x 1,800 x 600 mm for the purpose of controlling machine technological functions. The Research Institute for Machine Tools and Machining Processes and the Tesla A.S. Popov Communications Technology Research Institute are working together on the development of software for both systems.

In January 1977 work got under way at ZPA-Kosir [Instrumentation and Automation Plants in Kosir], with the cooperation of the Research Institute for Machine Tools and Machining Processes, on the development of an orthogonal NS-632 system for drilling machines, an NS-633 system for milling machines, and a continuous NS-642 system for lathe machines. This development work is proceeding on the basis of an imported Intel 8080A miniprocessor system and a CMOS-type semiconductor memory with

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reserve battery power. Tests of the first system in this series, the NS 633, were successfully completed in conjunction with the FCR-50 milling machine produced by the Kurim Machine Tool Factories.

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ECONOMIC EXPERIMENT PRINCIPLES, PROBLEMS IN NUTSHELL

Prague POLITICKA EKONOMIE No 3, 1979 pp 305-310

[Article by Hana Brydlova: "The Comprehensive Experiment in Management of Efficiency and Quality--Initial Results of Its Implementation"]

[Text] The 15th CPCZ Congress set a momentous task to develop and further improve the management of national economy so that it may help to raise more effectively the efficiency of production, activate the reserves and the growth of labor productivity, and upgrade the quality of production. In order to fulfill this task it is necessary to search for, test and introduce better methods of planning and comprehensive stimulation, and to enforce such measures that are in harmony with the tendencies objectively asserted in the development of the Czechoslovak economy. The comprehensive experiment in management of efficiency and quality, implemented since 1978 by 12 economic production units, represents specific fulfillment of the above-mentioned efforts.

Principles of the Experiment¹

The experiment in management of efficiency and quality is a comprehensive experiment in the sense that its purpose is to test new factors and tools affecting efficiency and quality in every area of the planned management system, in other words, in the process of planning, material incentives, and in raising responsibility on individual levels of management. In addition, its purpose is to help implement the principles of organization of the base of production, with an emphasis on the concern and departmental form of management. At the same time, the comprehensive character does not imply that every tool and every factor will be tested in every area of the reproduction process, because the effect of some of them is regarded as satisfactory, irrespective of the fact that certain measures have already been adopted in previous years.

Planning

The basic prerequisite for a more efficient management, particularly as concerns planning and material incentives, is the principle of a long-range effect. The situation that has prevailed up to now will be gradually changed so that the five-year plan will become the basic tool of management.

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Accordingly, the fulfillment of the planned tasks will be assessed for the entire 5-year period, namely, in individual years cumulatively from the beginning of the 5-year period. The long-range effect and stability naturally do not mean absolute rigidity. In the framework of their long-range tasks individual economic production units will have to cope with the effects stemming from economic life, and changes on the central level will be made only in serious cases.

To a certain extent the principle preferring the creation and fulfillment of the progressive plans over overfulfillment of limited plans is enhanced in the experiment. Preference for the progressive plan is affected above all by the introduction of long-range economic conditions and standards (for a 3-year period) so as to eliminate the effect of support to lagging economic production units against those economic production units that are overfulfilling the tasks of the five-year plan. The principle of a long-range effect will also favorably influence a prompter fulfillment of rationalization tasks because the economic production units gain from the achieved effects higher resources for their material incentive funds. Moreover, the long-range effect is enforced in the standards set for the wage area, in the area of limited investments (the fund for development) and in cash incentives for the results of export.

The linkage of the mobile factor of wages with profitability of the funds of production acts in support of the progressive plan. Unlike in the plan for 1978-1980, the draft for annual plans has given the economic production unit the right to plan a higher mobile factor of wages in the extent proposed for higher profitability of the production funds. For the time being, the existence of the indicators determining the creation of funds of rewards exerting an antistimulating effect on the progressive plan but demonstrating a positive effect on the implementation of mandatory tasks of the annual plan has not been resolved.

Financial Management

The concept of the experiment strives for intensification of the khozrashchot. In this conjunction, the financial plan and financial-economic tools have an important role. Profitability measured according to the production funds, and the system of standards for personal, collective and material incentives of the enterprise will become important tasks of the five-year plan in the experimenting economic production units. Proportionally with the raise in material stimulation, efficiency of economic sanction also will be increased.

