

Marián Ambrozy

Assistant Professor, PhD in Systematic philosophy,
College of International Management ISM Slovakia in Prešov,
Duchnovičovo námestie Sq.3951/1,
Prešov 080 01, Slovak Republic
ambrozy@ismpo.sk

Tatiana Lendyak

PhD. Candidate
Institute of International Relations
Taras Shevchenko National University of Kyiv
Y. Illienka 36/1 Melnikova str., Kyiv, 02156, Ukraine
brilliantblack@icloud.com

ROZSYPAL'S REFORM AS AN ATTEMPT AT ECONOMIC CHANGE IN CZECHOSLOVAKIA

Abstract: The economic crisis culminated in 1953 when the regime was established. Personnel changes or partial changes to the plans could not save the permanently sick state economy. Healing was possible through radical reforms. The first economic reform came to Kurt Rozsypal. Although it did not mean questioning the dire economy in Czechoslovakia, it was an intervention in the form of a change in its form. Its essence consisted in the introduction of production and economic units, the change in wage policy and the tangible responsibility of enterprises. The concept had some elements of the market economy. As Czechoslovakia was in a bad economic situation, the reform itself could not immediately create an opposite situation in terms of economic boom. Conservative politicians understand this in the sense that reform is the cause of a bad economic situation. Therefore, the reform of r. 1961 revoked, but the reform process began again for four years.

Key words: Rozsypal's reform, production - economic units, economic history

JEL Classification: N0, N4

Introduction

The founding period of the socialist regime was associated with tremendous economic problems. The orientation of Czechoslovakia on mechanical engineering and the smelting industry meant initial difficulties with the sale. At the turn of 1952/1953, the state stood at the brink of economic collapse. Systematic liquidation of the private sector had led to rapid regress in post-war conditions, particularly in light industry and consumer goods. The old people have still mentioned, for example, to the lack of winter high boots, as private producers were actually liquidated and the state ownership of the means of production at a certain time did not simply distribute this product. The centre of production was shifted to the heavy industry, and the needs of a common citizen were almost ignored. The state of affairs was difficult to solve and the monetary reform from year 1953 was a necessity for the national economy to avoid the economic collapse of the state. Declaration of the so-called new course was initially just a cosmetic adaptation. Renowned Marxist economists saw the need for the beginning of the reform process.

The features of the direct economy were evident with the advent of the Second Republic in 1938. Attempts to apply the corporate model during the 1st Slovak Republic strengthened the features of the directive economy. The course also underlined the human-democratic establishment, and a two-year economic plan. The post-war economy brought great economic change and businesses over 500 employees were nationalised. A significant rate of central planning represented two-year plan. The year 1948 was marked by a revolutionary economic change. In the field of agriculture there started a gradual mass collectivization. There emerged hundreds of grooming cooperatives of different types. From year 1953, a gradual decay of many peasant cooperatives began, more than 200 of them collapsed in that year. In eastern Slovakia, little known uprising of the Prešov region erupted. Soviet consultants working in the Czechoslovak State Bank demanded the dissociation of Czechoslovakia from the International Monetary Fund, termination of the crown's parity from the dollar and introduction of the parity of the crown with the Soviet ruble (Benešová 2014, p.20). The money exchange in 1953 caused a temporary drop in sympathizers of the regime from the ranks of the communists, the

cost of economic rescue was to shake the popularity of the regime. The vast majority of citizens' savings fell for the benefit of the state.

The objectives of the first five-year plan were not met. There was no satisfaction in how businesses acted. They were proposed to achieve some productivity of work. In this context, businesses overrated the requirements for performance indicators (Mlčochová 2012, p. 15). As planners did not have real results, businesses in many cases received unjustified wage finance. As Mlčochová says, the central authorities were looking for new starting point in transition to other forms of indicators (net production, namely products per one worker).

