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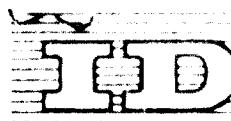
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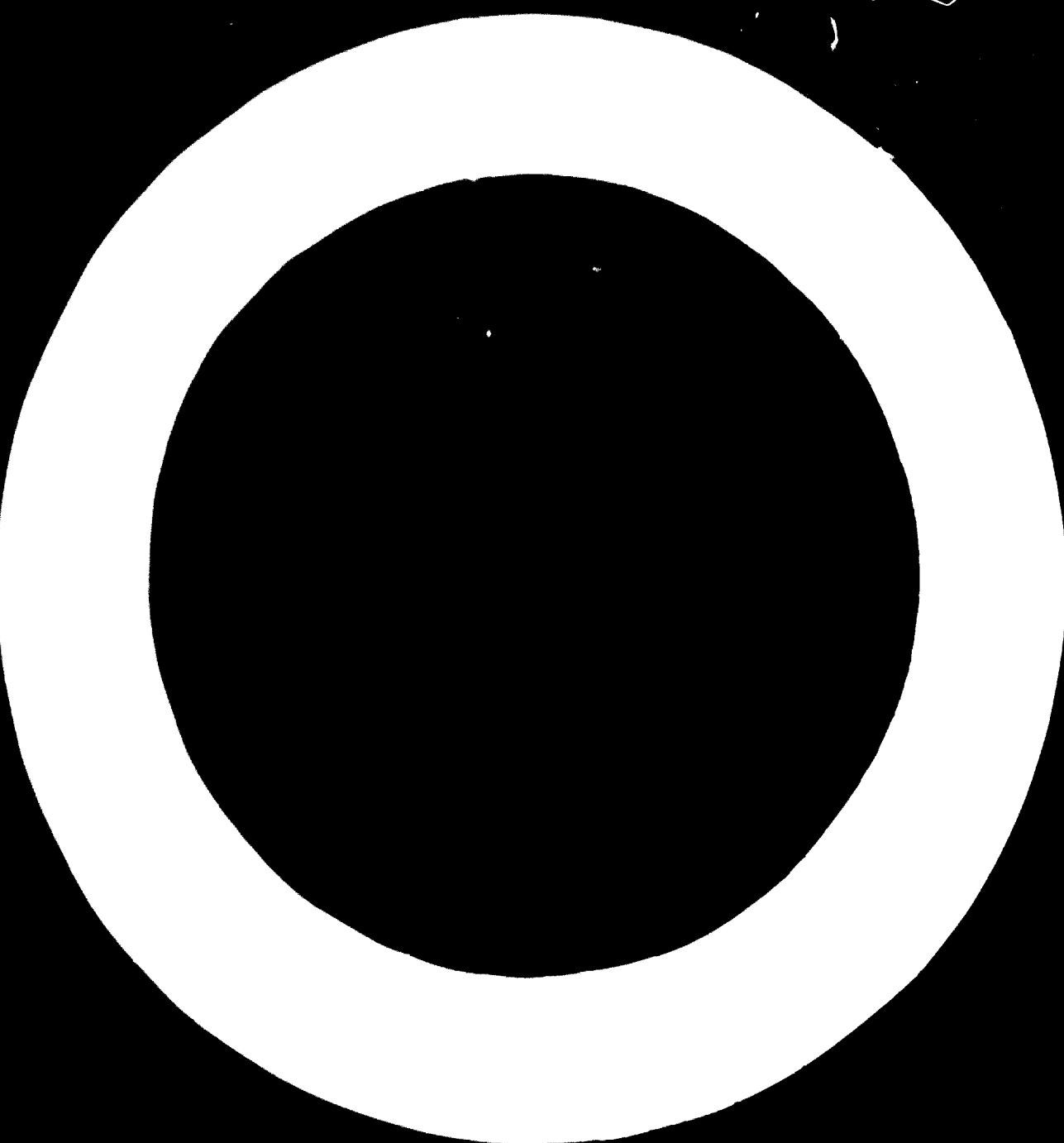
PRICING POLICIES OF PUBLIC MANUFACTURING ENTERPRISES

The Experience of Centrally-planned Economies V

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I. The Basic Principles of Price Policy

a complete centralization of the production base and the non-repayable financing of economic investments required only short incomes by labour or state subsidies from the planned economy. The prices of all commodities produced in the public sector, together with the tax revenue, allow, after deduction, sufficient income for financing the socio-economic structure of the country. In these circumstances it was necessary to include in the price of every commodity the planned income needed for development of its production. In this sense the price of a final commodity did not only indicate profit and cost of production, but also to cover the cost incurred in their production. This was the only way to finance government output. It was important also to facilitate the growth of investments, particularly of heavy industry, through price and amalgamation. Although amalgamation was possible due to the existing concentration of capital after long-term implementation of the economic structure of the country but it did not always produce a number of similar phenomena. The system neither provided the enterprises with appropriate incentives to make the effective use of their operational resources nor motivates them to use effective utilization of the accumulation funds and therefore limited investment resources brought to bear by the enterprises.

