Yugoslavia: The Dilemma of Reform Amidst Political Turmoil

It is hardly possible to analyze Yugoslavia's economic problems without an understanding of its present political predicament — not even the Soviet imbroglio provides a suitable parallel. Yugoslavia's peculiar intricate web of conflicting nationalities, religions, and values prevents its quarreling leaders from devising a blueprint for action. And since there are hardly any rules, there can be no coherent game. At the same time, some leaders of Yugoslavia's six constituent republics seem to have a vested interest in keeping nationalist emotions at the boiling point. In fact, many Yugoslavs are warning that a civil war may be but a few steps away. (Thus, it is likely that the country's fragmented body politic will provide generations of PhDs with a classic case-study on the Hobbesian state of nature.)

In the largest republic, Serbia, the recent imposition of internal duties on goods from Slovenia and Croatia is seen by foreign observers as an attempt to underline a "Serbs under siege" atmosphere. The first multiparty elections in Serbia are scheduled for December 9.

In Croatia, the restless Serbian minority, more than a half-million strong, is providing the government, run by the Croatian Democratic Alliance (HDZ), with the distraction needed to stifle internal debate.

In fact, it is fair to say that the outcome of the Serbian-Croatian confrontation will determine the fate of Yugoslavia. Together they comprise almost two-thirds of the country's population. Other groups — Slovenes, Bosnian Muslims, Kosovo Albanians, Macedonians — will take sides along an apparently fundamental divide: federation or confederacy. The Slovenes are siding with Croatia for now.

However, the political divide of contemporary Yugoslavia is not always what it seems. The so-called feder-
alists are often unreformed centralists who long for the old days of a vertically-structured state hierarchy. The so-called confederalists are for the most part pure separatists who do not want any "Yugoslav" solution at all; at this stage they find it tactically prudent, however, to put forth models of "loosely-connected sovereign states."

The Predicament of Markovic

The only "all-Yugoslav" institution left besides the army, which keeps a low profile, is the federal government of Prime Minister Ante Markovic. After years of tinkering by ineffective bureaucrats, Markovic was chosen two years ago to lead the country, based on his promise to introduce a comprehensive economic reform package. But Tito's legacy of "workers' self-management" was an economic system of decentralized control by local Party apparatchiks. They controlled production and investment decisions and hired or fired management. Meanwhile, the external debt, $20 billion, was still growing. Local political oligarchies had thwarted the development of an internal Yugoslav market: less than 2 percent of Yugoslavia's total capital investment crossed internal borders. But Markovic's most pressing problem was massive inflation, which by the end of 1989 exceeded an annual rate of 10,000 percent.

Markovic advanced on several fronts, introducing positive interest rates and liberalizing prices and trade. In December 1989, his anti-inflationary program took shape, based on restrictive monetary policy. The Yugoslav dinar was pegged to the German mark at the rate of 7 to 1 and made fully convertible.

By early spring of 1990, inflation had been reduced to zero, and foreign currency reserves soared. Further liberalization of imports was followed by legislation to facilitate the inflow of foreign capital.

However, six months later, the Markovic program is in trouble, in spite of political and financial support he elicited from the West. The first worrying sign was the re-emergence of inflation: in the second half of this year retail prices hiked up again, and the inflation rate, despite the government's initial success in holding it down, has almost doubled. This makes another devaluation more or less inevitable in the near future, or the foreign trade deficit — which already stands at $2.2 billion — will continue to grow. Industrial production has declined more than 10 percent compared to 1989, and some half-
An economist who was herself accused of "Croatian nationalism" and dismissed of internal tariffs by Serbia and Slovenia is the most recent example.

The Dilemma of Privatization

It is a matter of historical record that major property transactions in Yugoslavia in the past half-century were not effected through contract and credit, but through force and quasi-legal expropriations. In a manner all too familiar to other formerly Communist countries, land and the means of production were confiscated, collectivized, or nationalized in the late 1940s.

Unwillingness to embark on a program of privatization, or even to formulate such a program, was apparent in Serbia from the outset of the current reform movement. This is not surprising since that republic's leadership is uneasy about the very concept of a free-market economy. Milosevic's government still insists on the preservation of "social property," that unique product of Tito's "self-management socialism" that means neither state nor private ownership of property or assets.

In Croatia the government still has no formal economic program, more than a half-year after taking power. Instead of undergoing privatization, bankrupt and successful enterprises alike are experiencing management changes imposed from above.

Drasen Kalogjera, a well-known free marketeer, gave up his post as Minister of the Economy in September, in protest over the government's unwillingness to embark on a free enterprise course. Savka Dabevec-Kucar, an economist who was herself accused of "Croatian nationalism" and disgraced by Tito when she headed the Croatian Communist Party two decades ago, is especially concerned about stalling the privatization of public enterprises: "We must not replace Bolshevik statism with this neo-Bolshevik variety under a Croatian label. This course may inflict huge new damage on the economy of Croatia," she said.

Even the once-successful Republic of Slovenia is facing huge economic problems, with an inefficient economy and some of its most prominent companies folding under staggering losses. The most painful examples are Iskra Electronics and Communications Corporation, and Elan, the world-renowned ski and winter sports equipment manufacturer. The new non-Communist government has been accused by the local press of massive corruption and patronage in its hazardous privatization drive. The Slovene version of Hungary's "spontaneous privatization" is effectively ensuring transfer of resources into the pockets of those few Slovenes with cash and influence, often former Communist officials and managers.

According to many economic experts, the problem of ownership in Yugoslavia, because of the peculiar nature of Tito's legacy, is more difficult than elsewhere in Eastern Europe. There the transformation of state-owned enterprises into joint stock holding companies — which may still be owned by the state — is seen as the necessary first step toward privatization. Paradoxically in Yugoslavia, such transformation may lead to increased state control. The governments of the individual republics have the means, legal and fiscal, to ensure the transfer of "social" property into state hands — without any commitment to eventual privatization. In Croatia the first legislative steps in this direction have already been taken, with the recently enacted Ordinance on the Means of Protection of Croatian Interests during the Process of Conversion from Social to Other Forms of Ownership. Ivo Jakovljevic, a Zagreb columnist, sees this move as a "specific and hidden confiscation of the social property by the new ruling party."

As a man committed to fundamental reform and privatization, Yugoslavia Prime Minister Markovic is facing considerable odds. To bolster his internal political base, he has founded a party called the Alliance of Reformist Forces of Yugoslavia. It has drawn up an all-Yugoslav agenda based on "realism," economic pragmatism, and supra-national free-market economics. So far, however, it has failed to attract mass support.