These phenomena were criticized by some economic literate communist officials. Critic was presented by academician Ondrej Pavlík. Legendary today is a resolution on engineering by the top communist officials Bránik and Púll. It was basically a criticism of the economic policy of the Presidency of the Communist Party of Czechoslovakia. It is significant that the resolution was later sharply criticized and its authors had to resign. The accusation of bourgeois nationalism served as a defense against the resolution. In the politburo of the Communist Party, Jaromír Dolanský was the only economically literate member, nor did he allow himself to question the general line of economic policy of the state. The transition to new markets, for political reasons, meant the loss of traditional customers; ultimately, macroeconomic losses were enormous. The onset of Khrushchev initially did not mean changes in the USSR's economic policy towards the other Eastern bloc countries. The first wave of de-Stalinisation after the publication of the results of the XX Congress of the Communist Party of the Soviet Union meant a possible departure from the strict policy of Czechoslovakia as an economic power. Kurt Rozsypal, economist, became the bearer who made the changes. This was the first economic reform in Czechoslovakia, controlled by the Communists. The aforementioned economic reform aimed in particular at decentralizing corporate management behaviour, which could operate to a certain extent according to the needs of businesses. In addition to decentralization, the economy should focus on long-term and medium-term planning goals (Urbášek 2012, p. 29).

The second five-year period did not actually exist (Šulc 1996, p. 23). Šulc justifies this by the factual existence of annual plans that were constantly modified. The second reason was frequent, according to him, unprofessional interventions of the political elite ad hoc. On the other hand, during this period, economic growth was more significant in industry than in the agricultural sector.

In Czechoslovakia, which was at the end of the second five-year plan, it was the first exception to the rules. The very nature of the economic reform implied a possible decentralization of enterprise decisions, a change in the way of planning, a change in the financial evaluation of workers (Slaný 2003, pp. 334-335). Although these partial adjustments were very far from a radical changeover to a mixed economy, they still introduced at least some of its elements. There were created the so-called “production and economic units” within the companies. Own production and economic units appeared in three forms. “The first and most common form was the creation of a larger enterprise consisting of several plants, and the management of the largest one was to manage the whole enterprise” (Fuka 2006, p. 11). The second type was basically a type of business leader which had several branches - but they had a certain economic personality. As stated by Tojčíková (Tojčíková 2012), it was mainly the engineering and consumer industry. The third type was the creation of an over-the-business coordinating body. These were business associations. “The business association was a form chosen mainly in the fields with a large number of small enterprises without the dominant position of any of them” (Tojčíková 2012, p. 58). This was mainly the consumer and food industry. In total, 383 economic units were created. The aim of this reorganization was to create conditions for the decentralization of state management. For the decision-making centre, this meant the abolition of the 94 headquarters of ministerial departments whose role changed from direct management to medium-term and long-term planning. Basically, the production and marketing units developed their own five - year plans. These units were delegated to some of the competencies that until then belonged to the central authorities (Merenda 2011, p. 47). Last but not least, this meant a reduction of the cadre nomenclature, and thus also having some savings, which would otherwise have to be spent on wages.

Rozsypal and his fellow workers did not worry that the production and economic units would abuse their economic position on the market, hoping that their de facto monopoly position would help rid those unhealthy competitors (Myant 1989). The curiosity is that Rozsypal's reform brought about the establishment of the Patent and Inventions Office. Its director became an inconvenient politician, the only victim of the first wave of de-Stalinization - Alexej Čepička.

The second major feature of the reform was the introduction of material responsibility for businesses as a whole. This in fact meant moving towards a certain respect for the principle of subsidiarity. This implementation also meant a shift away from detailed Soviet-type planning (Fuka 2006, p. 12). Instead of a detailed plan, the reform was pushing forward longer-term plans in the form of forecasts. These should not have a binding nature, as Fuka says, which was already present in five-year plans. These watched the leitmotif of long-term plans. The reform was endeavoured to involve individual businesses more frequently in five-year plans (Fuka 2006, p. 12). It enabled the release of financial resources that were no longer tied to a specific pre-planned purpose. In this sense, the reform differentiated the norms of personal involvement and the normative of corporate involvement. This fact has been connected with the Marxist economy, which speaks about the validity of the law of value and its subordination to the law of planned development (Tojčiková 2012, p. 60). In the first case, it is the norms for the growth of labour productivity and wage growth, where businesses have been given the opportunity to reward the over-standard performance of the worker, in the latter case the share of the gains that the enterprise could also use autonomously. *"The process of setting norms for businesses was very complicated and required knowledge of the possibilities of individual companies"* (Matlochová 2011, p. 26). Critics of this point consider the problematic ineffectiveness of this step due to the allocation of limited resources and their use to generate output while preserving the maximum possible efficiency (Benešová 2014, p. 20). Critics have also criticized the fact that the conditions to a small extent participated in the central economic plan, and their efforts were rather to increase the level of inputs, which of course ultimately outweighed demand. Furthermore, they believed that they artifi-

cially underestimated the role of the plan so that they could easily meet them and thus result in overproduction (Benešová 2014, p. 20).