The basic transformations of the economic structure of the socialist countries together with the necessity of laying intensively on a large scale labour input will be accompanied by a shift contrived to the mechanism of the socio-economic prices. In the reform of price setting did not implement in the requirement of ensuring a sufficient income in the price structure of all commodities produced by the labour force of enterprises transferred into the principle of self-financing of the development of production by the enterprises in isolation. The principle that prices should cover the average cost of production and ensure a normal profit, usually about 10 per cent, is often in conflict. In some, although in practice, no case of long periods of time during which prices remained unchanged, there occurred a gradual decline in the cost. Non-staff reductions in the costs of production in agriculture (1), and sometimes increases, very frequently in the extractive industries, changed rapidly the cost relation. In some industries there was with the assumed ones. The situation seems to be the principle of self-financing observed now and the previous principle of covering the cost plus minimum profit contrast in front of the socialist economy dependent upon the requirement of levelling up of actual results of production and in increasing its share in the price structure.

In setting prices an important role is played by the principle of balancing the demand for, and the supply of the particular products. With respect to the prices of consumer goods this principle is observed by all socialist countries while with respect to the prices of the means of production only some countries (Hungary, Yugoslavia, Czechoslovakia) abide by it but not to a full extent. Within the

framework of the principle of distribution of the commodities produced in view of the relationship between the cost of the price thus determined. The price is dependent on the cost of potential production and the level of the cost of the available output. The cost of production is determined by the price of factors of production, the cost of labor, the cost of raw materials, and other costs of production. The cost of production is determined by the cost of labor, the cost of raw materials, and other costs of production. The cost of production is determined by the cost of labor, the cost of raw materials, and other costs of production.

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In addition to the cost of production, there are other ways to influence economic subjects, such as taxation, subsidies, inflation, economic regulation, government intervention, and the like. Some directions of economic policy are: fiscal policy, monetary policy, trade policy, and industrial policy. The principle of relative prices is an important element of the principle of utility.

The principle of utility is related to the concept of the ratio of substitutability of one good for another. In the case of substitutability the principle of utility is equivalent to the principle of utility. The present version of the principle of utility is limited compatibility of the utility of substitutability.

The principle of relative prices is also influenced by the government to substitute one good for another in production and consumption. The same price per unit of utility, but not with the particular substitute, with different costs of production, indicates different profitabilities of production of one substitute and

equal effectiveness of their consumption by the buyers. This provides incentives for the producer to substitute technology, the structure of production, to change, to increase or decrease the production of different products, to expand or contract, to increase or lower production costs, to change product structure and product variety. In this **indifference** case the producer can choose the way he wants to produce his products. He can choose the quality, or the quantity, or the price. The producer can choose to produce his products at a higher cost than the others, and still sell them at a lower price. The producer can choose to produce his products at a lower cost than the others, and still sell them at a higher price. The producer can choose to produce his products at a middle cost, and still sell them at a middle price. The producer can choose to produce his products at a low cost, and still sell them at a high price. The producer can choose to produce his products at a high cost, and still sell them at a low price. The producer can choose to produce his products at a very low cost, and still sell them at a very high price. The producer can choose to produce his products at a very high cost, and still sell them at a very low price. The producer can choose to produce his products at a very middle cost, and still sell them at a very middle price. The producer can choose to produce his products at a very low cost, and still sell them at a middle price. The producer can choose to produce his products at a middle cost, and still sell them at a high price. The producer can choose to produce his products at a high cost, and still sell them at a middle price. The producer can choose to produce his products at a very high cost, and still sell them at a very low price. The producer can choose to produce his products at a very middle cost, and still sell them at a very middle price. In this manner, the producer can choose his products to fit his market.

The **producer** can choose his products to fit his market, and thus influence the prices of his products. He can choose to produce his market the quality he wants, the quantity he wants, the price he wants, the cost he wants. The producer can choose to produce his market the quality and the quantity he wants, the price he wants, the cost he wants. The producer can choose to produce his market the quality and the quantity he wants, the price he wants, the cost he wants. The producer can choose to produce his market the quality and the quantity he wants, the price he wants, the cost he wants.