Politically centrifugal forces upheld on by nationalist animosities, threaten both individual aspects of the reform and its strategic objective: for Yugoslavia to join the modern, economically efficient, European democracies. It remains to be seen whether a viable "pro-Yugoslav" force could emerge, capable of transcending nationalist hostility while furnishing all players with a guarantee of unhindered development along "European" lines — while still under the same governmental roof. However, it is also conceivable that a confederal Yugoslav Common Market will provide an organizational framework in line with the reformers' objectives.

Srdjan Trifkovic

The author is a journalist and Doctor of History and writes regularly on Yugoslavia for U.S. publications. The issues discussed in this article generate an ongoing debate in Yugoslavia. The views expressed in the article are solely those of the author and should not be attributed to the World Bank or its affiliated organizations.

The more things change...

In the office of Soviet Deputy Prime Minister Leonid Abalkin, a printed card on the conference table reads: "What is really important is the problem of stabilization of the ruble. We are working on this problem with our best resources and, as a result, have stabilized the ruble for good, will mean that we have won."

V.I. Lenin.
The IMF and the Challenge of Eastern Europe — Interview with the European Director

The deteriorating economic situation and rising political tension in Eastern Europe are presenting new challenges to the International Monetary Fund, which is active in the stabilization efforts of the six IMF-member nations of the region. How can the Fund cope with the new situation? What are the latest results of the bilateral negotiations that now proceed practically on a continuous basis with the governments involved? IMF European Director Massimo Russo answered our questions in a recent interview.

**Q.** You have just returned from a trip to Hungary, an "old," and Czechoslovakia, a "new" member of the IMF. How could you sum up your negotiations?

**A.** The visit in Hungary served to get acquainted with members of the new administration since our one year stand-by arrangement had been signed with the former government earlier this year. I also wanted to gain firsthand impressions on the implementation of the current economic program. Though anti-inflation measures need to be strengthened, my impression is that the country has made serious efforts to improve the balance of payments and reduce the budget deficit. The stand-by expires early next year so we hope to sign a new three-year extended arrangement on the basis of a medium-term stabilization and reform program, still under consideration. We discussed in Budapest the type of program that can be supported by the Fund. In Czechoslovakia we concentrated on the negotiation of the first stand-by arrangement with this new member and on the forthcoming technical assistance. As in other former centrally planned countries, the IMF is ready to assist with the institutional reforms by helping to create a well functioning central bank and to work on fiscal policy reforms.

**Q.** How would you evaluate the region's economic prospects?

**A.** The oil price explosion and the collapse of the CMEA trade and payment patterns will have serious implications for the region, resulting most probably in a deterioration of their terms of trade, disruption of their exports and imports, and general uncertainties. Many Eastern European exporters geared to the Soviet market will find it difficult to shift to the Western markets or even to preserve their positions in their traditional outlets. For example, a Czechoslovak locomotive manufacturer will hardly be able to divert exports to the West since the width of rail tracks in the Soviet Union is different from the European standard. Trading on a cash basis with their traditional customers, they might even lose their Soviet market, as Western competitors are ready to...
provide supplier credits. At the same time, the Soviet Union will require cash payment for the primary products sold to the East European partners. Czechoslovakia, having failed to diversify energy imports, is especially vulnerable to the price hikes and possible disruption of Soviet supplies. The Prague authorities reckon with a $3 billion current account deficit next year compared to a $0.5 billion this year. The budget implications of this double shock also have to be taken into account.

Q. What is the IMF prepared to do to ease the pain of these countries?

A. The latest series of decisions by the Executive Board of the Fund provides emergency relief to many member nations suffering from the oil shock, including the countries of Central and Eastern Europe. By suspending the present lower borrowing limits and by allowing the extra costs of oil imports to be covered from the compensatory and contingency financing facility, up to 82 percent of the member’s quota, these countries get fast and sizeable help (see Bank/IMF agenda, pg. 14).

Q. According to some commentators, the defeat of Polish Prime Minister Mazowiecki in the presidential election sends a warning signal to the proponents of radical reforms: large segments of the population in the region reject austerity, unemployment and hardship — unavoidable, if temporary, consequences of the stabilization programs. Shouldn’t the IMF drastically change policy and work for general debt relief of the countries involved, for example Hungary, burdened by huge foreign debt, the need for drastic structural adjustment, and the dramatic shift of trade next year?

A. No, I do not think we need a revision of our policy. In Poland the election results, despite some press views, will not necessarily mean the end of the stabilization program. We have a valid agreement with the Polish government, expiring next February. Nobody has told us that this agreement is not in force anymore. I believe this approach of stabilizing the economy and at the same time enhancing the role of the market forces is the right one, the most effective one. Of course, it is not easy to implement such a program. We support the initiative of the U.S. government to reduce Poland’s bilateral official debt if other countries do the same. On the other hand, we believe the situation in Hungary is different — their debt management record is excellent, they borrowed 1 billion dollars this year on the international bond markets. I would not suggest that Hungary ask for debt forgiven; it would not solve their structural problems and would jeopardize their access to markets. All countries involved in the transition process should work for a stable currency [and] sound balance of payments, but to achieve that, stabilization efforts should go hand in hand with market-oriented reforms.

Q. Bulgaria hopes to receive a $500 million stand-by credit from the IMF. Romania is also applying for a stand-by on the order of $300-500 million, as Finance Minister Theodor Stolojan reported to TRANSITION recently (No 7, p.3). How much really will these countries receive?

A. Negotiations with both countries are at an early stage; both governments are facing considerable political problems. Our standard procedure is to wait for the outline of the stabilization programs to be able to decide whether we could support them or not. It takes a while, so it would not be wise to talk about specific figures.

**Quotas and Arrangements**

<table>
<thead>
<tr>
<th>Country</th>
<th>Date of membership</th>
<th>Quota (SDR millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>1990</td>
<td>310</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>1990 (rejoined)</td>
<td>590</td>
</tr>
<tr>
<td>Hungary *</td>
<td>1981</td>
<td>530.7</td>
</tr>
<tr>
<td>Poland **</td>
<td>1986 (rejoined)</td>
<td>680</td>
</tr>
<tr>
<td>Rumania</td>
<td>1972</td>
<td>523.4</td>
</tr>
<tr>
<td>Yugoslavia ***</td>
<td>1944</td>
<td>613</td>
</tr>
</tbody>
</table>

* One year stand-by, approved on March, 1990, for SDR 159.2 million ($206 million), supporting program to reduce economic imbalances, slash budget and current account deficit, contain inflation, avoid further decline of GDP, and continue the liberalization and privatization program.

