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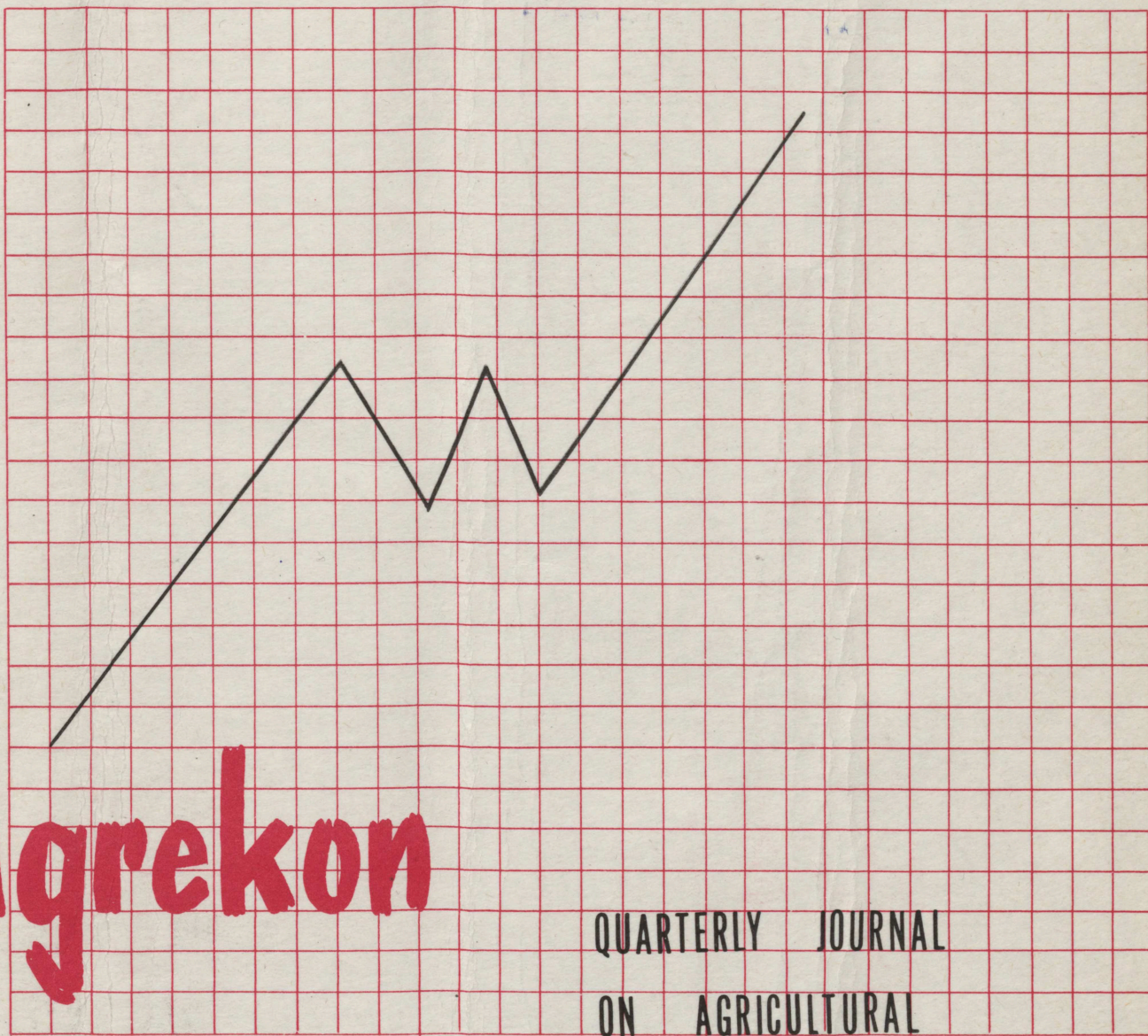
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SOCIALIST ENTERPRISE FORMS IN AGRICULTURE - VI: ORGANISATIONAL STRUCTURE IN COLLECTIVE ENTERPRISES*

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1. THE ROLE OF COLLECTIVE ENTERPRISES IN THE SOCIALIST SYSTEM

1.1. The nature of the socialist collective enterprises

According to Laszlo, the socialist collective enterprises are voluntarily established personal and property associations that function as economically productive units with the objective of increasing the welfare of members in conjunction with the objectives of the whole community¹. (As may be seen from experience, the concept of voluntariness has often acquired a meaning other than the normal one).