The following principles represent a specific form of intensification of the khozrashchot and application of standards:

- to expand the scope of the wage means contingent on profitability of the funds of production and on determining indicators;
- to raise the resources of the development fund and to enhance the stimulation by linking the fund for development with the profits in foreign trade;

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- to increase the efficiency of the fund for cultural and social needs by linking them with the results of foreign trade and price advantages for products of superior technological and economic grade;
- to introduce the fund of tangible stakes in the results of export; the general director has the right to use this fund according to the regulations on grants of appropriate incentive funds;
- to stimulate permanent reduction of supplies on the basis of their accelerated turnover by transferring savings in the development fund;
- to enforce sanctions for exceeding budget outlays in construction, for a failure to meet the technical-economic indicators, etc.

In the area of financial management the experiment will test the effect of several new factors on the sector of the financial plan, payments to the state budget, etc, in other words, factors activating the effect of finances, however, not in an isolated manner but in a linkage with other areas of the system of planned management.

In the area of reproduction of basic funds the experiment is focused particularly on limited investments. It aims at achieving better efficiency of the funds spent for the purpose of maximizing the share of progressive programs of modernization and rapidly returnable actions. Financial resources for such actions must be created by the economic production unit according to set norms. A certain part of the means will be totally designated for superior organs, namely, for decisions on programs that required enlarged labor force and imports from the capitalist states, and furthermore, for actions implementing the tasks of socialist economic integration, technological development and so on.

Regulation of the Wage Development

In the area of planned regulations of the wage development the measures are oriented so as to reinforce the motivating function of the system in order to prevent any weakening of its control function. The motivating effect is focused on higher efficiency and quality of all work and, at the same time, on exertion of direct economic pressures on saving of human labor while making its absolute savings more advantageous. The level and dynamism of tariff wages are contingent on the amount and efficiency of human work and, furthermore, on the type of the work and working conditions. This linkage determines the development of the essential part of the wages. The supratariff factor motivates specific results of work, its efficiency and quality. The regulations of this factor depend exclusively on indicators of efficiency and quality. The potential complex exploitation of the wage resources is being tested simultaneously because the stimulating effects of both those wage factors are interrelated. This interrelation will gradually gain strength.

Creation and Planning of Prices

In the planning and setting of prices a more flexible and thorough enforcement of the criteria of socially necessary outlays for production and utilization of products, and a more intensive effect of prices and price ceilings on the

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stimulation of efficient innovation of products and quality of production are followed and the principle of price unity is being observed at the same time. The forms of the interrelation in planning of prices, price-setting and price stimulation with other sectors of the plan, with economic tools and with the material incentive system are being tested simultaneously.

Technical Development and Quality of Products

The changes implemented in the management of technological development are focused primarily on a uniform method of creation and processing of plans for technical development on individual levels of management and planning. For that reason, coordinated plans for technological development and plans for the fulfillment of the task of technological development and, furthermore, a uniform method for evaluation of planned tasks are being introduced in the economic production units.

Measures in the area of quality control will eliminate the negative effect of indicators focused on quantity, and improve the efficiency of tools focused on efficiency and quality. For that purpose the indicator of innovations and higher technical-economic level of products is planned. In addition, credits for production included in the plan were restricted, the tools of material incentives and exploitation of prices were modified.

Foreign Trade

In this area the experiment is focused on the creation of stimuli for the best possible development of efficiency and extension of the volume of efficient export, in other words, it endeavors to render efficient export more advantageous and to foster its preferential development. More powerful incentives have been created in the case of inefficient or insufficiently efficient export in order to make export more efficient by improving its quality and reducing the costs of production. In the first place, under the term of efficiency of export are considered reduction of actual internal outlays in production of foreign exchange by export and at the same time, obtaining the best possible prices on foreign markets. Simultaneously the responsibility of the khozrashchot sector for foreign exchange returnability, high efficiency of the applied foreign exchange funds and their savings in import have been considerably more emphasized.

Initial Results in the Implementation of the Experiment²

Although the experiment has been in effect for a relatively short period (specifications of the plan for 1978-1980 were made in the first quarter of 1978 and the implementation of the experiment itself did not begin until the second quarter), a positive aspect of its implementation is reflected by the fact that economic thought and the approach of economic workers in the economic production units and enterprises to the problems of efficiency are gradually undergoing a change. Its specific expressions are some favorable results in the first 6 months, particularly in indicators of efficiency, as well as

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responsible approaches on the part of certain economic production units to higher efficiency and to the adoption of advanced plans.