** One year stand-by, approved on February, 1990, for SDR 545 million ($723 million) to support stabilization program, comprising anti-inflation measures (keeping the currency on a realistic level, restricting wage increases, implementing tight fiscal, monetary and credit policy) and shift to market mechanism (liberalization of prices, the foreign exchange and trade systems, introduction of market economy institutions).

*** 18 months stand-by, approved in March, 1990, for SDR 460 million ($598 million) to support comprehensive economic and financial program of rapid disinflation, relying initially on fixed exchange rate, strict cap on wages, and partial price freeze, backed by monetary and fiscal restrictions and structural measures such as the transformation of banks, socially owned enterprises and removal of restrictions on the private sector.
Cuba: Counter-Reform Accelerates Crisis

Since 1986, Cuba has been engaged in a Rectification Process (RP) that has reversed the direction of economic policies away from more centralization and that has eliminated or reduced the incipient market-oriented mechanisms tried from 1976-1985. Notwithstanding the negative economic results of the RP, as well as the drastic changes in the USSR and the collapse of socialist regimes in Eastern Europe, President Fidel Castro has stated that Cuba is committed to staying the socialist course. In December 1989 he said, "if fate were to decree that one day we would be among the last defenders of socialism, we would defend this bulwark until the last drop of our blood." His speeches in September-October 1990 reiterated this point.

In August 1990, shortfalls of Soviet oil deliveries and other key imports forced Cuba to restrict oil consumption, in the president's word, "to transform the life of the country from a normal situation to a special period in time of peace" — a euphemism for an economic state of emergency. Soft currency payments and special pricing arrangements among members of the Eastern bloc's Council for Mutual Economic Assistance (CMEA) are due to end on January 1, 1991. The prospect of further disruptions of trade with the Soviet Union and Eastern Europe presents serious challenges to the Cuban economy in the 1990s.

Fallout

Although the RP was launched in April 1986, the government has never made public any blueprints or comprehensive models for it. Nevertheless, the following major elements of the process can be identified, based on official statements and actions:

* abolition of farmers' markets and possible collectivization of the remaining 8 percent of land in private hands;
* elimination or restriction of private manufacturing and service activities, and severe limitation on private housing construction, with corresponding support from the state sector to fill the gaps;
* reversal of former decentralization measures: e.g., rejection of profit as a key indicator of managerial performance, elimination of competition among enterprises, and re-centralization of major decisions;
* cutback of redundant workers, tightening of labor norms and wages, with emphasis on moral incentives;
* reintroduction of construction mini-brigades and creation of construction contingents (state-managed, military-style detachments of construction workers assigned to priority targets);
* experimentation with new economic measures in military enterprises;
* attempts at macroeconomic stabilization, specifically the reduction of the trade and the budget deficits; and
* rooting out economic crime and corruption.

According to official Cuban statistics, economic performance under the RP has severely deteriorated:

* The Global Social Product (based on the Soviet-style Material Product System instead of the Western-style System of National Accounts) grew at an annual rate of 7.3 percent in 1981-1985 but slowed to 1 percent annually between 1986-1989 (in per capita terms a decline from 6.4 percent to 0.7 percent).
* Labor productivity has declined steadily since 1985 (10 percent lower in 1989 than in 1985).
* In recent years the government's budget deficit has increased almost nine times, from 253 million pesos (1986) to 1.6 billion (1989), equal to 13.6 percent of revenues; the projection for 1990 is nearly 2 billion pesos, about 16 percent of expected revenues.
* Sugar output failed to grow as projected, falling considerably below the annual 8 million ton mark in 1986-1988; an all-out effort in 1989 led to a production of 8.1 million tons, but it is unlikely that the 1990 harvest will be similarly successful (the target for 1990 is 9-10 million tons).
* Average annual wages stagnated in the period and, despite the revival of the brigade system, housing construction declined 6 percent between 1985-1987 (aggregate data have not been published since then).

The external sector has been under considerable pressure. The overall merchandise trade deficit, which averaged 600-700 million pesos annually in the early 1980s, climbed to 2 billion pesos in 1985; it increased to 2.2 billion in 1986-1987 and declined slightly to 2 billion in 1988 (foreign trade data for 1989 have been suppressed in that year's statistical compendium). The small reduction in the trade deficit came about by cutbacks in imports (since exports stagnated).

Trade Blues

The USSR, Cuba's most important trading partner, financed the bulk of the trade deficit. (The Soviet Union accounts for about 70 percent of Cuba's trade, meets approximately 90 percent of the island's oil needs, and buys over 50 percent of its sugar production). In 1988 and 1989 the deficit with the USSR accounted for 74 and 82 percent, respectively, of the overall trade deficit. Since the mid-1970s, the USSR and other socialist countries have paid a high premium above the market prices for Cuban sugar. In 1988, the unit value of Cuban sugar exports to the USSR reached 41.8 centavos/pound compared to the world market price of about 10.2 centavos/pound.

Convertible (hard) currency trade (mostly with Western countries) declined in the 1980s as a result of Cuba's severe hard currency constraint. Exports in convertible currency stagnated in the second half of the 1980s. The hard currency debt from 1985 to September 1990 doubled to 7.3 billion pesos. According to So-
Experts are divided on whether the Soviet Union would — or could — forgive Cuba's debt. In July 1990, Cuban vice-president and chief economist Carlos Rafael Rodriguez told one of the authors that Cuba did not intend to repay its debt to the USSR, thus making the debate "rhetorical."

The Cuban government argues that "the economic crisis of 1986-1990 has been exclusively provoked by external constraints and adverse weather, and that the RP has played a positive compensatory effect." The negative impact of some external factors is undeniable, but the RP itself has been a major cause of the economic deterioration, a fact now acknowledged privately by some Cuban economists.

Since 1989, Cuban trade relations with Eastern Europe have been on the decline. Trade with Poland and Hungary essentially dried up when those countries demanded that trade be conducted according to market prices and with hard currency. Cuba's political and economic relations with Czechoslovakia have been strained as well. The collapse and virtual disappearance of East Germany wiped out an important market for sugar exports and a source of machinery imports. Probably the only Eastern European country still carrying on significant trade with Cuba is Bulgaria (and Romania to a lesser extent).

In January 1990, Castro warned that should political and economic changes in the Soviet Union seriously disrupt exports to Cuba, the country would react with resolve, as if thrust into a military confrontation. Cuba would regard the situation as a "special period in peace time" and introduce economic adjustments.