Different types of collective enterprises are to be found in the socialist countries. The most usual is the production co-operative enterprise, but there are also consumer, services, credit and other collective enterprises.

Certain typical characteristics of collectives are not found in state enterprises, among others:

- (a) Production takes place mainly or entirely with production agents jointly owned by members.
- (b) The members of the co-operative enterprises are the direct owners and at the same time also appointees of the enterprise. Their incomes depend wholly or partly on the economic results obtained by the enterprises.
- (c) The socialist collective enterprises try to combine the individual and communal interests of their members with those of the whole community.

The socialist collective enterprise - like the state enterprise - is not only an economic unit, but at the same time a social, political and cultural organisation. In addition to economic tasks, they perform community political functions; they give guidance to individual farmers on the course to follow and have a leading part in their socialist education.

* Based on an M.Sc.(Agric.) thesis by T.I. Fényes, University of Pretoria.

1.2 The collective enterprises and the socialist state

The relationship between the collective enterprises and the socialist state rests on clearly established theoretical foundations. Lenin² already emphasised in his co-operative plan that the socialist state should give all social, economic and political help so that the collective enterprises could play their part in building up a socialist community. The state looks after the broad communal interests of the collective enterprises through economic restrictions, regulation of activities, ownership relations and state supervision.

The most important instruments with which the state can influence the activities of the co-operatives are the following³:

- (a) A group of economic instruments are applied by the authorities to influence the incomes of the collective enterprises directly, for example, price policy, state subsidies and state credit policy.
- (b) Another group of policy instruments - for example, taxes and other forms of obligatory payments for social purposes - are used to combat undesirable trends such as excessive income differentiation and to canalise the use of gross income.
- (c) Direct state intervention in the flow of goods (purchases and marketing) is used to try and lead the whole economy in a desired direction. This direct state intervention in the case of collective enterprises amounts mainly to obligatory contractual provisions⁴.
- (d) The system of plan information amounts to a two way flow of information; the central organs of control compile a national plan, enterprises receive information from the national plan, draw up their operating plans and must inform the central authorities about them. The collective enterprises - and today also state enterprises - have no obligations towards the state in connection with operational planning⁵.

2. Procedures of establishment and dissolution of collective agricultural enterprises

2.1 Establishment

On the establishment of a collective agricultural enterprise the principle of voluntariness must apply and legislation makes provision for it⁶. The members' land, production agents, buildings, livestock, etc., which are taken into joint ownership, form the physical basis of large scale production.

When individual farmers wish to form a collective enterprise they first have to comply with the legal preconditions. These preconditions show marked similarities in most socialist countries; the membership must be at least 15 and the prospective members must jointly own enough land and other production agents to be able to practise large scale production. If the requirements are met, a foundation meeting is held.

Then follows the formulation of the rules in accordance with which the collective enterprise will perform its activities.

The rules have to include the following:

- (a) The name and address of the enterprise, the membership, the main line of production, the elected committees and other internal organs of management and their functions.
- (b) The most important privileges and responsibilities of the members.
- (c) The main points of policy in connection with domestic smallholdings.
- (d) Points of policy in connection with the expansion of the joint capital and the division of income. The rules must also include the most important aspects of democratic management.

A copy of the rules is sent to an office in the state hierarchy for final approval.

2.2 Dissolution

When an enterprise cannot produce profitably, for internal or external reasons - in spite of state support - a comprehensive investigation follows that may lead to the dissolution of the enterprise concerned⁷.

The dissolution takes place under state control, but any such decisions are subject to approval by members. As an alternative solution, certain enterprises may be combined or divided in order to create efficient economic units⁸. If dissolution is in fact decided upon, the liabilities are subtracted from the assets, after which the possessions are once again placed under individual ownership. In the case of insolvency, the collective enterprise is converted into a state enterprise⁹.