In this manner the producer can choose his products to fit his market. In this manner the producer can choose his products to fit his market. In this manner the producer can choose his products to fit his market. In this manner the producer can choose his products to fit his market. In this manner the producer can choose his products to fit his market. In this manner the producer can choose his products to fit his market.

If you take a look at the market, you will see an important role played by the **producer** as a controller of economic incomes. The **producer** can change his products to fit his market, even if it goes downward, from the market. He can change his products to fit the market, even if the market goes upward. He can change his products to fit the market, even if the market goes downward. In low prices the producer can change his products to fit the market, even if the market goes upward. In high prices the producer can change his products to fit the market, even if the market goes downward. In the market there are producers who produce products with high prices and low costs. There are producers who produce products with high prices and high costs. There are producers who produce products with low prices and high costs. There are producers who produce products with low prices and low costs. These may have negative effects on the market. In this chapter, in the conclusion, the hampership of the **producer** by taxes on the consumer, the structure,

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necessity of resorting to grants, etc.) no, therefore, it displays no tendency to approach. On the contrary, in recent years, in several countries (Slovakia, Czechoslovakia and Hungary) the reforms of wholesale prices have contained a new central price, which liquidated or limited power in the prevention of some monopolistic practices and lowered the excessive profitability of the production of others. As the structure of nominal income improves and the interest income grows more rapidly it is to be expected that the redistribution function of price will be further limited. The redistribution of nominal incomes through price will, of course, persist in the future, but more gradually, frequently it will be a side effect of the social preferences in the field of the structure of consumption.

II. The Factors which determine the Price Level

The level of prices is determined by two groups of elements: in the first group there are various items of the cost of production and marketing; in the second - the components of financial accumulation.

(i) Cost of Production Component:-

In the price there appear the following typical elements of the cost of production: raw, social insurance premiums, depreciation, the value of fixed capital, fuel and power, other material costs (e.g. repair or maintenance and transport, post and tele-communication dues, etc.) and non-material costs (i.e. rent, fiscal charges, taxes, bank charges, etc.). In practice the cost of production costs is used, i.e. the cost of factors incurred by the enterprise to produce and market their products, which usually amounts, in addition to the actual cost of production, certain elements of pure social income, e.g. interest on loans, margin for the technical reserve fund, penalties, and in Yugoslavia and Hungary also the interest on the production assets.

The cost of materials and fuel are taken according to their prices. The prices of imported means of production vary in particular socialist countries. In some of them (in the USSR, Hungary, the German Democratic Republic) the prices of imported means of production are set on the basis of domestic prices of the same or similar products, while in other countries (in Yugoslavia, Hungary, Bulgaria, Czechoslovakia and from 1970 also in Poland), although not to the same extent, the domestic prices of imported means of production are based on international price ratios (the price in foreign exchange is converted through proper rates of exchange into the domestic currency).

In price there appear also the costs of transportation. Until recently the normal practice in the socialist countries was to sell at the price from the railway station of the purchaser. The price included the average cost of transportation which was borne by all customers regardless of their location with respect to the supplier. This system of covering the cost of transportation was the result of striving to create uniform terms of delivery to all customers so that the

difference in profitability of the enterprises producing the same commodities reflected only the conditions of production, i.e. in line also with the prevailing approach to the cost of production only with the principle of the cost of fixed capital in production.

Now there is a clear trend for an adjustment of methodology and to a consideration of transport costs in calculating the cost of production. In Czechoslovakia, for instance, the government has taken the choice of type of transport into account in calculating the whole cost of production of the main branches of industrial output by enterprises. The return of the transport costs is taken into account in transportation costs, the cost of which is assessed by each production enterprise. However, this method is not yet fully developed for preparing budgetary financial statements. At the moment the enterprise becomes responsible for the cost of transport only when the cost of production does not include the cost of transport. This principle is, to some extent, also the case in Poland, where in the systems of accounting and distribution of profit among the branches of production it is stipulated that profit will be determined, moreover, in economic independence of the enterprises, etc.).

A fairly typical, although specific to socialist countries, is the component of actual production (var.) costs which constitutes one of the elements of pure social income - the surcharge for the technical progress fund. It exists, although not to the same extent, in all socialist countries, except Yugoslavia. The main source of this technical progress fund is the surcharge for the costs of planned production, i.e. of the products of the enterprises. This surcharge is not uniform for all enterprises. At the rest of the SED countries it is primarily the degree of capitalization ratio of the venture related to technical progress in a particular firm's production. The surcharge on the technical progress fund within own costs is intended to make it independent of the level of profit achieved by the enterprise.