Naturally, while preparing their plan for 1979 all economic production units did not approach the fulfillment of planned tasks and decisive indicators, such as the structure for the utilization of production and the indicator of efficiency, in a desirable way. Not only are their approaches considerably differentiated, but in general it appears that thus far there is no really substantial difference between the experimenting and other economic production units in their approach to the proposed plan.

Certain disturbing influences of the external environment (the non-experimenting enterprises) are reflected in experimenting enterprises, such as the over-estimated indicators of gross production and production of goods, and a disregard for the indicator of quality. At the same time, this does not imply that the above-mentioned indicators should be eliminated, but rather, that the fulfillment of the plan must be assessed comprehensively, with consideration to the aspect of production as well as its utilization, and particularly its efficiency. Some difficulties and complexities stem from the fact that the experimenting and other economic production units must be managed by central organs according to different principles and regulations.

Planning Activities

When bringing the Sixth Five-Year Plan up to the conditions of specifications for the 1978-1980 plan, the most difficult problem was to determine the tasks for export, particularly for export to the nonsocialist countries. In comparison with the guidelines for the Sixth Five-Year Plan, the task for export of the machine-building economic production units was reduced and the task for export of consumer goods raised.

The economic production units under the authority of the Ministry of Industry of the CSR have criticized the fact that the demanding tasks for the 1978-1980 period in final utilization of the production have not been supplied with adequate amounts and structures of raw materials and materials from domestic sources and import; the economic production units demand that in order to intensify the long-range effect of the plan, the economic production units be acquainted to the necessary and global extent with basic inputs of raw materials for the same period. Moreover, these economic production units have not fully resolved the problem of financing the investments in the 1978-1980 period.

There are problems also in the relations of the economic production units with the bank. In view of the unresolved issues of financial funds for the plan, the bank did not conclude practically over the entire 6-month period any credit contracts with most of the experimenting economic production units, which were supposed to establish a basis for the relations of the economic production units with the bank. With some exceptions, ad hoc arrangements existed in credit relations.

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Nevertheless, most of the economic production units have positively assessed the specification of the plan for 1978-1980 as a factor with a long-range effect and as a factor providing stability for the plan. Tolerance in selected indicators is one of the main aspects of the system of long-range effects as well as of flexibility. It makes it possible to react flexibly to changing conditions without a change in the plan. The economic production units appreciate this aspect, but they criticize the specification of the plan concerning the number of workers (indicator of the increment of workers has been specified, but not their total number, which depends on the initial situation).

The correlation of the principle of long-range effects with the implementation of certain tolerances must be consistently enforced, including an analysis of the effects of the tolerance system. The Ministry of Industry, for example, points to the problem of noninvestment imports from the capitalist countries. Although it does not represent a mandatory indicator over a prolonged period, for some economic production units it is a decisive prerequisite for their long-range plan as well as for their annual plan. In other cases this concerns evaluation of the volume indicator of final production (for example, export, delivery for the domestic market). The experimenting economic production units cannot reduce their total final output because only plus tolerance applies to it. Moreover, the requirement of higher efficiency is linked with the necessity to substitute import with cheaper domestic materials and raw materials. In terms of the system, this substitution is extremely difficult, because it is in conflict with the indicator of deliveries for the domestic market in wholesale prices (plus tolerance only) and also, it may affect the total final output as well. Therefore, it appears advantageous to expand this tolerance to the minus range too, which would solve the problem of volume indicators in the experimenting economic production units. At the same time, however, this whole problem must be resolved also in terms of balances in the draft of operational plans.

There are some other data in the area of planning that are noteworthy. On the whole, the economic production units approached the differentiated specification of quality indicators in a positive way; also, in the area of technical development and quality, the so-called coordinating plans and plans for the fulfillment of tasks of technological development were applied in harmony with the regulations of the experiment. However, the departmental sector did not issue any mandatory specification for the whole 3-year period in every area. Of course, some mandatory indicators specifying programs of innovation and quality of products have been stipulated, while the ascending trend had been achieved in general year after year.

Another problem appeared in the specification of the indicator of ceilings for investment and noninvestment imports for scientific and technological development in view of the fact that this indicator fails to differentiate between imports from the socialist countries and imports from the capitalist countries, nor between import for investment and import for noninvestment purposes. As a result, some ministries did not specify this ceiling at all. Therefore, it must be modified to some extent.