3. COLLECTIVE RIGHT OF OWNERSHIP

A collective enterprise is a corporate body with a single collection of possessions consisting of all production facilities, including those contributed by the members¹⁰. The Socialist character of this type of right of ownership is emphasised by the fact that the production is supplied jointly by the

ownermembers of the collective enterprises and the profit is in the hands of the collective enterprise¹¹.

4. THE FUNCTIONING OF COLLECTIVE AGRICULTURAL ENTERPRISES

4.1 Collective independence

The collective enterprises form an integral part of the socialist economy, their development is also to a large extent dependent on the development of the whole national economy¹² and their activities are linked to the effort to satisfy the social requirements of community (production, employment, etc.). The basis of the functioning is collective right of ownership and division takes place according to production. The collective enterprises have close contact with other economic sectors and with the state's executive organs and agricultural-co-operative law; their legal existence is so guaranteed¹³.

Collective enterprises have more autonomy than state enterprises with regard to production decisions, production itself, division of work and profits, purchasing strategy, etc. In contrast with state enterprises, profits are not paid to the state and normally the state does not make compensation for losses suffered. Although economic reforms in the late sixties increased the independence of state enterprises in most socialist countries, the differences arising from the right of ownership still exist¹⁴.

Production takes place on the basis of the basic principles of the socialist enterprise, which amount to the fact that the collective enterprise must possess the production factors required for continuity and development and its broad activities are determined by the social structure and requirements. In addition, enterprise efficiency is pursued and realistic minimum wages must be guaranteed. Full use must be made of the available labour force and members must enjoy the usual rights of a socialist worker.

In this respect the collective enterprises are similar to the state enterprises.

5. ECONOMIC ACTIVITIES

The cadre of economic activities is determined mainly by agricultural production and collective operations embodied in communal interests, the pursuit of full utilisation of resources, division of profits between members, etc. In the early stages collective enterprises performed only primary agricultural processes (mainly manual labour with the help of draught animals) and all other work (machine work, transport, processing, building, etc.) took place on a contract basis. This division resulted in high production costs and, consequently, low profits, under-utilisation of capacity, etc.¹⁵ The economic activities, however, gradually expanded and they now consist of agricultural production, processing, services and auxiliary operations and purchases and marketing. They now, therefore, include both production services and commercial functions. In economic activities no differentiation is made between agricultural and industrial

production. The collective agricultural enterprises undertake all the activities that contribute to the development of modern large-scale agricultural production.

Production activities include all branches of agricultural production, namely crop cultivation, livestock breeding and horticulture. The collective enterprises are not subject to restrictions in their production activities except that they must conform with all the state regulations in connection with plant protection, safety, protection against fire, etc. All other production activities that lead to supplying a new product or the increase in value of a product are also regarded as production - among others, processing, building and maintenance work.

Some collective enterprises have facilities for processing their own products or those produced on domestic farm units of members. Secondary food and transport products, wood products and building materials, among other things, are manufactured by collective enterprises. Collective agricultural enterprises can also perform building operations if they have enough qualified staff (architects, technicians) in their service.

The repair of machinery, tractors, combines, etc., usually takes place in the collective enterprises own workshop and, if there is unused capacity, such work can also be done for other organisations.

Marketing and purchases: Produced and processed products - and sometimes also products produced on domestic farm units - are marketed on a contract basis to the state bodies (for example, state enterprises) for further processing and/or resale to the retail trade. The retail trade handles mainly direct sales to the population. In recent years collective enterprises have also opened shops and restaurants in various socialist countries¹⁶. The multi-channel marketing methods are favourable for competition, but large-scale production demands large-scale marketing efforts, which are not today a characteristic of most socialist countries.

Requirements for production and other activities and requirements for the members domestic farm units are purchased through various channels, namely commercial enterprises, factories, agricultural enterprises and from foreign sellers. Purchases are usually made by contract.

Transport activities: Agricultural products are usually bulky and perishable, so a well developed transport system is essential. Collective enterprises can enter into contracts with transport enterprises, but if sufficient means of transport are available, they can do transport work for themselves and also on a contract basis for other enterprises. Staff transport is usually dealt with by the enterprises themselves.