In late August 1990, the Cuban press announced a series of energy conservation measures to deal with a 15 percent oil shortfall from the Soviet Union (in tandem with a decline in Cuba's small domestic output of oil) and declared the formal beginning of the "special period." The government acknowledged shortages of raw materials, consumer goods, spare parts, and equipment. To deal with the supply problems, the government has taken the following actions:

- reduced daily gasoline and fuel oil deliveries to the state sector by 50 percent and gasoline supply to the private sector by 30 percent (and imported a large number of bicycles and two bicycles plants from China);
- slashed hours of operation in construction materials plants and shut down a nickel-processing plant and an oil refinery;
- cut back household electricity consumption by 10 percent;
- began a nationwide project to replace tractors and combines with oxen, mules and bulls;
- curtailed publication of newspapers and magazines;
- began a large-scale effort to increase food production, especially of staple commodities;
- reintroduced rationing of 208 food products and 180 consumer goods, among them clothing, footwear, household appliances, basic housewares; and
- cut the Communist party national bureaucracy by 50 percent and began to reassign government workers from administrative to "productive" tasks in industry and agriculture.

**Readjustment Continues**

Thus, Cuba's strategy to weather the "special period" seems to embrace the following elements: (i) drastic cutback of energy consumption; (ii) reallocation of resources from idle sectors into agriculture, particularly for production of staple foods, since agriculture uses a relatively low amount of imported inputs, and increased output could reduce the need for food imports; (iii) use of more labor-intensive farming techniques as a way to conserve imported energy and to employ larger segments of the population; and (iv) provision of alternative employment opportunities, e.g., in agriculture, or continuation of compensation for dislocated workers to prevent worker disaffection. Unlike
Eastern Europe, Castro has pledged that Cuba's policies will preclude unemployment or sharp price increases.

On January 1, 1991, as trade relations among members of the CMEA change over to a system based on convertible currency and world market prices, the short-term impact on Cuba's economy could be severe. Preferential arrangements for sugar sales to the Soviet Union presumably would be terminated, along with the possibility of purchasing Soviet oil through a system of commodity barter. The loss in sugar trade alone would amount to $2 billion in 1991, according to Cuban economists.

In anticipation of these changes, Cuba is intensifying efforts to develop new export products (e.g., in biotechnology) and new markets (e.g., in Latin America and Asia), exploring alternative sources for oil imports, and according to Cuban economists.

In anticipation of these changes, Cuba is intensifying efforts to develop new export products (e.g., in biotechnology) and new markets (e.g., in Latin America and Asia), exploring alternative sources for oil imports, and developing the infrastructure to attract international tourism — and generate hard currency — via joint ventures with Western entrepreneurs. These steps do not appear forceful enough to turn around a dire economic situation, however. For instance, earnings from foreign tourism in 1989 accounted for a mere 0.5 percent of Cuba's GSP. Trade with China, although having increased significantly in 1990, does not represent more than 4 percent of the total, and the percentage of trade with Latin America and Japan is less than 2 percent for each.

A five-year plan for 1991-1995 is unfeasible due to economic and external uncertainties, assert some Cuban economists, who envision a one-year plan (1991) limited to setting essential priorities. Prospects are gloomy: while deterioration of the economy continues, the leadership's resistance to market reform is unabated.

Jorge Perez-Lopez and Carmelo Mesa-Lago. The authors are economists in the U.S. and have written extensively on the Cuban economy.

**Cuban Economic Performance, 1984-1989**

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<tbody>
<tr>
<td>GSP (in millions of pesos)</td>
<td>25,890</td>
<td>27,070</td>
<td>27,390</td>
<td>26,550</td>
<td>26,991</td>
<td>27,273</td>
</tr>
<tr>
<td>GSP per capita</td>
<td>1,590</td>
<td>1,661</td>
<td>1,685</td>
<td>1,558</td>
<td>1,579</td>
<td>1,578</td>
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<tr>
<td>Sugar output</td>
<td>8,207</td>
<td>8,004</td>
<td>7,254</td>
<td>7,117</td>
<td>7,415</td>
<td>6,121</td>
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<tr>
<td>Labor productivity</td>
<td>9,175</td>
<td>9,373</td>
<td>9,235</td>
<td>8,826</td>
<td>8,677</td>
<td>8,404</td>
</tr>
<tr>
<td>Average annual wage</td>
<td>2,230</td>
<td>2,252</td>
<td>2,255</td>
<td>2,208</td>
<td>2,242</td>
<td>2,256</td>
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<tr>
<td>Budget deficit</td>
<td>76</td>
<td>253</td>
<td>188</td>
<td>609</td>
<td>1,146</td>
<td>1,624</td>
</tr>
<tr>
<td>Total trade</td>
<td>12,704</td>
<td>14,024</td>
<td>12,894</td>
<td>13,013</td>
<td>13,098</td>
<td>n.a.</td>
</tr>
<tr>
<td>Exports</td>
<td>5,476</td>
<td>5,992</td>
<td>5,322</td>
<td>5,461</td>
<td>5,518</td>
<td>5,518</td>
</tr>
<tr>
<td>Imports</td>
<td>7,228</td>
<td>8,035</td>
<td>7,596</td>
<td>7,612</td>
<td>7,579</td>
<td>n.a.</td>
</tr>
<tr>
<td>Trade with USSR</td>
<td>8,735</td>
<td>9,901</td>
<td>9,248</td>
<td>9,364</td>
<td>9,047</td>
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<tr>
<td>% of total deficit</td>
<td>68.8</td>
<td>70.5</td>
<td>71.8</td>
<td>72.0</td>
<td>69.1</td>
<td>69.1</td>
</tr>
<tr>
<td>Trade in hard currency</td>
<td>2,261</td>
<td>2,473</td>
<td>2,082</td>
<td>1,915</td>
<td>2,020</td>
<td>2,020</td>
</tr>
<tr>
<td>% of total balance</td>
<td>17.8</td>
<td>17.6</td>
<td>16.1</td>
<td>14.7</td>
<td>15.4</td>
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<tr>
<td>International reserves</td>
<td>263</td>
<td>350</td>
<td>242</td>
<td>196</td>
<td>234</td>
<td>88</td>
</tr>
<tr>
<td>Hard currency debt</td>
<td>2,989</td>
<td>3,621</td>
<td>4,985</td>
<td>6,094</td>
<td>6,450</td>
<td>7,300</td>
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</table>

a) Constant 1981 prices
b) Current prices
c) Peso
e) Excluding commerce
f) Thousand metric tons
g) December 31, except international reserves as of June 1989 and hard currency debt as of September 1990

Based on official statistics of the Comité Estatal de Estadisticas and the Banco Nacional de Cuba.
for the discipline of free enterprise. To each according to his ability, from each according to his need." In one ardently expressed view, which I heard just a few days ago from a business adviser recently returned from Poland, such deprivation — unemployment, low wages — will cause foreign investors and entrepreneurs in years ahead to come to the rescue. Only a few years of suffering and all will then be well. This, I choose my words carefully, is insanity. Nothing over the centuries has more often been urged than the social reward of hardship by those who will not have to suffer it... In the simplest form, much of the counsel consists of urging the replacement of a poorly functioning economic system with none at all.

