

uspešnost poslovanja? Ako se kao opšta mera uspešnosti samoupravnog preduzeća uzme čist dohodak po zaposlenom radniku (zbog problema sa određivanjem stvarnih proizvodnih troškova samoupravnog preduzeća predstavljamo je sa više pokazatelja), njena vrednost u većoj meri zavisi od faktora na koje samoupravno preduzeće svojim delovanjem općenito ne može uticati (spoljni faktori uspešnosti), nego od faktora koje samoupravno preduzeće svojom aktivnošću može kontrolisati (unutrašnji faktori uspešnosti). U empiričkoj analizi uticaja faktora uspešnosti (faktori uspešnosti izraženi su sa 68 pokazatelja) na uspešnost 147 slučajno izabranih radnih organizacija autor konstatuje da se čak 60% razlika u njihovoj uspešnosti može pripisati faktorima na koje samoupravna preduzeća nemaju gotovo nikakvog uticaja ili je njihov uticaj vrlo mali. Samo mali broj unutrašnjih faktora uspešnosti pri tome pokazao je statistički značajan uticaj na uspešnost anketiranih organizacija. Najznačajniji je uticaj sledećih faktora: kapitalna opremljenost rada, cene proizvoda, veličina učešća u tržištu i indeks razvijenosti područja, na kojem deluje radna organizacija. Upravo uticaj tih faktora na uspešnost privredivanja anketiranih radnih organizacija možemo uzeti kao znak da sadašnji ekonomski mehanizmi pobuđuju neuravnotežnu raspodelu dohotka između samoupravnih preduzeća i neuravnoteženu raspodelu čistog dohotka samoupravnih preduzeća. To vodi grupnovlasničkom prisvajanju radnih kolektiva i menjaju društvene u grupnu svojinu radnih kolektiva.

## AN EXPERIMENT ATTRACTING WORLD-WIDE ATTENTION

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(1) Since October 1978, China has been carrying out an experiment on extending the authority of enterprises in Sichuan Province, one of the country's industrial centres. Sichuan is the country's most populous province, with a population of 98.19 million according to the 1980 statistics, amounting to 10% of China's total population of 982.55 million. The experiment was launched in the light of the principle laid down at the December 1978 3rd Plenary Session of the Chinese Communist Party's 11th Congress to adapt China's current system of economic administration to the needs of building a powerful modernized socialist country. In the past 3 years this experiment has led to important developments in the economic field, bringing about significant changes in economic and social relations between China's industrial enterprises. It has not only attracted great attention from Chinese economists and sociologists, but has also aroused wide interest among foreign colleagues in various countries. The author himself, for example, has received many economists, sociologists and other research workers from Yugoslavia, Japan, Britain, the United States, France, West Germany, Australia, etc., wishing to make on-the-spot investigations in Sichuan. Some of them have later written articles and monographs on their findings. Now both Chinese and foreign opinion unanimously hold that this experiment in Sichuan represents the first step in the reform of China's system of economic administration.

(2) To understand the significance of the Sichuan experiment, it is necessary to look back at the history of China's system of economic administration. During the period of almost 30 years from 1949 (when the People's Republic of China was founded) to 1978 a highly centralized administrative system was used for enterprises under the ownership of the whole people (state enterprises). Among its characteristics were: the enterprise had its production plan mapped out and assigned by the state; means of production, funds for production and the labour