Contract work: Because of the seasonable nature of labour requirements in agriculture it is possible for collective enterprises to do work for other firms or individuals on a contract basis. The contract work is also a useful instrument in co-operation with other collective enterprises, other socialist organisations and the private sector. The contract work must, where possible, be done on the

collective farm. Examples of the most usual types of contract work done by collective enterprises in the socialist countries are processing, packing, grading, storage, demolition of buildings, laying out parks, etc. The work is undertaken by the collective enterprise (and not by the members themselves).

6. PLANNING MECHANISM

Collective agricultural enterprises are obliged by the state to produce in a planned manner. In the socialist system their main said objective is the satisfaction of demand at the lowest possible cost and the rational utilisation of resources. This, or at least the endeavour, is achieved with the help of the planning mechanism. Nowadays one can scarcely speak of the centrally planned national economy any more because the economic reforms with all their consequences in relation to enterprise independence, freedom of planning and the increasing importance of the profit motive have changed the system so that two-tier or multi-tier planning is becoming more and more common¹⁷.

In agriculture planning takes place at the national and the industrial level. Differentiation may be made between annual, medium and long-term plans. The socialist planning system assumes that the national economic and industry plans - at least as regards their trend and main objectives - are closely related. Before the economic reforms of the late sixties the socialist states tried to enforce this relationship from above by administrative regulations. Consequently, enterprise independence was only a form of concept that for all practical purposes did not exist. Errors in national plans were carried over to the enterprise plans and producers had little interest in consumer (market) conditions. In the reformed economic order planning orders disappeared in most fields and the connection between the plans is now maintained by economic yardsticks and the relationship of interests between production enterprises is maintained by voluntary contracts¹⁸. The operating plan of state enterprises and collective enterprises serve as an instrument of management. The plans of collective enterprises, on the other hand, have an influence on the national plan and the formulation of economic incentive elements.

The collective enterprises in the socialist countries are obliged by the authorities to prepare annual production and financial plans and also - if the economic climate justifies - operational development plans. The collective enterprises make their plans independently. The state places no restriction on planned tasks. The basis of planning is purely the economic capabilities and requirements of the collective and domestic farm enterprises, market opportunities (marketing and purchases) and economic yardsticks (price, interest, credit, etc.). The state provides uniform plan forms to be filled in for the modernisation of the planning method and for the statistical aggregation of plans.

Annual production must be planned according to what the composition of production (for example, between field husbandry and

livestock production) indicates, the proposed production volume per enterprise, the consumption of produced products (operating requirements, own consumption, marketing), information on planned investments (including which such investment is continuous and which will be completed during the year) and also which material or technical means the enterprise wants to purchase.

The annual financial plan must give indications of expected income and expenditure according to item or type, expected gross profit and its possibilities for application in order of importance, for example, debt redemption, capital accumulation, expansion of production, etc. In addition, the collective enterprises must make a preliminary estimate of credit requirements.

Operational development plans are a matter of course of a long-term nature. No limit is set on the length of the period because the production phases of different enterprises can vary considerably. In order to indicate the direction of development proposals are made in this plan on the structure and composition of branches of production and these proposals are taken into account in the preparation of the annual production plan. Because the operational development plan supposes a stable economic condition of collective enterprises it is not obligatory for each enterprise to prepare such a plan. The yardstick is that an enterprise must become established to an extent with a formulated composition of lines of production, established market interests and stable operating and management organisation before plans for expansion can be formulated.

Approval of operational plans falls within the powers of the collective enterprises. Nevertheless, the plans must be submitted to the provincial authorities to ask for advice and to ensure that the plan is in line with objectives of regional development.

The provincial authorities can confirm the practicability of the plan or explain possible problems in connection with the availability of labour, market trends, transport, water and energy supply. After the provincial authorities have made their advisory and co-ordinating remarks on the plan certain corrections may be made and thereafter the plan can be submitted by the management of the collective enterprise to a meeting of members for final approval. The same procedure is followed with development plans, but the management can decide itself on the financial plan after the main elements of the plan have been discussed by the members and approved. These main points may include the following: Income and expenditure, wage structure, additional remuneration to members and credit requirements.