"The economic system which Central and Eastern European countries see in the West and in Japan is not capitalism in its pristine and primitive form. It is a system deeply modified by ameliorating social services, by supported incomes, and by public controls. It is by these that the system has survived. In Britain Mrs. Thatcher, and...in the United States Mr. Reagan and his acolytes...indeed pictured themselves as arch-exponents of unfettered capitalism. In fact, they...owed their eminence to earlier generations of socially minded leaders who made their citizens economically and socially more comfortable and secure — and now, in their voting, conservative. Mr. Reagan and Mrs. Thatcher were...preserved in office because, in practice, their free-enterprise rhetoric was mostly unmodified by action.

"...In a very real sense, both [in the] East and West, our task is the same: it is to seek and find the system that combines the best in market-motivated and socially motivated action.

"There are in this search no over-arching rules by which to be guided. In the nations now in transition I would, of course, urge the return of less essential consumer goods and services to the markets. Here it is all too evident, the planning and command system of past experience did not work...For food and housing I would see a longer continuing role for the state...As to the large industrial or commercial enterprise that is the centerpiece of the modern capitalist of socialist economy, the question of ultimate ownership is not so important. In the Western countries and Japan there are well-functioning firms under both private and public ownership.

"...In the United States our railroads failed under private operation and have been partly redeemed under public management. Private failure in our financial institutions is now being redeemed at a cost of hundreds of billions of dollars by the state. The phrase 'taken over by the government' appears daily on our financial pages. Apart from the exceptional and much criticized case of the corporate raider, stockholders — owners in the great firms of modern capitalism — are dispersed and mostly unknown. They have no power over the professional management that appoints the directors who are presumed to control their operations. This, in the phrase of the late James Burnham, a notable conservative, was the managerial revolution. In modern capitalism, managers, not capitalists, are the decisive power. And in the modern mature capitalist economy, I note with emphasis, it is not about power that we should worry, it is about incompetence.

"What is important — my urging at this point goes back to early observation and experience in India — is to give the expertise authority over, and the rewards of, its own performance....If larger enterprises are given freedom from the disaster of ministerial, i.e., bureaucratic, control and they are thus accorded the right to set their own prices, procure their own materials, and make their own sub-contracts, the location of actual ownership is not a matter of prime importance. I would urge that ownership be widely distributed, and I am attracted by the proposed action in Poland, which is strongly supported by my colleague Jeffrey Sachs, to distribute the shares widely to the citizenry, with a special advantage for employees of the particular enterprise. The equity of such an arrangement has an obvious appeal, as also the resulting sense of participation.

"...Any large-scale alienation of ownership and management to foreigners would surely ensure an adverse response. As Americans would not (and do not) look forward to working for the Japanese, efficient as they may be, Poles, Czechs, and Hungarians can hardly look forward to working for Americans, Germans — or Japanese.

"It should not be a criticism of this transition that it is done gradually and with thought.... Only if time is allowed can there be time for thought — the thought that is attuned to pragmatic result and not to primitive ideology.

"Until now I have emphasized careful economic action, free of ideological imagery and passion, as the necessary design for reducing human suffering and despair. It is also the path that minimizes the impact of national, ethnic, racial, or religious conflict: for economic hardship and deprivation, above all, nurture such conflict. Economic well-being is the great solvent for such passion. And nothing, in turn, is so damaging to economic well-being as civil or religious strife. It is one of the sad, and inescapable facts of our time that poverty produces conflict and conflict in turn deepens poverty.

"...This great transition must be seen as one in which we are all concerned, must all participate. In this connection I am not wholly optimistic about our own government; it has reverted deeply in recent times to the economics and politics of contentment. Many have mentioned the great opportunity of a new Marshall Plan; the need persists. Instead, as I've noted, we have offered oratory and advice divided between irrelevance and damage. And, as so often, amid great present and potential hardship we have heard the urging of austerity from the IMF. But I plead with all my 'co-religionists' here and in Western Europe to resist discouragement and join to extend to the Eastern European countries the kinds of programs that we in the United States offered in 1948. This, by Americans, is not an exceptional or even a minority hope. And perhaps with this example Americans in general and our government in particular will rise again to the challenge of the day."

Transitions

Milestones of Transition

The Soviet Central Bank — the GOSBANK intends to move increasingly to a free-floating exchange rate for enterprises, thus closing in on the commercial exchange rate (1.68 rubles to the U.S. dollar as of November 1) and the free market rate (currently about 20 rubles to the dollar), to be fixed by regular currency auctions, according to Oleg Mzhaiskov, a senior official of the bank. The new rate should boost exports, discourage imports, and reduce heavy export subsidies, as a means to confront the Soviet Union’s balance of payments crisis. The latest decree on foreign exchange, ordering Soviet enterprises to sell 40 percent of their export earnings to a new all-union currency fund, should help service the estimated $60 billion of foreign debt. For 1991, debt service is set at around $11 billion, while an estimated $30-$40 billion will be earned in hard currency. The remainder of the new currency fund will go to a special import fund to be administered by the central government and the republics.

Poland is forecasting a $2.9 billion trade surplus for 1990; exports are likely to be 36 percent higher than in 1989, at $7.6 billion. Imports are expected to fall 10 percent to $4.7 billion, reflecting a decline in production. (The jobless rate topped 1 million in October.) Hard currency reserves are expected to reach $5 billion by next year. The government is still seeking 80 percent forgiveness on its $42 billion foreign debt and has appointed three foreign investment banks — Lehman Brothers (U.S.), S.G.Warburg (U.K.) and Lazard Freres (France) — as advisors on debt rescheduling. The Polish Finance Ministry has proposed working with the National Bank of Poland to transform state-owned banks into Treasury-owned corporations. Their shares would be sold off later. Poland’s state-owned banks include the Bank Handlowy (foreign trade bank), the PKO BP (savings bank), the PKO SA (hard currency bank), and nine regional commercial banks that were split off from the National Bank last year.