The technical progress fund is used for financing research and experimental works, design and construction intended to establish and master new technologies of production, the production of new commodities, mainly machinery, equipment and materials, etc. From this fund also the expenditures for the purchase of licences and patents are covered and bonuses are paid for inventions and improvement projects.

In most socialist countries the technical progress fund is at the disposal of the units which control the enterprises, primarily the amalgamations. Only in Czechoslovakia and in Hungary is it generally at the disposal of the enterprise.

It should be noted that the technical progress fund formed from the surcharge on own costs of the enterprises is only one of the sources of financing technical progress, namely technical progress in the branch of production of a non-investment nature exposed to a considerable risk.

The greatest venture of this kind can be had from the government budget. In addition, ratings for technical personnel should come from the investment fund, and to a lesser extent the time tax which capital of the enterprise.

Secondly, participation in the economic industry is the state of geological exploration, the geological plan is distributed to the government from the budget, and the state is the main investor in the industry. There is exception in the oil industry, which is probably in the short, medium, and long term, the most important, and the largest part of the oil industry, which is the state's, and the state's share in the entire industry, is the state's, and the state's share in the entire industry.

(II) Turnover Tax.

Turnover tax is a general and the most common turnover tax and profit. But it is not always the case, not everyone exists there type of turnover tax, and there are other types of turnover taxes or profits, such as excise tax.

The first method of calculating the amount of turnover tax accumulation in the form of the turnover tax, is based on a result of financial gains, that is, sales, which at the same time, the profit is reduced by the cost of production, which is called the turnover, and the result of the turnover tax is the difference between the profit of turnover and the cost of production. This method is called the turnover profit method, and it is used in Poland, Hungary, and Bulgaria, and in the Soviet Union. However, in Hungary, the profit method is used, and the turnover tax is used in the sphere of the state's enterprises, and the state's enterprises in the country.

In some countries, such as France, use "double turn over" turnover tax. This is the sum of two turnover taxes, namely the purchase (the wholesaler) and the sale (the shop), and, similarly, as the former, received by the manufacturer of the products, and given, therefore, it is forced to a double turnover tax, which is not fair. The latest price reform in Czechoslovakia is including every kind of sales, turnover tax system, and it is the present system in another changes in the future, there is no guarantee. In other countries (including Poland) a single turnover tax, which is the most common envisaged. It is difficult to say, however, when the goods will be territorialized since they should be controlled by a single price, current in price.

The turnover tax is local, it grants little, only on certain goods. In fact, it is not the case, because it is often used on materials and is in the nature of a financing instrument, as the price of oil, gas etc.). The turnover tax is most extensively used in Poland, where it covers, in addition to consumer goods, some raw materials, semi-finished products, and other means of production. The extent of application of the turnover tax in Poland is a consequence of utilizing

the incentive function of the price. This is exemplified by the introduction of the turnover tax in the machinery industry where it is to be levied on the gross product regardless of the profit or loss of the enterprise. Thus, the government, in this case, does not consider the enterprise to be liable to taxation if it makes a loss. With the help of the turnover tax, the government can facilitate an additional measure to make the production more profitable and finally desireable than the production of the same article.

After 1970, there is a general trend towards substitution. Most frequently, enterprises are compelled to increase the production of certain commodities, substituting them for those which are in production. There is naturally a limit to the extent of such a substitution. The limit is determined by the cost of production of the substitute. Substitution is to be considered as a good alternative, not only exceptionally in the case of the above mentioned production.

Finally, there is the third system of economic planning, which has gained more popularity in recent years after the introduction of reform. The third system is based on the principle of determining profit in the production of the goods. This method of valuation refers to the price of an output produced by an enterprise, which is determined by the market value of the output. It is the market value of the output which is the criterion of the cost of producing what is required in the market economy. The market value is determined by the market, especially in the case of a capitalist economy. In the socialist economy, especially in the agricultural industry, it is advocated that the market value of the output should not limit the profit of the enterprise in the case of planned production.

In capitalist countries, the third principle of production is based on the office of production and the price of the value of the use-value of production for "optimal quantity" (capital intensive model). The prices of various products are determined by the cost of production and give a better basis for the cost of production. The cost of production is determined by the cost of production of labor, by determining the cost of labor, paying wages, calculating the cost of living expenses, to utilize capital, maintaining equipment, they induce the production to use, as much as possible, the capital, to increase the cost of production and less capital utilization. The performance of production in the price dependent upon the cost of production. The cost of production must be clear to the government, so that it can be used in the socialist countries. The criterion of valuation of production must be changed to become now with the principle of planned production system.