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force were allocated by the state; products were both purchased and sold by the state; and finally an enterprise turned all its profits over to the state while the latter assumed sole responsibility for the enterprise's profits or losses. Viewed historically, such a system helped make it easy for the state to centralize manpower, material and financial resources for a set objective. After 1949, it had positive effects on the quick healing of New China's war wounds, the rehabilitation of her economy, the settling of a series of economic and social problems left by Old China, and the building of a rudimentary industrial basis. With the further development of the economy, however, it has gradually revealed its drawbacks. For under such a system, an enterprise tended, instead of being a vigorous economic organization to be just an abacus bead which the state could move at will. Whether an enterprise was well-run or not had no direct bearing on the material interests of its workers. Its managerial personnel and workers had no way of exerting influence on its management and therefore of ensuring the most profitable economic results. In the area of distribution, a worker was paid the same whether he worked well or not; hence the socialist principle of distribution of "to each according to his work" could not successfully be put into practice. It is clear that if we fail to get rid of these disadvantages, we cannot possibly bring into full play the intelligence and wisdom of our workers, technicians and managerial personnel; and that this would be an obstruction in the way of our progress towards the goal of the 'Four Modernizations'. It was in this context that the present experiment in Sichuan was mapped out and implemented.

(3) This experiment in Sichuan Province was started in 6 enterprises in 1978, extended to 100 in 1979, and further extended to 417 in 1980. Most of these are economically important enterprises, whose output value makes up approximately 70% of the province's total in industry. In the province's industrial centre, Chongqing, two industries (light industry and the electronics and instrument-meter industry which altogether include 63 units) joined in the experiment as 2 collective wholes in 1981; meanwhile all enterprises in the Province under the ownership of the whole people (including experimental units) were implementing various forms of economic responsibility systems. Up to now a structural change can be said to have been realized in all enterprises using a variety of means and to different degrees.

The current experiment in Sichuan has granted the enterprise the following powers:

(a) the partial authority to draw up its production plan. After providing guarantees of fulfilment of the state plan, the enterprise is empowered to make its own additional production plans in accordance with market demand;

(b) the partial authority to sell its products. The enterprise is authorized to sell those products which the state material and commercial departments do not purchase; to sell new products which are still at the stage of trial manufacture; and, with the agreement of the material allocation and commercial departments, to retail directly a proportion of the products which are supposed to be purchased by the state;

(c) the authority to retain a certain percentage of its profits. When an enterprise fulfills the economic and technical norms set in the state plan as well as those stipulated in contracts made with other organizations, it is allowed to retain a percentage of its profits for its own use. In fact, several methods of profit retention have been laid down according to the diversity of enterprises and the different methods employed. The enterprise has the right to decide on the use of these funds: the bulk goes for expanded reproduction, part of it goes into staff and workers' collective welfare facilities, and a small part is used for material rewards for its workers and staff;

(d) the authority to enlarge reproduction with its own funds. An enterprise's own funds now include what it gets through retention (as mentioned above in (C), some depreciation funds (the unit can budget for 60% of these) and its own funds for major repairs. The enterprise has the power to spend these funds on renovating its equipment, technical innovation, and in its extended reproduction;

(e) the partial authority to engage in external trade. Those units which are qualified to produce export commodities and those in a position to import new foreign technology and equipment may, with the approval of the respective authorities at a higher level, contact and hold import or export negotiations with foreign businessmen, or participate in such negotiations held by the foreign trade departments. The enterprise may keep a certain percentage of foreign currency export earnings according to fixed regulations;

(f) the partial authority to appoint or remove its personnel and also to confer rewards and administer punishment. The enterprise therefore has the independent power to appoint or remove its middle — level cadres (heads of workshops and of administrative offices), to institute reward regulations, and to mete out proper punishments (which can be as severe as discharge) to those administrative personnel and workers who violate discipline or neglect their duties.

In terms of the ultimate aim of the reform of China's economic system these reforms are only a first step and imperfect. Yet compared with the administrative system we used to have, in which the administrative power was so over-centralized that the government and the enterprise became indivisible, and the very serious problem of equalitarianism in distribution, this experiment in Sichuan has been a breakthrough. It has brought about a series of changes in economic and social relations between the enterprises. In the relationship between the state and the enterprise, it has broken through the old administrative pattern which was characterized by the focusing of all managerial policy decisions on the state, which took overall responsibility for the enterprise's sales, income and expenditure, as well as its profits and losses. The experiment has given the enterprise a certain amount of policy decision-making power in its economic activities, if it has fulfilled the state plan and observes state economic laws and regulations. Thus, by having its independent economic interests closely related to the economic results of its own management, the enterprise in Sichuan is beginning to be an economic organization living up to its name. In the relationship between the enterprise workers and staff, this experiment integrates the economic interests of individual staff members and work-

ers with the results of their work and so has broken the 'pay-you-the-same-whether-you-work-well-or-not' equalitarianism, enabling us to implement the principle of 'to each according to his work' better. In this way we have greatly aroused the enthusiasm and initiative of the masses of managerial personnel, technicians and workers, and brought vigour and vitality not only to individual enterprises, but also to the whole economy.