The head of Hungary’s State Property Agency, Lajos Csepi, has rejected calls to speed up the government’s privatization program, claiming that a crash plan would rob the country of cash by flooding the market with companies for sale. If privatization is to be successful, a gradual transition to private ownership from state control should be the goal, he said. The government rejected the proposal of economic adviser Gyorgy Matolesy, who called for compulsory privatization of state companies in a six-months’ crash program that would have entailed drastic cuts in state subsidies (50 billion forint or $422 million). This could have bankrupted a third of all state companies, driven up unemployment to 200,000 (4 percent of the workforce), and increased inflation to 35 percent, at least in the short term. Hungary will resist pressure to reschedule its $20 billion in foreign debt, according to Gyorgy Suranyi, president of the nation’s central bank. Socialist Party leader Gyula Horn called on foreign creditors to write off a sizeable portion of Hungary’s foreign debt and agree to a moratorium on debt servicing.

Romania’s parliament has empowered the government to rule the economy by decree and speed up reforms. Prime Minister Petre Roman had been authorized to declare emergency economic measures over the next six months. This includes the power to change taxes and duties and to negotiate foreign credits without referring to parliament. However, the legislature would set an upper limit for foreign borrowing every three months.

Bulgaria’s economic “100 day program,” which might survive the recent fall of the prime minister, aims at breaking up state monopolies that sell farm products and consumer goods; liberalizing prices controls; abolishing the state’s monopoly of foreign trade; privatizing some state-owned shops, services, and farms, and partially converting the leva, as well as relaxing import controls and guaranteeing foreign investments. Bulgaria plans to negotiate IDA credits to help fund the restructuring program. According to finance officials, Bulgaria expects to defer payment of interest and principal on its $10 billion foreign debt for at least 12 months, from the beginning of 1991. Bulgaria’s advisory committee to 300-plus creditor banks will meet again in London on December 4; their September meeting resulted in the deferring of payments until the end of 1990. (Bulgaria was cut off from receiving trade credits to finance imports after it suspended payment on its foreign debt principal in March and its interest payments in June.)

The Czechoslovak parliament has postponed until January 1991 the debate on a law authorizing the privatization of major industrial firms, to allow more time for preparing the legislation. Finance Minister Vaclav Klaus had said earlier that the law would go to parliament before the end of 1990.

German reunification costs are spilling upward, according to Euromoney (U.K.). Private investors, worried about viability and legal problems, are hesitant to buy up East German enterprises unless the enterprises are already bankrupt. The Bonn government had estimated that East German industry would be able to hold onto about two-thirds of its markets. However, the textiles, engineering, and agriculture sectors have collapsed completely. The latest estimates reckon that the greater part of East German industry will eventually shut down, causing unemployment of 2 million out of a work force of 9 million. (In May both the East German and West German governments had estimated that only 20 percent of East German enterprises would go bankrupt.) Now they realize that whole sectors, such as mining, are beyond rescue. The East German social security fund’s deficit has been continually revised upward and now stands at DM 13.3 billion.

Mongolia’s Small Hural, its lower house, has scheduled debate on the country’s privatization law. According to Deputy Prime Minister D. Dorligjav, state-owned factories and some lands will be distributed in equal allotments to the public, which can decide to keep the assets or sell them to the state bank. Certain key sectors of industry, such as mining and energy, will remain under government control. The priority goal of the government is to transform the country into a market economy in a matter of years is the priority goal of the government. It will also have to deal with problems of unemployment and rural and social issues, said Prime Minister Byambasuren.
The objective is to understand how basic costs and prices are determined during economic transition and how they are manifested in the aggregate price indices. Data for 1980, 1988, and early 1991 on guidelines for defining costs and setting prices will be collected. Sources and methods used to compile key price indices will be documented also. Countries' relative price structures will be analyzed over time, and relative to some external reference.

2. National accounting for private sector production

The objective is to determine whether erratic reporting on productive activities in the private sector distorts GNP time series data. Private sector activities will be grouped into three areas: traditional activities (for instance, small agricultural plots), new business ventures, and government-owned or large cooperative enterprises that were, or are to be, privatized.

Country reports will be prepared, describing the national accounting practices of recording private sector activities. These reports will show which activities are included in — or excluded from — the official national accounts and will indicate at least some order of magnitude of private sector activities as a percentage of GNP. An attempt will be made to prepare comparable estimates for some OECD countries. The report will examine possible differences in factor intensities and productivity between private and public producers.

3. Measurement of growth and inflation

The main objective is to assess changes in the accuracy of existing indicators of economic growth and inflation during economic transition. Alternative estimates of economic growth for CPEs will be evaluated to determine whether appropriate sources and methods have been used. Aggregate growth indices will be calculated under various assumptions to determine, for example, the effects of alternative sub-indices on volumes and prices or on changes from the base year, reweighting from national to international price relativities or other reproducible technical factors.

This simulation exercise will indicate the best available methods for measuring growth and inflation during transition periods or for periods when market forces or central planning are in effect. The study will also review how current national methods overstate or understate growth rates (and inflation rates) during various phases.

Experts from the countries involved will participate in the project. A steering committee from the Bank is providing general advice and coordination with other international agencies.

A preliminary project report will be presented at a meeting in June 1991, focusing on early warnings about possible distortions in conventional indicators. The final report will be completed by the end of 1991.

IECSE will maintain and disseminate essential information about related research projects. In certain cases, opportunities to cooperate or to coordinate research may be arranged.

The project is co-directed by Jong-Goo Park (IECSE), senior economist, and Paul Marer, a professor of international business at Indiana University. Individuals or institutions with research projects under way on topics that relate to any of the above outlined research modules are invited to contact Jong-Goo Park, Socio-Economic Data Division, International Economics Department (IECSE), The World Bank, 1818 H St. NW, Room S-7-137 Washington, D.C. 20433.
Book and Working Paper Briefs

Center for Economic Policy Research
MONITORING EUROPEAN INTEGRATION: THE IMPACT OF EASTERN EUROPE

Experts from the London-based research organization analyze the key implications of the current transformation of the Eastern bloc for policymaking in Western Europe. The first part of the report assesses competitive production and trade advantages and concludes that Eastern Europe and the USSR will generate significant net exports of energy and agricultural goods. Unless the common agricultural policy of the EC is substantially reformed, the inclusion of the liberalized Eastern European economies would all but destroy it. Southern European producers of clothing and footwear have little to fear from potential competitors in the East. The primary effect of increased imports of capital goods by Eastern Europe (estimates are that it will range between $1,350-2,910 billion in the next ten years) will be felt in interest rates and hence in a diversification of world investment. Primary benefactor could be Germany, best equipped to supply such goods.