Other methods of valuation are based on the principle of cost; it provides a better basis for production, the cost of planned reproduction in the enterprises, based on objective criteria of payments by the enterprises into the government budget. Thus, better conditions are obtained for the valuation of the enterprises with different levels

of production funds and it is easier to tie in segment accounting at the enterprise or amalgamation level with general social accounting.

In Czechoslovakia the accepted model of prices combines the principle of capital-output ratio with the principle of labour-output ratio. The profit margin in the price is determined here on the basis of two criteria: the basic production fund and the wage fund, and a major part of the total profit is divided on the basis of the capital-output ratio. The object of accounting in the price is labour intensity of production as well as the fact that 1 hour power is limited to, or over, 1 hour. In connection with the accepted principles of establishing the wage fund social incentives for the workers. Other countries reflect, to some extent, in the prices the labour intensity of production by differentiation of the rate of profit. This kind of differentiation of profitability computed in relation to the capital involved is the consequence of the necessity of establishing development funds and material interest funds for the workers in the particular enterprises and amalgamations.

The price reform that will be completed in Poland in 1970/71 is also of a mixed nature. The "cost" model of prices now in general use in industrial production is to be replaced by a model in which the margin of profits in the price will be determined on the basis of three criteria. Two of them represent the capital-output ratio in production, namely the gross capital-output ratio, i.e. according to the initial value of the used capital in production, and the second being the net capital-output ratio, i.e. according to the depreciated value of the used capital in production, and the third reflects the average costs incurred in the production of particular commodities.

In Yugoslavia the prevailing rule is to set prices on the basis of conditions in the domestic and international markets. Generally free movements of prices under existing market conditions result, in the short run, in differentiation of profitability. In the long run prices are influenced, similarly as in other countries, by the capital-output ratio and the labour-output ratio in production. Of all the countries discussed here only Hungary still uses the traditional "cost" model of prices and does not review its change.

The Level of Prices in the Means of Production and of the Means of Consumption

Comparison of national price levels is based on the differentiation of the rate of pure social income and, in practice, on the rate of financial accumulation expressed as the quotient of financial accumulation and own costs, i.e. the value of capital used in production, depending upon the price model.

It is not justified to replace the category of pure social income by financial accumulation because elements of pure social income included in own costs are distributed more or less evenly among the prices of the particular commodities.

Commodity turnover among the socialized enterprises is usually direct or it takes place through central sales agencies acting as intermediaries. In the second case the prices at which the exchange takes place include also the margin of central trade money.

Analyzing more closely the nature of the level of prices of the means of production in socialist countries without considering in detail the level of prices of the particular goods or in related groups of commodities there is a lower level of prices for the objects of labour (raw materials, articles, fuel) than for the means of labour (machines, equipment, tools). A similar tendency is also noticeable, it seems, in other socialist countries.

The prices of the means of consumption contain the turnover tax and subsidies to a much greater extent than the prices of the means of production. Since the weight of the turnover tax is many times greater than of subsidies, the level of prices of the means of consumption is higher than the level of prices of the means of production. Even though recent price reforms, tending to the reduction of the general level of profit in the price system, certain equalization of profitability, reduce these differences but, to a lesser or greater extent, they still exist in the socialist countries.

A second important in the price system of the means of consumption is a much greater differentiation in their levels. The differences in the price levels of particular consumer goods are the result of differences in the profitability of their production and of considerable differences in the turnover tax and subsidies.

A considerable increase in the supply of goods which are scarce in the market removes one of the reasons justifying a high level of their prices. The relatively fast rapid increase in the lowest incomes of the consumers reduces the importance of another reason for differentiation in the level of prices resulting from the redistribution function of the prices. A persistent reason for differentiation in price levels of consumer goods is the change of the distribution function of prices and of their influence on personal consumption in accordance with social preferences. So far one of the most important reasons for differentiation in price levels between particular groups of commodities depending upon their structure and among different groups of commodities is the redistribution function of the prices. Recent price reforms encompassed in some countries (Sudan, Bulgaria, Czechoslovakia, Yugoslavia and Hungary) also retail prices. They reduced, to some extent, internal differentiation of the level of retail prices. Also this tendency, although it operates with different intensities, appears to dominate in price movements in the socialist countries. It should be added, however, that so far retail prices usually move higher than the prices of the means of production.

