

INSTITUTE OF CURRENT WORLD AFFAIRS

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Munich, West Germany
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Mr. Peter Bird Martin
Institute of Current World Affairs
Wheelock House
4 West Wheelock Street
Hanover, New Hampshire 03755

Dear Peter:

Travelling from Luxembourg to East Europe through West Germany has provided good opportunities to meet with some of the key people in Germany who are working on southeastern Europe and to see some aspects of European agriculture that were new to me. I've been particularly interested in the industrial crops not found in the northeastern U.S. This was the first chance I'd had to observe hop cultivation, for example. Some hops are grown in the U.S., primarily in the Northwest, but the world's leading producer is West Germany. Local beer consumption certainly reflects this. Costs of production of hops, however, must be high. They require elaborate and expensive trellises supported on wooden poles standing 18 feet or more above the ground. These trellises, or hop yards, are highly visible at any time of the year, although by mid-November, the vines had already been harvested and cut back.

Munich is a major center of research on eastern Europe. There are at least four or five important research institutes here with well qualified economists, sociologists and historians who specialize in East European affairs. The first thing one realizes when talking to these people is that their information and knowledge about the region is much more immediate than that of most American researchers. That's because many of the researchers in Germany have recently emigrated from East Europe and because of the historical and geographical linkages between Germany and the East European countries. The Southeast Institute in Munich is a good illustration of how these linkages have persisted. It was established in 1930 by the Weimar Republic and the Bavarian Government. The Institute continues to do historical research on southeastern Europe, and this is still financed by the Bavarian

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Government. But the Institute's research covering economic, political and social events in the region is now financed by the foreign ministry of the Bonn Government, which perceives southeastern Europe as an area of political importance. The Institute is formally independent, but the foreign office does influence the choice of research topics of the Institute. (Incidentally, this Institute takes credit for having defined southeastern Europe as an area term, which includes the five countries of Albania, Bulgaria, Hungary, Romania, and Yugoslavia.)

The legacy of the post-war era is represented here by the complex of Radio Free Europe/Radio Liberty. They have a fairly extensive research department that supports their broadcast sections and analyzes eastern Europe. They prefer to staff their research divisions with emigre nationals, and it was interesting to note that currently the Polish staff is strong and the Hungarian staff is thin. Thus the laws of supply and demand do seem to be working. When demand for alternative information increases (for example, when political systems become more closed), the supply of alternative information (i.e. emigre staff) also increases. All of the research institutes in West Germany have a significant number of scholars who have come more or less recently from eastern Europe. These researchers often bring with them revealing insights, as well as strongly expressed personal views.

The views on Romania's economic situation have been particularly well articulated. Current economic conditions are very difficult in Romania. They have worsened during the past three or four years. Living standards have fallen and food and energy are in chronically short supply. Low agricultural prices and wages induced most of the productive farm work force to leave for the factories. The rural population now consists mainly of small children, women and old people. At harvest time, soldiers and students on their vacations are needed as farm laborers. Legal sanctions and compulsory contracts for delivery of agricultural products are replacing price and production incentives and barter for agricultural products is replacing money exchange.

There are fewer stories about Bulgaria, but by contrast with Romania, the current views of Bulgaria's economic and agricultural situation are much more positive. Bulgaria has experimented with a number of different forms of agricultural supply, production, and marketing organizations, with the ultimate goal of industrializing their agriculture. (Some suggest that Bulgaria has been functioning as an agricultural experiment station for the Soviet Union.) The agro-industrial complexes developed were in the late 1970's, integrated forward

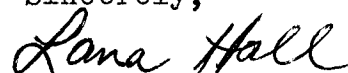
with processing industries and backward with industries producing manufactured inputs. There has since been some retrenchment to smaller units. Gross output has been high, but the resource costs of very large scale enterprise may have been excessive. Soil erosion, for example, has been one of the heavy costs of large scale farming in the northern plains of Bulgaria. Former borders of small fields, e.g. hedgerows that help stop erosion, were eliminated to allow for the use of larger machinery. As part of the push to industrialize and modernize agriculture, Bulgaria imported Dutch-built greenhouses to produce tomatoes, as well as importing new varieties of the fruit. While this allowed for year round production, the quality of the famous Bulgarian tomatoes has declined. It may not be exactly a case of the "hard tomatoes, hard times" of California, but the trends are similar.

Comparing Bulgaria and Romania on the basis of statistical data can be misleading. Official government statistics show Romania achieving a high rate of growth of GNP over the past five years, but Romanian statistics are considered to be unreliable - perhaps more so than those of any other East European country. In addition to unreliability, any number of definitional problems occur with the available statistical data on the economic situations of these countries. For example, imports are included in Bulgaria's grain production data. Because imports of feed grains have been substantial in recent years, an uninformed observer would be likely to conclude that feed grain production has been higher than it really was. Likewise, the lard consumption included in the per capita meat consumption figures for Hungary given by the United States Department of Agriculture distort the picture of Hungary's food consumption. The 101 kg. (carcass weight) which they show for per capita meat consumption in 1980 place Hungary fourth largest meat consumer in the world and first in eastern Europe. Given Hungary's per capita income, this ranking is clearly too high, caused probably by the unusually large consumption of lard in Hungary - some 22 kg. per capita per year.

Officially published statistics on the production of various sectors may also be affected by changes in official policy towards the sectors. If private plots are being encouraged, the amount of production reported from those plots may be inflated, or vice versa. This has apparently been the situation in Bulgaria, where official policy towards private agriculture has shifted back and forth. Because of all these questions of reliability, definition and objectivity, trends in production, prices, imports and exports are more useful for comparing one country with another than are absolute numbers. The use of trends is justified by some economists on the basis

of the "law of equal cheating", whereby one year's numbers tend to be inflated or deflated in the same proportion as the previous year's numbers. This may be only one of the many unwritten laws governing research in East Europe. We'll keep you posted as others are discovered.

Sincerely,

A handwritten signature in cursive script that reads "Lana Hall".

Lana L. Hall

Received in Hanover 12/16/83