The second part of the report focuses on the medium-term macroeconomic impact of the transformation of the Eastern European economies, including the consequences of German reunification. (While in the long run the real value of the German Mark must fall, the case for an immediate upward realignment is now overwhelming.) In Europe, reform in the East and integration in the West are complementary, claim the authors.

CEPR, established in 1983, is a network of over 140 Research Fellows, based primarily in European universities. The Center coordinates research activities and communicates results to the public and the private sector. Its address: 6, Duke of York St., London SWIY 6LA, U.K.

Stanley Fischer and Alan Gelb
ISSUES IN SOCIALIST ECONOMY REFORM

The authors consider the design and sequencing of economic reform in formerly socialist economies that have made the political decision to move to a private market economy. The paper also examines the potential role of foreign countries in providing aid, technical assistance, and market access.

In economies that start from a situation of actual or potential macroeconomic instability, stabilization and accompanying measures to harden budget constraints and create an emergency social safety net are the first priority. Price reform, implemented with the assistance of trade liberalization, and enterprise restructuring and privatization are then at the center of the reform process. Banking reform, training, and the development of other financial markets has to begin immediately, but the ability of the financial system to allocate resources efficiently will remain limited until enterprise and price reforms are sufficiently advanced and portfolios are cleansed up. In the context of system-wide reform, the notion is perhaps better expressed as the sequencing of "packaging," because many interrelated reforms, including those needed to create an appropriate legal structure and develop skills needed in the market economy, have to put in place very early. Completion of reforms, especially for privatization, is bound to take many years.

The paper warns that no single detailed map can be expected to guide the way to the new systems. Important strategic choices arise out of the interplay between economics and politics. The imperatives of political sustainability may dominate the reform process. For example, the time needed to reform institutions, create skills, and establish valuations argues for a measured pace of reform. But such a slow process has costs, including prolonged uncertainty, and perhaps an extended period of poor asset management and growing opposition to changes. On the other hand, a rapid approach risks chaos, as markets are apt to be liberalized prior to adequate preparatory steps. In this situation technocratic solutions are not sufficient. Economists must have an eye for risks, and the dead-ends that result from strategies driven by political processes, and must seek ways to defuse these problems over time.

Stanley Fischer is Professor of Economics at MIT.

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Silvana Malle
EMPLOYMENT PLANNING IN THE SOVIET UNION

The communist principle that he who does not work shall not eat may epitomize the legal approach to employment — which made the refusal to work a criminal offense — but the continuing shortage of consumer goods suggests that the reverse implication — he who works shall eat — does not necessarily hold true either. Full employment, however, is often considered an intentional goal of the Soviet system. This book maintains that full employment was not the result of a labor planning policy but of an output-volume approach, necessarily antithetic to labor saving. Constant capital-labor ratios embodied in the planning procedures explain both the search for unused labor resources and the efforts to check unwarranted capacity growth. Only in the Gorbachev era has the emphasis switched to labor-saving incentives leading to redundancies.

Silvana Malle is Professor of Comparative Economic Systems at the University of Verona in Italy.

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Until the early 1970s, China was hostile toward the keystone international economic organizations (KIEOs), seeing them as instruments of capitalist exploitation. With its economic opening to the rest of the world, China sought inclusion in the IMF and the World Bank. What were the immediate and secondary consequences of China’s participation in these organizations? Under what circumstances can the previous record of success be sustained? What are the issues involved in China’s request to acquire full membership in the GATT? The study seeks to answer these and similar questions. Although the book deals with issues and events that pre-date the June 1989 events in Tiananmen Square, the authors remain convinced that the trends in the evolving relationship between China and the KIEOs have long-term validity.

**Simon Commander and Karsten Staehr**

**THE DETERMINATION OF WAGES IN SOCIALIST ECONOMIES: MICROFOUNDATIONS**


The paper addresses the issue of wage determination in the socialist economies and concludes that a common assumption — that wages are exogenously set — is not warranted. Using game theoretic models, the authors show that in centrally planned economies, the use of the piece-rate system of production to induce greater worker effort has had unintended consequences. In partially reforming economies, managers and workers tend to collude to determine output and wages and play a non-cooperative game with the planners (the experience in Poland and Hungary in the 1980s). Even in an economy where market-based rules come to dominate (Poland after January 1990), wages are strongly associated with prices and less strongly with productivity and hence should not be taken as fully exogenous.

**New Books and Working Papers**

**Luis F. de la Calle**

**MACRO-AND MICROECONOMIC LINKAGES OF THE POLISH REFORMS**


**Josef C. Brada and Michael P. Claudon, eds.**

**REFORMING THE RUBLE — MONETARY ASPECTS OF PERESTROIKA**


**John R. Lampe, Russel O. Pricket, and Ljubisa S. Adamovic**

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**POLITICAL IMPLICATIONS OF ECONOMIC REFORM IN COMMUNIST SYSTEMS: COMMUNIST DIALECTICS**


Federal Executive Council of Yugoslavia. **THE LAWS ON ECONOMIC REFORM IN YUGOSLAVIA**

Secretariat for Information, Belgrade, 1990, 276 p.

Kenneth R. Gray. **SOVIET AGRICULTURE: COMPARATIVE PERSPECTIVE**

On the World Bank/IMF Agenda

IMF Emergency Relief

Eastern European member countries facing drastically higher prices for oil imported from the Soviet Union as of January 1, 1991, should be eligible for the latest IMF emergency financial relief program approved by the Fund’s Executive Board on November 15. Primary beneficiaries of the program, which uses existing instruments of the Fund, are the developing nations hit by the Persian Gulf crisis. The IMF’s Executive Board decided, among other things, to suspend the present lower borrowing limits (annual: 90 percent of the quota; three year: 270 percent; and cumulative: 400 percent of the quota) until the end of 1991. Another decision will allow members to draw 82 percent of their quota from the compensatory contingency financing facility to cover the excess costs of imports of crude oil, oil products, and natural gas, until the end of 1991. This is conditioned on their undertaking “satisfactory” energy policy actions.

World Bank Officials in Bucharest

Prime Minister Petre Roman has announced that Romania will need between $2 and $3 billion for farming, the food industry, small-scale industry, tourism, and services projects, and that further credits would be needed to finance the expected trade deficit. Romanian ministers met officials from the World Bank on November 8 to discuss possible credits for priority sectors such as agriculture and energy. The prime minister predicted that market reforms would bring the country up to the average European standard within five to seven years.