Historically the most important reason for using two levels in the price system (a higher one for consumer goods and a lower one for the means of production) was the argument of its more advantageous

impact on technical progress and the convenience in collecting in this way budget revenues. Cheap means of production were supposed to promote technical progress and the principle of concentration of income of the socialized sector in the enterprises producing consumer goods was supposed to facilitate income transfer to the budget. In practice it has turned out that instead of this the budget may also affect negatively the progress, e.g., the price of raw materials hampers progress in economizing on their use. This kind of differentiation of price levels distort, moreover, the calculation of the cost of production and makes difficult realistic accounting. Finally, the principle of concentration of income from the socialized sector in branches producing consumer goods is not in line with the idea of creating the conditions for self-financing the development of particular branches and developing processes of decentralization of management. Thus, experience and price reform, now being implemented on its basis have undermined the most important reasons for a double-level system of prices.

Outline of Prices in Industry^{1/}

Material costs (raw mater- ials, fuels, depreciation etc.)	pure social income produced in industry	whole- sale trade	Retail trade
	Social interest insurance loans	Financial mar- gins plus turnover taxes fit etc.	margin
	price	plus turnover taxes fit etc.	tax
	minimum		

Own cost.

Factory price

Wholesale price

Retail price

^{1/} The above outline represents the prices in which there is included the turnover tax paid by industry. In some countries, the turnover tax is charged in the sphere of wholesale trade in Hungary and retail trade in Yugoslavia (and Bulgaria). In all prices in industry, particularly the prices of the means of production do not include the turnover tax. That the factory price equals the wholesale price. Finally, some prices, particularly the prices of consumer goods, include budget subsidies instead of the turnover tax. In such cases the factory price is higher than the wholesale price.

III. Profit, its distribution and external investment of funds.

The development of socialist economy is extremely sensitive to economic development of agriculture. It is necessary to increase productivity, better quality and more output, if we want to be able to increase the volume of sales. The main purpose is to introduce more extensive production methods and to make use of all parameters of prices, credit, etc. to stimulate the growth of maximum efficiency. There are two main types of profit in socialist agriculture, profit of the enterprise and profit of the enterprise. The former is profit of the state, the latter is profit of the enterprise. For instance, the profit of the state is the realization of the development of agriculture and the growth of rural population. The profit of the enterprise is the profit of the enterprise itself, which is achieved by the increase of the scope of the agricultural activities and the increase of the output. In one case the profit of the state is mainly due to the incentives and incentives given to workers, which stimulates workers to work harder and more effectively. In the other case, the profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market. The profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market. The profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market. The profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market. The profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market. The profit of the enterprise is mainly due to the increase of the output and the indicators of implementation of modern technology, which allows USSR to meet the needs of the people in different products and to fulfil the needs of the market.

In some countries, like Italy, Germany, etc., there is an **integral system** of production, financing and distribution depending upon the results of production. This is called **APG**.

IV. Gross margin per feddan from wheat cultivation above the variable costs of production.

income, salary or the enterprise unit works the basic wage, bonus, reward, and share in profit.

The last method of remunerating workers influence only the effects of short-term economic fluctuations, but do not solve the problem of long-term development. In this respect the most important role is played by the state, which has a major influence on the development of the economy. The first task of the state is to ensure favorable conditions for industrialization and modernization of the economic structure of the country, to facilitate the growth of enterprises and to guarantee the government's tax base. The second task of the state is to ensure that the country rises and develops. The third task of the state is to ensure that the amount of taxes paid by the enterprises is sufficient to guarantee their development. In 1970, the government issued a decree on the norms set for the payment of taxes by enterprises, which failed to take into account the actual situation. In 1971, when the norms of the 1970 decree were violated, the gross income of the enterprises was used to finance modernization investments for promoting technological progress, modernizing production facilities, etc. In this situation, it violated the general principles of the taxation of profit or gross income. It is forced the enterprises have to pay more if necessary, the cost of the development fund and in using it.

In part of the enterprises and units, the superior units except for some units that do not participate in the distribution of profit or gross income, others than the units of superior units in profits are distributed in cash, and thereby development funds are formed. Development funds are used for investment, research, experiments, new technologies, new equipment, new investments, etc. While the reserve fund is used for financing the activities in the investment and operating the enterprises.

The government's participation in the profit (gross income) of the enterprises. One of the most important ways to change interest on the production activity of the enterprises, with the exception of Romania it applies a different method, namely, although in some of them the government does not participate in the ownership. Another form of government participation in profit is the enterprise, quite common until recently, is a profit from profit based on the norm determined, as a rule, the Ministry of Finance of the enterprise.