### MAJOR ECONOMIC RESULTS

(4) This experiment in Sichuan has yielded major economic results. Take production management activities, for example. In 1979 when compared with 1978, of the 100 experimental units, the 84 under the supervision of Sichuan's local authorities increased their total output value by 14.9%, and their profits by 33%. Both these figures were above the average increases of all the enterprises in the province. Comparing 1980 with 1979, the total output value of the 417 experimental units increased by 9.7%, and profits by 7.9%; again above the average of all the province's enterprises. Among these 417 were 10 which have gone the furthest in the present reform by implementing the principle of independent business accounting and the enterprise's sole responsibility for its own profits or losses. The increase in these ten enterprises' total output value and profit were 32.5% and 57.8% respectively and so were higher than the average of the 417 experimental units.

These major economic results can also be clearly seen when we take a look at the development of the province's industry. Compared with 1979, Sichuan's total industrial output value increased by 6.8% in 1980. Within this overall figure the output value of light industry increased by 17.5%. The proportion of light industry in the total industrial output value grew to 45.7% in 1980 as against 41.5% in 1979, thus improving the ratio between light and heavy industries. Other points worthy of particular mention were: an improvement in quality in many products, a reduction in consumption of materials and other improved economic results. Among the 129 comparable quality indices there were 99 which improved in 1980 compared with the previous year; while of the 148 comparable indices of material consumption, 93 recorded a reduction. In 1981 (as compared with 1980) the province's total industrial output increased by 2%, within which, the light industrial output value increased by 12.4%. So the ratio between light and heavy industries continued to change towards a more rational proportion. While it is clear that the growth rate in 1981 was below that of 1980, nevertheless, the growth rate is actually spectacular when we take into consideration the worst floods for a hundred years, which hit Sichuan from June to September 1981. These floods struck 138 counties, cities or districts (making up 67% of the province's total of 204), and brought disaster to about 20 million people (over 20% of the province's total population). They caused production stoppages in 3,115 factories, mines and other enterprises (7% of Sichuan's total of state-run and collective-owned enterprises), as well as repeated suspensions of rail, road and

water transport. In all, economic losses resulting directly from the floods amounted to over 2,500 million yuan (over 6% of the province's total industrial and agricultural output). Given such serious problems, the 1981 growth rate was nothing short of a miracle.

(5) Apart from economic growth, the economic results of the Sichuan experiment have found expression in another even more important aspect: they have brought about intellectual development, the growth of skills and improvement in the level of management. The process of implementing the present reform of the economic system has given the enterprise manager, technical personnel and workers great scope for displaying their scientific, technical, and management knowledge. So the current movement is, so to speak, a great school for the mastering of management and administration. Emerging from this school we find large numbers of socialist experts in business management who are versed in science and technology, good at management and administration, and imbued with the spirit of getting on with the job. For China's modernization, this is most precious.