After the plans have been finally approved, their execution is obligatory for all members of the collective enterprise. Deviation from the plan is possible only with the agreement of a meeting of members.

The plan does not itself create external relationships and cannot serve as the basis for

credit, contracts or investments. Financial action is estimated in the financial plan and serves for financial management, but also does not extend to external relationships (banks, state organisations). The partial lack of adequate management staff often complicated the execution of plans, particularly in the early stages.

7. RETURNS AND THE DIVISION OF PROFITS

The collective enterprises function on their own resources and therefore careful calculation of expenditure and profits is important. Input-output ratios and maintenance of profitability are receiving increasing attention. Returns must be enough to compensate for the use of production agents and in addition to show a profit. Profit is used for social necessities, expansion of production (capital accumulation), etc.

For the purpose of cost calculations the following items are regarded as elements of the production cost in the collective enterprises: Value of movable goods used, depreciation on immovable property, salaries and bonuses and leasing of land. The latter cost item, namely, the payment for land as a production factor, is not an absolute land rent, but has acquired a new meaning under the collective right of ownership in that the rent is determined jointly by the socialist state and the collective enterprise members¹⁹. In addition, members of collective enterprises who have given their own land for communal use receive payment according to the size of the land, but the payment is so determined that it forms a small part of the total income²⁰. In socialist literature it is stated that the payment for land as a production factor does not have the character of exploitation in the socialist countries, but that it is purely a concession by the worker and small farmer class to the more privileged farmers through which the interests of the latter in collective agriculture become high²¹. The origination of the payment of compensation to land-owners in the socialist countries is not a uniform process; its role will probably decrease with the development of socialism and eventually disappear²².

Collective enterprises also have to hold reserve funds for various purposes. One such is a fund for social purposes, which include assistance to members and their families. Payments are made from this fund in case of illness or births. The social fund is commonly found in collective enterprises. In certain countries it is compulsory by law²³. But the size is not fixed; the members decide that themselves depending on their own circumstances.

Another fund is used for educational, cultural and sporting purposes.

Yet another reserve fund is the development fund, which aims at the expansion of production by capital accumulation. This fund is supplemented with the possessions of new members (on average 20 to 35 per cent of the value of all new possessions are added to this fund), the value of goods

provided free of charge by the state and appreciations as a result of revaluation.

Each collective enterprise also has a compensation fund which guarantees the remuneration of members, their families and appointees. This fund guarantees, among other things, wages, bonuses and all other forms of income, monetary or in kind. In most socialist countries the greater part of the members' income (about 80 per cent) is paid monthly; the rest depends on financial results and is calculated after the closing of the production and financial years (which usually fall together). The remuneration fund guarantees only the monthly remuneration.

Income assurance funds are held by enterprises for purposes of maintaining personal income in times of crisis that may arise because of weather conditions or other factors outside the control of the management. If enterprise income is not enough for adequate payments to the members, it must be supplemented from this fund.

Not all the funds mentioned above necessarily exist in each socialist collective enterprise or in each socialist country because local conditions differ considerably. In most socialist countries²⁴ legislation ensures that the division of enterprise income takes place in such a way that the accepted ratio between accumulation and consumption is not upset. From this arises the fact that the remuneration fund can only grow in relation to the development fund²⁵.

8. ACCOUNTING PROCEDURE

The collective enterprises are obliged by law to prepare a financial statement of account on the financial position each year, which must give an accurate reflection of a year's economic financial activities and in so doing also serve as a basis on which the following year's activities can be based. This includes in all cases the statement of the year's income and expenditure and at the same time forms the basis of decisions in respect of objectives and division of income. The balance sheet therefore, on one hand, gives a picture of the economic situation of the enterprise and, on the other hand, it is the fundamental document of the collective enterprise in respect of financial obligations and so forms the basis of the financial policy decisions²⁶. The final account also serves as a basis for the exercise of state control over the economic financial actions of the collective enterprises and tax assessments are based on it. In addition, a summary of final statements of account of all the different collectives is used to provide the state with information according to which the effect of the economic incentive measures can be measured and according to which future policy measures can be applied. Income, credit, expenditure, employment, labour productivity, capital accumulation and the consumption ratios, etc., can be determined from this.