Conable’s Talks in Moscow

During his November visit to the Soviet Union, World Bank President Barber Conable discussed with President Mikhail Gorbachev and other senior Soviet officials how the World Bank can assist the process of moving the country toward a market economy, how to meet Soviet requests for technical assistance, and the possibility of Soviet membership in the World Bank. In September Conable had said the World Bank might extend technical assistance, policy advice, and training to the Soviet Union before the country becomes a Bank member. During Conable’s visit the Soviet authorities reiterated their interest in technical cooperation in such areas as financial sector and banking reform, privatization and demonopolization, social safety net, and fiscal reforms, including public investment programs. The Bank is assisting the IMF and the OECD in preparing recommendations for Soviet economic reforms and ways to implement them. This was proposed during the summer meeting of the Group of Seven, the heads of the leading industrial nations. The report is due by the end of December.

WB Delegation in Vietnam

World Bank experts visited Vietnam in late November to study projects for which the country wants Bank assistance. The Bank’s last loan to Vietnam, $60 million for an irrigation project, was in 1978. Vietnam owes the IMF an estimated $135 million, including interest, and has been ineligible for the organization’s loans since 1985. It has been repaying interest regularly on previous loans since its debt was restructured in 1989, with repayments of $20-$30 million this year.

IFC in the Hungarian Insurance Business

The International Finance Corporation (IFC), the private sector development arm of the World Bank, is undertaking for the first time an equity investment in an Eastern European insurance enterprise. The IFC has obtained 20 percent of the shares of the newly-established First American-Hungarian Insurance Company, Budapest. Set up with a total share capital of $3.2 million, the company will focus on life, general property, and casualty insurance. One of the largest U.S. insurance groups, First American International will hold 52 percent of the shares, the Hungarian Saving Cooperative Bank 15 percent, with the rest subscribed by three Hungarian trade union groups.
Conference Diary

Restructuring Food Systems
October 21-23, Budapest, Hungary

Conference on "Restructuring Food and Agricultural Systems in Central Europe and the USSR," sponsored by the International Policy Council on Agriculture and Trade. The council was established in 1987 and comprises 30 policy leaders from 19 countries to develop consensus on feasible agricultural policy alternatives. (Information: A. T. Tewdwr, IPC, 1616 P. St. NW, Washington DC 20036, Tel.: (202) 323-5034)

Implementing Privatization
November 7-8, Ljubljana, Yugoslavia

Conference on the "Latest Implementation Problems of Privatization in Eastern Europe," organized by the International Center for Public Enterprises, Ljubljana, the Economic Development Institute (EDI) of the World Bank, and the UN Development Programme. It focused on different aspects of privatization: international experience and its applicability to reforming socialist economies; new approaches through financial intermediaries; the managing of the implementation process; and the activity of the national privatization agencies.

German Unification
November 13-14, Washington, D.C.

Conference organized by the American Institute for Contemporary German Studies (Johns Hopkins University) on "Economic Aspects of German Unification." Rather than projecting a new "economic miracle," many of the participants viewed the transformation process in Eastern Germany as vulnerable if wages and salaries move ahead of productivity growth, climbing to the West German level. In that case, self-sustained growth and employment is questionable, and a "mezzogiorno" scenario, with isolated enclaves activities in a mass of subsistence services and agriculture, permanently subsidizing a significant welfare class, is a possibility.

Endangered Environment
November 14, Washington, D.C.

Central and Eastern Europe Environmental Seminar, organized by the World Bank Environment Division (EMTEN). Participants discussed the challenge of making the environment part of economic reform and industrial restructuring in Eastern Europe. After 50 years of deterioration, massive efforts are required to restore the environment. Economic issues involve the need for clear priorities based on least-cost options, prices that reflect true resource value, institutional incentives and regulatory enforcement, translating technical expertise into policy action, high quality investments, and regional efforts to solve trans-boundary problems.

Food Trade 1992
November 19-20, Washington, D.C.

Two-day conference co-sponsored by the World Bank and the Economic Research Service of the USDA on "EC 1992 — Implications for Food and Agricultural Trade." Traditional trading patterns in the region might return, and EC countries might become important markets for Eastern European and Soviet products. (Information: Robert B. Koopman, Tel.: 202-219-0626) East German farms are undergoing radical changes, restructuring requires immediate actions to reduce the labor force, modernize technology, improve product quality, and introduce set-aside programs. (Information: Wilhelm Heinrichsmeier, Universität Bonn, Germany, Tel.: 228-732-331)

Transition to a Market Economy
November 28-30, Paris, France

"The Transition to a Market Economy in Central and Eastern Europe," an OECD-World Bank conference. Plenary sessions covered design and implementation of a strategy for economic transformation; lessons from the West's experience developing a market strategy; and sequencing reforms and policy measures. Workshops covered tax reform, labor markets, development of the financial sector, social policy and unemployment, balance of payment constraints and convertibility, and restructuring the enterprise sector.

Forthcoming Conferences

Transition from Communism
December 3-5, University of Maryland, College Park, Md.

"The Polish-American Conference on the Political Economy of the Transition from Communism," organized by the Center for the Study of Post-Communist Societies with the support of the University of Maryland and the German Marshall Fund. Participants include academics from Poland, scholars, and government officials from the U.S.

Managing Inflation
December 17-18, Sofia, Bulgaria

Conference on "Managing Inflation in Transition," organized by the World Bank (EDI's National Economic Management Division) with the National Bank of Bulgaria, for Bulgarian policy makers and academics. Topics include: macroeconomic causes and control of high inflation, role of price, and income policy.

Comparative Studies
December 28-30, Washington, D.C.

Presentations, discussions sponsored or co-sponsored by the Association of Comparative Economic Studies (ACES), (i.e., perestroika in Third World perspective, stabilization and reform in Eastern Europe and Latin America, public choice theory applied to socialist countries) at the Annual Convention of the Allied Social Science Associations (ASSA).

Public versus Private Enterprises
April 4-5, 1991 Liege, Belgium

International conference of the CIRIEC (Centre International de Recherches et d'Information sur l'Economie Publique Sociale et Coopérative), University of Liege. Three working groups will discuss privatization issues: performance measures and comparisons; and incentive schemes and mixed markets.

The Baltic Gateway?
May 10-13, 1991 Middlebury, Vermont

Spring 1991 Seminar on "The Baltics: Gateway to the Soviet Union?" will discuss the Baltics' evolving role as a bridge between the Soviet Union, its foreign investors, and trading partners. (Information: George Bellerose, Director, Geonomics Institute, 14 Hillcrest Avenue, Middlebury, VT 05753 Tel.: 802-388-9619)
**BIBLIOGRAPHY OF SELECTED ARTICLES**

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