There is also a method to realize the same effect previously used to realize the above method, namely, the norms of several years. An alternative form of participation in the profit, and mainly in the economy, in effect, does not change the norm as a measure of evaluation of the operation of the enterprise, is the income tax. Its main task is to reduce possible tendencies toward excessive increases in the contribution fund of the enterprise.

Those who participate in the distribution of profit (gross income) i.e. workers, the enterprise, superior units, the state, do it on the basis of the bi-annual norm. Upon the four participants in the distribution of profit (gross income) priority is given to the state (in accordance with the law, the assets of the enterprise belong to the state and the profit guaranteed by law goes to the state treasury). Furthermore, the needs of the enterprise (the right to sell what is produced) are satisfied. Negotiations of priority in the order of distribution, income of all participants depend upon the amount of profit (gross income) at the particular enterprise.

IV. The system of setting prices

In the existing systems of setting prices we can single out constant prices, limited prices, and free or unfree prices.

Constant prices. In a few countries, namely, the central and local authorities, there is a strict control at a certain level. This category of pricing is predominant in Yugoslavia, Poland, Hungary and the USSR. In Czechoslovakia, the fixed prices category is dominant; although it comprises only the means of production, principally raw materials, and semi-finished products as well as some of the consumer goods.

Limited prices apply in several forms: maximum or minimum prices and no prices at all within intervals. In the latter case the price set by government authorities is the upper limit of deviations from it that is fixed for economic orientation purposes. Within the limits of the deviation interval the enterprise is free to set the price of its products. Maximum prices are used extensively and in the former Democratic Republic of Germany, Bulgaria, Poland, Hungary, and in Yugoslavia where they are set for basic consumer goods, certain raw materials, certain capital products, and services. Also in Hungary a similar price limitation is used for raw materials, certain capital products and consumer goods. It is subject to maximum prices. In the remaining countries this type of pricing is rare, for instance, in Poland subject only to small-scale industry. Maximum prices set for the enterprise the upper limit below which the price can be set. Minimum prices apply only to the purchase of agricultural products and more extensively and only in Yugoslavia. Similarly, the prices with a limited interval of deviations are used exclusively in Czechoslovakia, mainly for the means of production.

Contract prices are set by direct negotiations between the producer and the purchaser, provided the binding principle of determining prices are observed. The scope of their application is small; they are used primarily for non-typical commodities and services produced or rendered to individual orders. In Yugoslavia contract prices are of different nature, they replace frozen prices "provided that they are approved by the Federal Price Council".

Free prices are arbitrarily set by the producer. They are of great importance in Yugoslavia where they apply to one half of commodities

in the market. Recent price reforms in Hungary and Czechoslovakia also introduce them on a large scale. In the remaining countries the extent of their use is negligible and its limitation to rule to the free market for agricultural products. Prices are also subject to government control and regulation.

Although the authorities which determine the general prices in Socialist countries are similar - the Council of Ministers, the State Price Commissions and local People's Committees, amalgamations and enterprises) their scope of competence are not the same.

In most countries the Council of Ministers not only determines the basic principles of price policy at the general level but also sets directly, approves or issues directives for the prices of basic raw materials, consumer goods and services.

Special authorities or state price committees (or bureaux) which are responsible for the implementation of government price policy, prepare suggestions for the government concerning trends in price policy, determine and change prices, prepare directives for setting prices by other authorities, organize the control of prices etc. The scope of direct determination of prices by these central authorities varies from one country to another; it is the greatest in Bulgaria, Poland and the USSR, much smaller in Czechoslovakia and Hungary and quite small in Yugoslavia. The Federal Price Bureau in Yugoslavia is responsible primarily for the analysis and control of prices. Besides constant prices central price authorities set limited prices.

