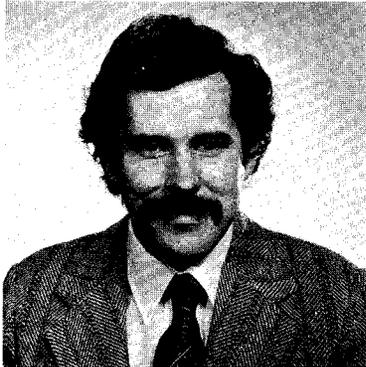


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Bruce F. Hall is an Institute Fellow beginning a two-year examination of food production and distribution policies in eastern Europe. He received his B.A. in philosophy from Antioch College, his M.S. in agricultural economics from the University of California at Berkeley in 1976, and his Ph.D. in agricultural and resource economics from Berkeley in 1978. He has conducted overseas work and research in India and Colombia (the latter as a Tinker Foundation Fellow) and was an assistant professor of agricultural economics at Cornell University before accepting his Fellowship. His special area of interest has been consumer and producer cooperatives, and he worked as an editor, writer and lecturer for the Cornell Cooperative Extension before leaving for eastern Europe.

Readers of his newsletters are urged to write to him c/o the Institute if they are moved to praise, criticism, or advice. The newsletters, which are distributed exactly as they are received in Hanover (except for the correction of obvious typographical errors), are the Fellows' principal means of communication with the outside world; you and the Hanover staff are their only sources of feedback.

the State of Hesse. The Center's 15 to 20 researchers come from both West and East Europe.

One of the attractions of the Center at Giessen is its library, which is extensive. Although it has few works in English, it receives almost every major agricultural and economic periodical from eastern Europe. This means that there are publications available in at least 11 different languages. The library's record of visitors contains the cards and signatures of most of the major researchers on socialist agriculture.

Hungary's agriculture is especially interesting to study because it is being viewed as a model by other socialist countries, impressed by its production success. The Chinese are studying the Hungarian reform in the use of economic incentives and small private farming methods. Groups of agriculturalists from both countries are exchanging frequent visits. The Soviets are also interested in some of the technological advances in food processing. For example, they have reached an agreement to import several cheese factories. Even the West Germans have recently sent a delegation to study manure handling facilities, an obvious problem in large scale livestock complexes.

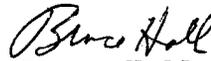
Although the import of Hungary's technology may be easy, there are some questions as to how well the so-called "Hungarian model" is adaptable to other social and economic environments. The sheer size and diversity of the Soviet and Chinese economies may make the Hungarian price reforms and decentralization difficult to achieve. Specific features in agriculture may be adaptable, however. The Hungarian model provides a mechanism for workers on state and cooperative farms to earn higher incomes by working additional hours on their own plots. The Chinese may be able to use this mechanism in their brigades to extract more labor from the peasants.

Western observers and journalists have interpreted the Hungarian economic reforms as a move towards a market economy, and that has been a primary reason for their interest in the possible spread of these reforms. This interpretation is not necessarily correct, however, as the example of the "private plots" illustrates. The concept of the private plot is not as clear cut as its terminology would imply. It should probably be called a "personal plot" rather than a private plot. These plots may not actually constitute ownership of land; in many cases they represent a contract for the use of the land, between a farmer and the state or cooperative farm. In the sphere of animal husbandry, there is some privatization but it is mainly limited to the fattening operation. A farmer may receive piglets from a cooperative farm, fatten them, and sell them back to the farm under contract. In this way the cooperative

can maintain control over breeding. This is characteristic of many of the economic reforms in Hungary. The reform mechanism does not represent a change in the ownership of the factors of production, but rather a change in the way those factors are used.

It is not surprising that economists and journalists from the West have misinterpreted these developments. Western observers have focussed on China and the Soviet Union, without taking much notice of the great diversity of other socialist economies. Hopefully this newsletter and others to come will help fill that gap.

Sincerely,



Bruce Hall

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