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Furthermore, as it turned out, most economic production units specified tasks and indicators for their enterprises for a 1-year period only. Although the method of specification is in the authority of the general director of the economic production unit, an attempt must be made to intensify long-range planning also on the lower levels of management.

Certain shortcomings were evident in grants of bonuses and rewards to leading formations in the enterprise. The trend toward uneven specification of the annual plan for individual quarters, which makes it possible to obtain bonuses for at least three quarters of the year, is not only detrimental to a steady fulfillment of annual tasks, but it also contradicts the principle that a major part of rewards and bonuses be contingent on the fulfillment of the tasks for the whole year. Furthermore, it is not correct to set identical rates for bonuses in individual quarters since this fails to stimulate interest in the fulfillment of the tasks for the whole year.

One of the aims of the experiment is to stimulate the interest of the economic production units and enterprises in adopting progressive plans. Some economic production units intensified their plan for 1978, particularly indicators of quality, and thus, they availed themselves of the opportunity to give preference to the plan in terms of material incentives. The drafts for the plan for 1979 demonstrated only slight interest in the adoption of a progressive plan; some economic production units submitted such a plan even with certain obvious negative deviations. Since sufficient data are lacking for the evaluation of this fact, thus far it cannot be said unequivocally whether the principle of preferences in the fulfillment of progressive plans, which is anchored in the experiment, is, or is not, intensive enough.

Experience in the Price Area

Stimulation of savings of materials and innovation in production was tested in the area of price stimulation along with the stimulation of the technological standard of the products, quality of the products, fashion and luxury goods, and along with the observation of price ceilings. At the same time, measures were adopted for price-setting and for regulation of deliveries of the latest fashion goods and luxury products due to their inadequate development and production. Experience has shown that higher rates of price stimulation, introduction of differentiated processes in planning that production, and the linkage of price stimulation with allotments to material incentive funds stimulated the manufacturers' interest in the production of technologically advanced, top-quality products and in fashion goods.

The conditions for the application of higher rates in price stimulation also led to positive experience in tests of price stimulation in other organizations (introduced on 1 September 1978).

The experiment has further shown that changes in wholesale prices evidently must be approached more efficiently in order to generate more intensive interest in efficient production on the one hand, and, on the other hand, to

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prevent the organizations from cushioning the conditions for the fulfillment of their own production at the current level of wholesale prices.

Certain problems appeared during the negotiations of the changes of prices with the consumers. For instance, foreign trade organizations are rejecting changes of prices that aggravate their planned reproduction indicators, even if those are the prices of highly profitable export goods. At the same time, their low profitability in wholesale prices does not stimulate the manufacturers enough to increase their production for export.

Wage Regulating and Material Incentive Funds

Efficient regulation of the basic factor of wage funds of economic production units depends primarily on the selection of the performance indicator. The indicator of constant units of work, production of goods without the effect of unplanned changes in the line of products, and fulfillment of the plan of production proper were applied in 1978. In general, however, the performance indicator predominated. It is highly desirable that the regulation of the basic wage factor be expeditiously reoriented to constant units of work or constant wage units or to standard net production.

Changes in the system regulating the development of wages reflected in the tools of material incentives have been thus far inconsistent. In payments of bonuses and grants of rewards the focus on the indicators and conditions of a quantitative character continues.

Material incentives of the leading workers are based on the evaluation of their activity by a cumulative method from the beginning of the experiment. The view that the workers of an economic production unit or of an organization which has made up for the indicators unfulfilled in previous years should be entitled to receive annual rewards also for the past years is not entirely consistent with the principles of the experiment. Such a process would weaken the tangible stake in a steady fulfillment of tasks. So long as the economic production unit fulfilled the essential indicators in the initial period and not in the following years according to the cumulative evaluation, it is desirable to reduce the annual reward more efficiently and thus to increase the pressure for a steady fulfillment of tasks and, simultaneously, to compensate material benefits derived from rewards granted in past years.

In general, the following situation is evident thus far in the area of creation of material incentive funds: the fund for technological development has been completely centralized on the level of economic production units; the fund for development also shows a high degree of centralization; in agreement with the regulations of the experiment, the fund of rewards is being created on the level of economic production units and distributed to individual enterprises according to the results achieved; the construction fund has been decentralized in enterprises in about one-half of the economic production units, or as the case may be, it is created in the economic production units as well as in enterprises; the fund for cultural and social needs is completely within

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the competence of enterprises, while funds for material incentives in export and reserve funds have been centralized on the level of economic production units in the overwhelming majority of cases.