Another important aspect of the reform was the change of the wage concept. It was an increase in the possibility of adjusting wages upwards for the task wage so that the norms were not pushed downwards without artificially lowering standards. At the same time, the new wage policy allowed workers to be divided into labour competency classes, and also allowed premiums to be paid for the results achieved. In summary, the basic concept of the new wage policy was expressed as a possibility to obtain a number of premiums and bonuses for quality work (Šulc 1996). Just remind that wage rates have been constant since 1945. Similar wage policy setting was also in neighbouring Hungary.

The role of the reform was also to increase employee participation in business management. Although collective agreements were in place, Fuka points out that they were not collective bargaining agreements typical for free economy. The change consisted of the existence of so-called supplementary wage that could be paid for a specific performance.

Czechoslovak Marxist economic thinking as though it was getting from a dogmatic sleep and gained a more realistic theoretical basis, that was also applicable in practice. Relatively small, though the visible changes brought about by the reform that Kurt Rozsypal prepared theoretically, could simply not bring about an economic miracle and radically change the economic situation of Czechoslovakia. "On January 1, 1959, the reform steps were launched, a year later, however, there was an ordered reduction. In 1961, Rozsypal's reform was revoked without any analysis of its impacts" (Londák et al., 2009, p. 121). It is paradoxical that its original introduction was justified by the need to increase the efficiency of the industry (Kučerová 2015, p. 118). Author Boudová (Boudová 2008, p. 13) considers that Rozsypal's reform was not proved, so it was revoked in 1961. Likewise, Hruska says that the Rozsypal reform was totally unsuccessful (Hruška 2010, p. 7). We believe that the economically low literacy of the Central Committee of the Communist Party of Czechoslovakia, with few exceptions, did not fully understand that the next wave of the economic crisis did not come because of the Rozsypal's reform but because of the earlier erroneous political decisions that Kurt

Rozsypal had nothing to do with. Little competent leadership reluctantly appealed for what showed signs of discrepancy with the Soviet model of central economic governance. Holman believes that *"the political centre was already frightened by the first steps of state-owned enterprises that brought some elements of an independent market, 'anti-social' behaviour"* (Holman 2005, p. 508). Even Benešová assesses the reform as an opportunity to increase the impact of the will of individual enterprises within the planned economy, which meant the possibility of development towards a market economy. The basis, however, was the planned economy, only its way changed. On the other hand, it has to be remembered that a number of business executives showed active opposition to the reform of Kurt Rozsypal. So they joined the conservative representatives of the Central Committee of the Communist Party of Czechoslovakia, probably afraid by the consequences, including a high degree of responsibility (Králík 2007, p. 259). It should be remembered that the success and failure of the reform depended on the setting of the five-year plan (Matlochová 2011, p. 63). As Kodet states, even after the introduction of the new management system, the own share of the company's resources was not significantly changed, $\frac{3}{4}$ of the resources in the production and economic units were transferred to the state budget and subsequently redistributed (Kodet 1962).

The central planning authorities originally promised that they would not be able to divert their resources to successful businesses in order to redistribute them to offset losses. The promise was not finally fulfilled, as it was necessary to save the losses reported by the loss-making enterprises. However, this was not the result of the poor reform steps, but of the earlier wrong decisions of the central authorities. The original idea was that the central plan would remain for the government as a binding mechanism, but with fewer indicators than before the reform. The condition sine qua non of the success of the reform was to maintain the five-year plan, but the central authorities were not able to ensure its compliance (Matlochová 2011, p. 26). Basically, there was a deviation from the central plan - which had to be updated annually as needed, as well as from one of the pillars of reform - the principle of material involvement of en-

terprises which, as a result of the current economic situation, ceased to function.

Rozsypal evaluates the results of his reform positively. According to him, the national pension increased by 6 - 8%, annual investment by even 10%. Labour productivity, personal consumption, and inventory turnover increased. The rational management of production factors began and there was a more meaningful use of investment funds (Rozsypal 1982). Business management, with few exceptions, was worried about launching larger investment projects. The views of the author of the reform on the reasons for abandoning the reform concept lie primarily in a very little realistically planned long-term plan, unfavourable changes in external indicators (bad harvest, reduction of trade with China, unrealistic high investment in loss-making projects, etc.). Also the then first Czechoslovak president Antonin Novotny was involved in the prescriptive negative decisions concerning the reform. The setting-up and fairly rapid stopping of the Rozsypal's Reform led to the complete failure of the third five-year plan (Tomsova 2014, p. 25). In any case, the reaction of the Czechoslovak Communist Party closest leadership was to seek to strengthen the elements of a direct economy (Hrdličková 2011, p. 46).