The statements of account consist of balance sheet, profit and loss statements and income divisions statements.

9. MEMBER'S DOMESTIC FARM UNITS

In the early stages of socialist reorganisation of agriculture in the Soviet Union and later in the other socialist countries policy-makers regarded the existence of domestic farm units for members of collective agricultural enterprises as essential from both political and economic points of view. They stated that they were necessary, on one hand, because they facilitated their adjustment from private to collective way of thinking and, on the other hand, because the domestic farm units were economically necessary to meet individual needs - which could not be filled from the collective farm enterprise.

The domestic farm units spread on the basis of the Soviet-type artel system throughout Soviet Eastern Europe. The only differences worth mentioning between the various socialist countries in this connection are found in the right of ownership and historical aspects. The right of members to own a domestic farm unit has changed more than once; originally it was granted to families with their own households and at present it is granted to any individual member of a collective enterprise. This change has not led to an expansion, but has amounted mainly to rationalisation, intensification and closer ties with the collective farm²⁷.

Owners of domestic farm units are responsible themselves for the planning, production and marketing of their produce. However, they may do this together or call in the help of the collective enterprise with its extensive production facilities and commercial relations.

As the collective movement progressed in agriculture certain policy-makers began to adopt views against domestic farm units. The advocates of this attempt at reform argued that the transition phase was complete and that the time was right for the gradual disposal of such private farm enterprises. This happened in the Soviet Union and also in some other socialist countries²⁸. However, time showed that destroying the tradition of hundreds of years required far more time and the domestic farm units are still a characteristic of socialist agriculture today; these units also make outstanding contributions to agricultural production²⁹. The existence of domestic farm units does, however, create management problems. Collective enterprises, for example, cannot plan their activities purely on a large-scale basis, but must do it on a joint and co-ordinated basis in such a way that the two types of farm enterprises together will become so strong that the limiting and eventual disposal of the domestic farm units will be economically justifiable and socially acceptable. Policy-makers are hesitant to make estimates about the time that will have to elapse before the disposal of domestic farm units can become practical policy.

The most important role of the domestic farm units is the supplementing of income from participation in collective farming.

The increase in income arises from saving consumption - from personal production and from commercial production. This commercial

production will be the first to be taken over by the collective enterprise when the gradual abolition of domestic farm units begins³⁰.

Possessions involved in domestic farm units are private agricultural buildings, domestic livestock, production agents and small machinery and domestic agricultural land that may be private property or be allocated from the collective land for domestic use.

In the various socialist countries there are different limiting regulations in respect of the size of such enterprises. The amount of the domestic agricultural land per member varies between 0,2 and 0,6 ha in the various socialist countries.

An important universal restrictive regulation is that the members must limit their domestic farm enterprises to such an extent that they do not clash with the interests of the collective enterprise.

10. LABOUR ORGANISATION AND REMUNERATION SYSTEMS

In the collective agricultural enterprises there are today no regulations from the authorities regarding labour organisation. The main aim is the composition of labour organisation systems that will contribute to achieving true entrepreneurial characteristics with all their features such as the pursuit of continuity and profitability.

Labour is usually divided between production units and organised into work teams. The work teams have a high degree of independence; they specialise in certain types of work, are under the leadership of a team leader and, if circumstances justify it, they may be subdivided into groups. Means of production are entrusted to them on a permanent basis. Members of a family can also form a work team or work group. Because the measurement of the work achievements is done on a team, group and individual basis, such group formations promote competition and consequently efficiency. The quality of the work is measured by suitable agro-technical yardsticks.

The main points of the labour management system must be included in the collective enterprise's memorandum of association; further regulations are laid down by the executive management.