To illustrate this point, the example of Sichuan's machine-building industry can be cited. One of the important solid bases of China's machine-building industry is in Sichuan Province. In the past we failed to maintain a rational balance in the development of our national economy, hence many irrationalities existed in the product structure of the province's machine-building industry. Over 80% of its production served the needs of heavy industry and capital construction, while less than 20% was oriented to meet the demands of agriculture, light industry, the people's everyday life and foreign trade. Now, in the present readjustment of China's economy, priority is given to the development of agriculture, light industry, energy resources, transport and communications, while the development of heavy industry (with the exception of energy resources) and the amount of capital construction are kept under strict control. A consequence of these past policies was to bring about such difficulties as poor marketability and poor utilization of capacity in the machine-building industry. Investigating ever-changing social demands, re-adjusting the product structure and the orientation of production and improving quality were therefore the major problems confronting the managerial personnel of every enterprise. In solving these problems, a large number of leaders and managerial personnel have learned a great deal and therefore obtained remarkable achievements. One of these has been to enhance the enterprises' adaptability to social demands by developing new products catering to the needs of agriculture and light industry with a view to economizing on energy and raw material. In 1979 and 1980, Sichuan's machine-building industry developed 200 new products each year and in 1981 nearly 300. Many enterprises guaranteed continuing product innovation by producing a new model while still manufacturing a newer one and simultaneously researching a still better one for the future. A second achievement was that they found a good market for their products by improving the quality of these products and their service, thus winning the consumers' trust and confidence. The Ningjiang Machine-Tool Plant, for example, is a factory devoted to the production of small precision

machine tools. Since 1979 it has devoted major efforts to developing and manufacturing machine-tools for watchpart making, basing its policy on the forecast that the demand for such machine tools would tend to increase by a large margin due to the big increase in the sales volume of watches as a result of the general rise in the people's living standard. Having been successful in trial manufacture, they began to process watch parts with their own material, and afterwards invited specialists from the watch factory to examine their quality. They also taught watchmakers the skills needed to operate their machinery. Only after the machine tools' quality and precision were proved to be reliable and up to standard did the plant sign sales contracts with users in the light of their demand. This emphasis on quality and service enabled the plant to win the trust and confidence of the users. So it has gradually established itself in the country's watch-part-processing market.

A third achievement has been the vigorous development of export products in view of demand from the international market. For instance, the small diesel engines made by the Sichuan Internal Combustion Engine Plant found their way onto the international market. This plant has become one of those whose major effort is devoted to the production of export products. The Chongqing Machine Tools Plant has won an international reputation for its strict observance of contracts and credit; so now its products have found a market in 38 countries and regions. There were just 18 machine-building industrial enterprises in the province producing export products in 1978; but the number had already grown to 50 in 1981. Compared with 1979, Sichuan's total value of exports increased by 82% in 1980; and that of 1981 again by 100% compared to 1980. The improvement of management and administration extricated Sichuan's machine-building industry from a difficult position and created a growth situation. At the beginning of 1981, the whole province's machine-building industry had a planned output value of only 50 million yuan; at the end of the year, however, the actually achieved output value amounted to 1,300 million yuan. This vividly and concretely illustrates the fact that, through the reform of the economic system, China's industrial enterprises have become economic organizations of inexhaustible vitality, capable of self-adjustment and self-expansion, which can achieve great economic results at low labour costs. This is precisely where the hope for the vigorous development of China's economy lies.

#### CHANGE IN SOCIAL RELATIONS WITHIN ENTERPRISES

(6) The present experiment to extend the enterprise's authority has brought about far-reaching changes in social relations within enterprises. First of all, the problem arises now that the enterprise has been granted greater authority: who should exercise this authority? China is a socialist country and has public ownership of the means of production. Here the masses of staff members and workers are the masters of the means of production, i. e., of the enterprise. Hence,

authority in the enterprise should belong to them. This is a principle China has always adhered to. Theoretically speaking, it is nothing new. But in practice, it is precisely the present experiment that has endowed it with rich and concrete content and imbued its implementation with unprecedented significance. This is because, before this experiment, the enterprise did not have any independent authority in the area of its management and administration. In other words, the ownership of the enterprise was out of keeping with the power of its management. Although they were masters of the enterprise, the workers in it could not allocate or control its means of labour, the labour process or the fruits of labour. Under such conditions, the principle that the masses of staff and workers had rights over the enterprise was only theoretical as it lacked concrete substance. But things have been different since the reform. Now that the enterprise has its own independent power and independent economic interests, its management, good or bad, directly affects its workers. Under such circumstances, the questions of who should exercise authority over the enterprise and how this authority should be exercised have a direct bearing on the enterprise's success and prosperity, on the economic interests of its workers and staff, and on the development of our national economy as a whole. So it has naturally become a problem on which the masses of workers and staff as well as economists and sociologists have focussed their attention.