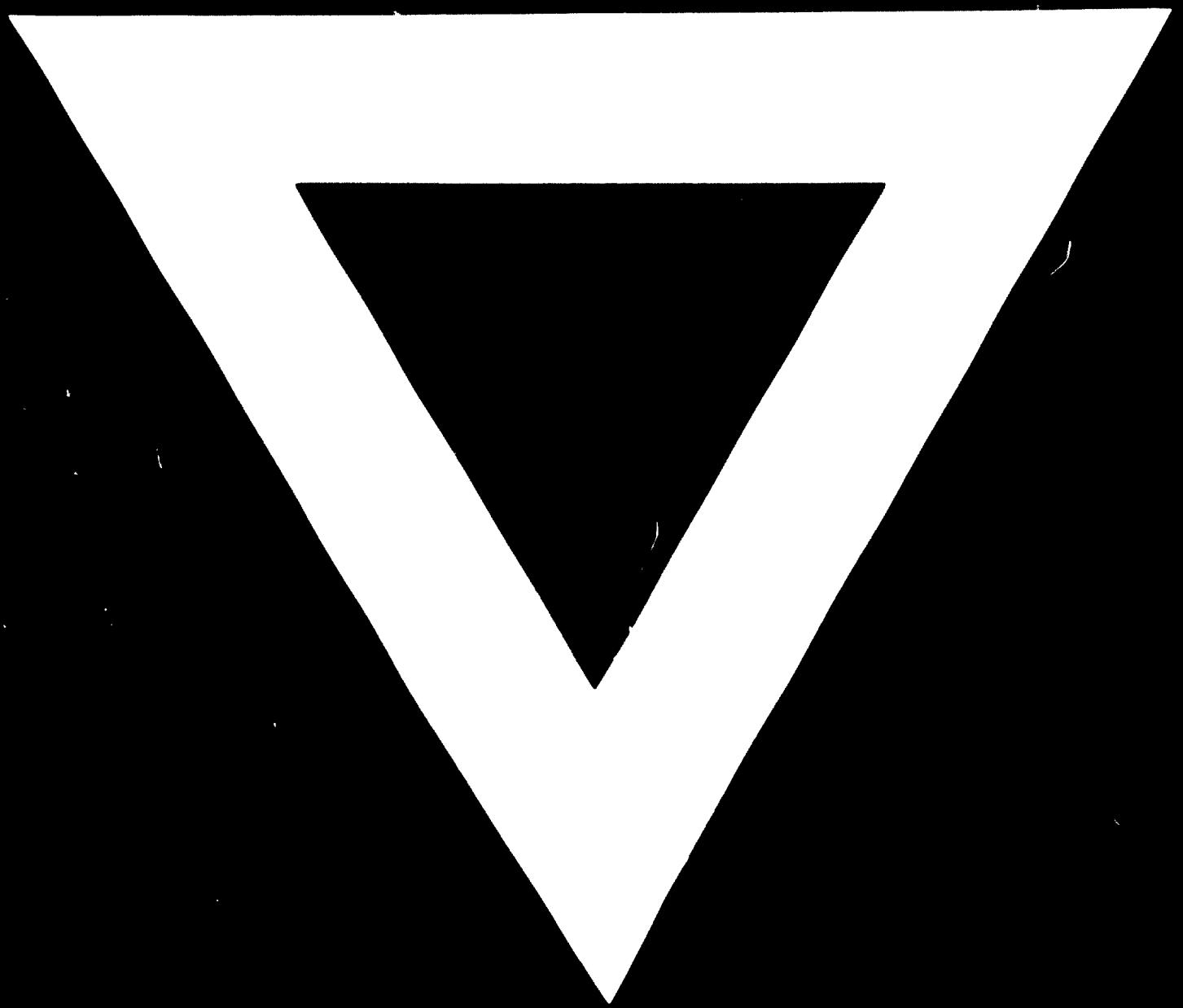
Considerable differences appear also in the scope of competence of ministries. Greater authority in setting and changing sale prices is invested in ministries in Czechoslovakia, the German Democratic Republic and Hungary, but much lesser in the USSR and Poland.

Local price authorities in all countries, with the exception of Yugoslavia, determine all sales, the prices of commodities and services mainly of local importance, produced by small-scale industry. In Yugoslavia local price authorities have greater authority. In addition to studying the market and analysing the price of basic foodstuffs and services they determine, on the basis of directives, the maximum prices of many basic consumer goods.

Corresponding to considerable differentiation of the scope of competence of the highest authorities responsible for setting prices are serious differences in the rights of amalgamations and enterprises. In Yugoslavia the prices are usually set by the enterprises, freely or within price limits. Similarly in Hungary, the enterprises set the prices (freely or within limits) of most finished products of the manufacturing industry and of some semi-products. In Czechoslovakia these rights are divided among amalgamations and enterprises. A wide scope of competence for fixing sale prices by amalgamations and enterprises in the German Democratic Republic. However, in their decisions they must observe the binding principles of calculation of costs and prices. In the remaining

countries the rights of enterprises to set their own prices and, less frequently, the price authority to a small portion of their production, e.g., non-typical equipment and services produced or rendered to individual orders, not covered by price lists of parts and semi-products produced within the framework of industry production, minor products, etc.

The last stage of this price presentation development tends to become more and more oligopolistic. This tends to result in replacing constant prices by fluctuating prices, or fluctuating prices and in other respects by lower liquidity in constant prices. This process, strongly influenced by administrative influences, differs from one country to another.



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