Intermediary leaders are responsible for achieving the desired performance, but their authority and responsibility is further delegated to the members of the work team or group. Participation in the collective work is every member's right and duty. This right and simultaneous duty is regarded as a fundamental principle of the promotion of the collective way of thinking and in the motivation of the collective community. Fixed hours are worked. Fixing these hours of work depends on the various circumstances regarding the nature and scope of production and they may be fixed on a daily, weekly, monthly, seasonal or yearly basis. At present men are expected to give at least 150 days of service and women 100 days (of 10 hours per day) of service per year. If necessary, the collective

enterprises can increase the standards, but only with the consent of a meeting of members.

The member's right and duty to work assumes continuous employment. In practice this creates many problems arising from the seasonal nature of agricultural production. For example, field husbandry cannot possibly keep the workers busy for the full year at the same intensity, whereas it is not easy to guarantee free time in livestock production. To bridge such problems members can be made available to do contract work for other organisations or individuals, but any contract work must be done on a collective basis.

However, many collective enterprises try to make it possible to keep the workers busy full time by building up their own service operations, for example, joinery, handicraft for women, etc. Any kind of work that is done is recorded on standard forms that facilitate later statistical processing for the measurement of labour efficiency and calculation of labour units that generally serve as a basis for salary policy.

The point of departure in the collective enterprises as regards division of income is the enterprise income and the part of it reserved for wages, salaries, bonuses, etc. There is therefore a direct connection between remuneration and the economic results of a collective enterprise - in contrast with the case in state enterprises³¹.

A further source of income for members is payments to those members who have given the use of their land to the collective enterprise, but still have individual right of ownership over the land.

The socialist state gives no direction in connection with the form of remuneration to the members, but does so for the division of the total enterprise income in order to make provision for complying with external obligations (tax, redemptions) and internal obligations (reserve funds). The state prescribes only that the principle of remuneration according to work achievement be practised; the work must be measured, valued and paid for according to efficiency yardsticks³².

The system of remuneration, namely whether the labour is measured by labour norms or by the time of labour or by volume of production and/or value of production or by a combination of these is decided on by the collective enterprise itself.

In the early stages of the collective movement remuneration to members was almost always in kind. Only later with the systematic economic and organisational strengthening did the collective enterprises reach the stage that they could begin to produce for the market over and above personal needs and share out part of the monetary yield between the members. The Soviet Union reached this stage in the late twenties and the other socialist countries in the fifties³³. Guaranteed monetary remuneration has become usual and in kind remuneration is now limited to personal needs and feed requirements of domestic livestock.

The acceptance of monetary remuneration of members of collective enterprises has, so to speak, made the problem of a shortage of labour disappear. In earlier years industry and even the

state agricultural enterprises drew more workers; many young people moved to the cities, mainly because other employers offered monetary payment. In some socialist countries (for example, in Hungary and the Democratic Republic of Germany) collective agricultural enterprises now offer among the best paid job opportunities although the required level of training - as regards semi-skilled labour and artisans - is still lower than in other sectors of the economy.

11. SOCIAL ASSISTANCE TO MEMBERS

The socialist state offers comprehensive social assistance to members of collective enterprises who for involuntary reasons are temporarily or permanently unable to participate in collective work. The scope of this assistance varies in different socialist countries, mainly as a result of the differences in the level of development of the collective enterprises and the general standard of living of the farming population.

Social assistance may be divided into direct and indirect assistance. Direct assistance is given when a member's work capacity is reduced temporarily or permanently because of illness, pregnancy or raising children or because of quarantine regulations related to human, plant or animal diseases. In addition, pensions are paid to people who have to stop working because of illness or attaining an age limit (men, 65 years; women, 60 years). On the death of a member his family also receives compensation, which may be temporary or permanent in nature depending on their circumstances. Examples of such compensation are widows' pensions and care of orphans.

The main object of indirect assistance is further help to members already receiving direct help or to members who do not need it, but are nevertheless in unfavourable social circumstances. Indirect assistance is rendered by the state and the collective enterprises jointly. This includes granting domestic land to older members who cannot fulfil their work obligations on the collective farm, increased land rental, old age homes, crèches, holiday tours at nominal tariff, etc.