Conclusion

Although Rozsypal's reform was revoked on the basis of various facts, objectified and given ideology, it essentially meant a realization of two facts. It was an attempt to seek a solution from the unfavourable economic situation of the state that was fully reflected. On the other hand, it reflects the consciousness of its authors that positive changes can be made primarily through radical changes to the original economic assumptions, with cosmetic adjustments being not enough. After the reform was revoked in 1962-63, the national pension in Czechoslovakia declined significantly. These were the years of another economic crisis. Economic experts called for the reassessment of some elements of the Rozsypal's Reform because they realized its real benefits. Novotný was influenced by them in a positive sense, and finally, in 1963 he declared another change in economic governance. *"In 1963, the discussion of experts and theoreti-*

cians, economists, politicians and sectoral institutions came to the conclusion: Remediation of the adverse state requires a fundamental solution, not just the elimination of the most serious disparities at the moment "(Kaplan 2000, p. 245). Ota Šik became the head of the next economic reform. Its theoretical foundations were drawn up in 1964, and the beginnings of implementation were realized in the following year. But this is another chapter of the history of economic reforms in Czechoslovakia.

Bibliography

BENEŠOVÁ, K.,2014. *Výkonnost železniční dopravy v Československu*. Brno: MU, 86 p.

BOUDOVÁ, J.,2008. *Transformace české ekonomiky po roce 1990*. Brno: MU, 88 p.

FUKA, O.,2006. *Reformy v československé ekonomice 60. let 20. století*. Praha: VŠE, 72 p.

HOLMAN, R.,2005. *Dějiny ekonomického myšlení*. Praha: C. H. Beck, 539 s.

HRDLIČKOVÁ, Z.,2011. *Prínos Čestmíra Kožešníka českému ekonomickému myšlení (v kontexte diskuse o plánu trhu)*. Brno: MU, 180 p.

HRUŠKA, J.,2010. *Změna struktury zahraničního obchodu v zemích Visegrádské štvorky*. Praha: KU, 62 p.

KAPLAN, K.,2000. *Kořeny československé reformy 1968*. Praha: Doplněk, 323 p.

KODET, Z.,1962: *Hmotná zainteresovanost v průmyslu*. Praha : SNTL

KRÁLIK, O.,2007. *K problematice výuky ekonomie a společenských věd na pedagogických fakultách*. In: Absolvent základní školy, Brno: Centrum pedagogického výskumu PdF MU, pp. 245 – 264

LONDÁK, M., SIKORA, S.,2009. *Rok 1968 a jeho místo v našich dějinách*. Bratislava: Veda, 576 p.

MERENDA, T.,2011. *Debata o socialismus v komparaci s fungováním ekonomiky ČSSR*. Brno: MU, 78 p.

MLČOCHOVÁ, M.,2012. *Vliv politického systému na výkonnost podniku (srovnávací studie)*. Brno: MU, 62 p.

MYANT, M.,1989. *The Czechoslovak Economy 1948-1988. The battle for economic reform*. Cambridge and New York: Cambridge University Press, 336 p.

ROZSYPAL, K.,1982. *Vývoj systému plánovitého řízení národního hospodářství v Československu v letech 1945-1970*. Praha: ČSAV, 180 p.

SLANÝ, A., and col.,2003. *Makroekonomická analýza a hospodářská politika*. Praha: C. H. Beck, 375 p.

ŠULC, Z.,1996. *Stručné dějiny ekonomických reforem v Československu (České republice) 1945 – 1995*. Praha: Národohospodářský ústav Josefa Hlávky, 118 p.

TOJČÍKOVÁ, E.,2012. *Komparace české a polské reformy socialismu*. Brno: MU, 88 p.

TOMSOVÁ, J.,2014. *"Zdomácnění" vědecko-technické revoluce v Československu: inovace v české kuchyni a výživě 50. a 60. let 20. století*. Praha: KU, 153 p.

URBÁŠEK, P.,2012. Věda a vysokoškolský vzdělávací systém ve vztahu k proměnám hospodářského mechanismu v Československu (České republice) od roku 1945 do současnosti, In: *Acta Universitatis Carolinae Historia Universitatis Carolinae Pragensis* 52 (1), pp. 25 – 38