Financial Management

Arrangements in financial-economic tools of foreign trade and transfer of a part of rewards from the rewards fund to wage outlays entail a reduction in the planned production of profits by approximately 23 percent. This is reflected in the returns to the state budget. Simultaneously the resources for distribution and disposable profits of the economic production units are reduced.

The level of the fund for development and its share in financing of the investments considerably differs in individual economic production units, according to the type of reproduction of basic funds. At the same time creation of the development fund calls for higher interest on the part of the workers in the economic production unit in obtaining necessary resources to cover the needs of the development in the area of limited investments.

Foreign Economic Relations

The 12 experimenting economic production units and 14 foreign trade organizations concluded 25 agreements on participation in economic results of export.

The experimenting enterprises demonstrated slightly inferior results in export than industry as a whole. In the first 6 months of 1978 the plan for export to the nonsocialist states was not fully met, while export to the socialist states was slightly surpassed. In the draft of the plan for 1979 the economic production unit proposed lower deliveries to nonsocialist states as compared with the specification of the tasks for 1978-1980. In this conjunction the economic production units are stressing their difficulties in the fulfillment of investment and noninvestment export, while the foreign trade organizations, on the contrary, are calling attention to the delays in introduction of innovations, prolonged terms of production of samples of innovated goods, and inferior quality of products.

The tangible stake of the economic production units in export was considerably simplified in the center-economic production unit relation as well as within the economic production unit. The level of involvement appears on the whole proportionate, with the exception of highly efficient economic production units with a large share of export in total sales.

In the area of import the current system of management has not been efficient enough in stimulating savings, as required by the situation of the Czechoslovak economy in the sector of foreign relations.

The tangible stake of foreign trade organizations is also unsatisfactory. According to identical evaluations made by foreign trade organizations,

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economic production units and ministries, a mere stake in the difference between the standard for the incentives corresponding to the reproduction indicator of deliveries fulfilled by the appropriate economic production unit in the current year as compared with the reproduction indicator in the preceding year has proved unsatisfactory. Its improvement calls for the application of principles similar to those applied in the economic production units.

The consequences of deteriorating relations in real exchange between export and import and gradually worsening balance of trade and payments connected with the development in world markets call on the one hand for planned creation of systemic preconditions based on experience from the implementation of the experiment, and on the other hand, for a gradual introduction of structural changes that will secure production and export of products marketable even in the most sophisticated markets.

The comprehensive experiment in management of efficiency and quality represents a meaningful step in the process of improvement of the planned management. Its purpose is to resolve or gradually eliminate those shortcomings and problems that impair efficiency of social production and negatively affect the satisfaction of the needs of foreign and domestic markets.

Initial experience has shown that some negative phenomena could be successfully eliminated and that the economic production units and enterprises are demonstrating more initiative and responsibility in their approach, especially to the problems of efficiency.

Nevertheless, some problems are still in evidence. The Governmental Committee for the Problems of Planned Management of National Economy, fully aware of the problems, is trying to deal with them step by step. This calls in particular for a radical solution of the effect of volume indicators of production in experimenting economic production units, for an assessment of the method of determining the number of workers according to the method of total capacities (and not according to the method of increments), for an evaluation of the method for determination of long-range mandatory noninvestment imports for scientific and technological development, as well as for an elaboration of proposals for the allowance of minus tolerance in the total performance indicator, to make it possible to resolve the change of conditions in order to improve the efficiency of the national economy.

The production sector, i.e. the experimenting economic production units³, is calling attention to certain problems and shortcomings. Their experience has shown that all conditions and prerequisites for an efficient performance of the tools of management have not been completely prepared and therefore, the tools which in all their measures would directly follow the implementation of scientific and technological progress and growth of efficiency have not been so far realistically and completely coordinated.

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FOOTNOTES

1. Prepared on the basis of the text of the Comprehensive Experiment approved by the decision of the Presidium of the government of the CSSR on 8 December 1977.
2. Prepared on the basis of the report by the Governmental Committee for the Problems of Planned Management of National Economy, presented to the government of the CSSR in December 1978.
3. See for example articles in HOSPODARSKE NOVINY Nos 30, 33, and 37, 1978.

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