The scope and level of indirect social assistance expands with the economic growth of collective enterprises.

12. MANAGEMENT AND INTERNAL CONTROL

In the socialist countries the degree of managerial independence differs between the state and collective sectors, mainly as a result of differences in rights of ownership. The state enterprises function on the basis of state property. They are therefore united and their top management is undertaken by state organs such as the ministries of agriculture, planning, etc. The director of the state enterprise is a civil servant and is responsible for all his actions to the state. As a result of this fact the independence of the state enterprise is always relative³⁴.

The basis of management independence in the collective enterprises, on the other hand, is collective property. Each collective enterprise is the independent owner of its property. Because the collective enterprise consists of its members, the members themselves are the owners of the enterprise. Their individual and collective interests are united in the interests of the whole. The collective enterprise decides on all aspects touching the enterprise except activities reserved for state organisations, mainly national and other socio-economic activities dealt with by the state.

The present management system of collective enterprises is the result of lengthy development. The economic reforms of the late sixties were decisive and central control - which in most cases also included operational decisions - gradually lost importance.

The most important management characteristic of a socialist collective agricultural enterprise is that it is managed by the members themselves. Each member is entitled and also obliged to take part in the exercising of rights and fulfilling of duties. Positions of leadership are determined by the members and the leaders are elected by the members - directly by a meeting of members or indirectly by management organs that are again elected by the members from the membership. If there is no suitable person available from the membership for a specific management post, a person is appointed from outside with the approval of a meeting of members and an attempt is made to persuade the person concerned to become a member of the collective enterprise. Certain collective enterprises appoint agricultural experts who do not usually do any supervisory work, but usually co-operate in the planning aspects of the farm enterprise. In Poland enterprises achieve profits with such appointees that, on a hectare basis, exceed those of enterprises without these agricultural experts by 75 per cent; income per family is 50 per cent higher³⁵.

Because the collective enterprises are not subject to direct control by state organisations they normally have no organisational connection with each other. They therefore do not form a vertical or horizontal organisational network. There are also no organisations that as a result of right of ownership privileges are entitled to exercise control over collective enterprises. This means that collective enterprises themselves give consent for the leaders to appoint workers, determine duties themselves and see to the fulfilment of responsibilities.

The members and the leadership are independent. The management depends on the members because they are elected by the members for the specific management posts and the management is responsible to the members. On the other hand, the members are subordinate to the management and they are obliged to carry out and accept responsibility for the tasks they are charged with by the management. This interdependence is one of the most striking characteristics of the collective management system³⁶.

Regulation of the management organisation and of the functioning of the collective agricultural enterprise is a twofold process, namely, central and internal (operating). The reason for this is, on one hand, that the collective enterprise is an integral part of the national economy and the social framework of the country concerned. Management and functioning therefore require uniform regulation. The collective enterprise functions at its own risk. The regulation of management functions is therefore to a great extent based on internal (operating) norms.

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21. CSIZMADIA, E., Ket Ut, Ket Világ, Kossuth, Budapest, 1962, p. 197.
22. In China and Korea, for example, the compensation paid to members of collective enterprises for land did not become quitrent. In China compensation was also paid for the livestock and in the fishing collectives it was paid according to the number of boats. In China and Korea compensation for land was paid for one or two and in some areas even for three years on the assumption that the member would during this period get back what he had spent on his land. In those countries the payments therefore did not become land rent; the intention was only to pay compensation for the various sizes and qualities of land. In Bulgaria in the early stages of collectivisation (1947-50) the compensation for land made up 30 to 40 per cent of the total income; it later reduced gradually and in 1959 no collectives paid land compensation any more. The same process may be observed in the Democratic Republic of Germany and in Czechoslovakia.
23. For example, in the Soviet Union, Czechoslovakia, the Democratic Republic of Germany and Hungary.
24. With the exception of Poland and Yugoslavia.
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26. CSIZMADIA, E., Ket Ut, Ket Világ. *op. cit.*, p. 199.
27. FÖLDES, I. A Haztája Gazdaság. Tankönyvkiadó, Budapest, 1970, p. 140-141.
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