(7) There must be concrete channels through which the masses of staff and workers can exercise their authority over the enterprise. In the present experiment in Sichuan we have summed up and developed our experience in implementing the workers' congress system practised in some enterprises in the 1950s. We use this congress as a basic form of democratic administration in the enterprise and as an organization of power through which the masses of staff and workers can participate in decision-making and management in the enterprise, as well as supervising the work of cadres. In some enterprises we have experimented with electing factory directors (or managers), workshop heads, and team and group leaders through the workers' congress. Taking for example the industrial centre of Chongqing, by August 1981 there were 19 enterprises whose factory directors (or managers) had been elected, and 92 units whose workshop heads and team and group leaders had been elected.

(8) In July 1981, the Central Committee of the Chinese Communist Party and the State Council promulgated "Provisional Regulations Regarding the Congress of Staff and Workers in State Enterprises". This document summed up our fresh experience in carrying out democratic administration in enterprises in Sichuan and other provinces in China. It has the following powers:

The "Provisional Regulations" stipulate that the congress (or assembly) of staff and workers is the basic form of democratic management of the enterprise and an organization of power for the staff and workers to participate in enterprise decision-making and administration, and to supervise cadres in their work. In the light of the requirements of state policies, decrees or plans, the workers' congress has the following powers:

(a) the power to discuss and make relevant decision on the factory director's work report, the enterprise's production and capital construction plans, the financial budget and final accounts, as well as innovation schemes and other important problems concerning management and administration;

(b) the power to discuss and decide on the right way to use the enterprise's funds for labour safety, for the welfare of workers and staff, and for their motivation and reward; the rules for rewards or punishments for workers and staff and the plan for allocation housing to workers and staff.

(c) the power to adopt, through discussion motions concerning the reform systems in the enterprise, wage-adjustment schemes, training programmes for workers and staff, and other important factory-wide rules and regulations;

(d) the power to supervise leading cadres and functionaries at all levels of the enterprise; to ask the higher authorities to praise and encourage those who always work hard and have made outstanding achievements; to suggest that the higher body promote those cadres who have made special contributions; to propose that the higher authorities criticize, punish or remove from office those cadres who are irresponsible and have caused losses; and to suggest that the Communist Party's discipline-inspecting organ and the state judicial organ sternly punish those cadres who have seriously neglected their duty and violated laws and discipline;

(e) the power to elect the enterprise's leading administrative personnel in accordance with the arrangements of superior authorities. The names of cadres at various levels who are democratically elected should be submitted to the relevant superior authorities for examination, approval and appointment.

The document also has stipulations concerning how workers' representatives are to be elected, their term of office, rights and duties, and the organizational system and working set-up of the workers' congress.

(9) During his investigations in Sichuan, a Japanese economist was worried whether this democratic administrative system practised in China in the form of the workers' congress could effectively manage the enterprise, and especially whether the democratic election of leading cadres could really select and put into office those people with managerial skills. His apprehension was not totally groundless. As a matter of fact, some Chinese economists and sociologists and some cadres in the relevant Chinese leading bodies were similarly worried in the early days of the trial implementation of this system. However, facts about the success of this system are convincing. Here are some of them:

The Chongqing Iron and Steel Company, a large complex consisting of 24 factories and mines with 45,000 workers and staff members, was among the first batch of enterprises in the province which extended their independent power, and also one of the first to institute the workers' congress system. In October 1978, the company began the experiment of selecting middle and grass-root level

cadres through election, and by November 1979 had completed it in all its 24 factories and mines. As a result, 2,124 people were elected either workshop heads, section chiefs or work-team leaders. Among these, 1,379 people were originally cadres but 745 were not. There have been three changes in the composition of these cadres compared with that before the elections. Firstly, the number of technical personnel has increased 4 times; secondly, the number of people with a technical secondary school or higher level of education has increased 4 times; thirdly, their average age is 8 years younger than before. In other words, there are more cadres who know their professional work as well as their technical specialisation, who are better educated and who are still in the prime of life. This is just what is needed for China's modernization. Therefore there can be no doubt that this represents enormous progress, as changes in the composition of cadres have brought about an improvement in the level of management and administration of the enterprise. In the past few years, this company has achieved its best ever economic and technical record, and several of its technical and economic indices are the best in the whole country in its field.

The No. 1 Cotton Textile, Printing and Dyeing Mill of Sichuan, a complex with 10,000 workers and staff members, was one of the 100 enterprises which carried out the experiment to enlarge their independent power in 1979. In this unit the democratic election of cadres has not yet been put into practice, but its workers' congress is playing a remarkable role in the enterprise's management and policy-making. Before the reform, the factory had called meetings of staff and workers' representatives, but 85% of the motions were related to welfare matters and nothing else. And because the factory then had no funds of its own which it could allocate on its own, most of the draft resolutions could not be put into effect in the end. Now, however, 85% of the proposals at the staff-and-workers' congress concern the factory's management and administration. And, once adopted, they are promptly carried out.

What is it then that has impelled the masses of workers and staff members to show such deep concern for the enterprise's management and administration, and for the selection of cadres? The remarks of the workers' representatives of the No. 1 Cotton Textile, Printing and Dyeing Mill of Sichuan answer this question: it is the extension of the enterprise's independent power which has closely tied together the interests of the state, the enterprise, and the staff and workers. This factory is among those which practise the system of "independent accounting and sole responsibility for their profits or losses". It has agreed with its superior authorities on the following experimental method: from its sales income the factory must, of course, first deduct its expenses for raw materials production costs and industrial and commercial taxes; then of the remaining sum, 69% should go to the state (in the form of income tax), while the remaining 31% the enterprise can keep for its own use. Of this share a part is to be used for the wages of workers and staff, and the remainder has to be spent in this way: 40% (of this remainder)

should be used for the development of production, 30% for collective welfare funds, 20% as funds for encouraging and rewarding staff and workers, while the remaining 10% is used for reserve funds. This experimental method contains a mechanism which can automatically readjust the interests of the three parties involved i.e. the state, the enterprise, and the workers and staff. It means that once the enterprise is well-run, the state acquires more revenue, the enterprise keeps more funds, and the workers and staff members get more pay. Under such conditions, running the enterprise well becomes the common aim of both the responsible state bodies and the broad masses of the workers and staff. Therefore, the choice or recommendation of gifted people with managerial and administrative talents for leading posts naturally becomes an important task upon which everybody's attention is focussed. After the reform, property rights in the enterprise and the power to manage and administer it are united; and the workers' and staff members' personal interests are brought in line with those of the state and the enterprise and this is the secret of why the staff-and-workers' representative assembly should show such great vitality.

(10) Along with the system of the workers' congress under the leadership of the committee, Chinese enterprises have also instituted the system of vesting responsibility in the factory director who works under the leadership of the Party committee. The main content of this system is: to establish a highly authoritative system for directing production with the directors as its head and to set up a job-responsibility system for production technology and economy at different levels, headed by the factory director, so that the factory director may exercise a centralized commanding power over all the activities of the factory's production, management and administration. In January 1982, the Central Committee of the Chinese Communist Party and the State Council promulgated the "Provisional Regulations Concerning the Work of the Directors of State-Run Factories". This document clearly stipulates the methods for a factory director's appointment and removal, powers and duties as well as rewards and punishments, and the way to establish a production management system in the factory. Like the "Provisional Regulations Regarding The Congress of Staff and Workers in State Enterprises" (see above) this document is also an economic decree by which all Chinese industrial enterprises must abide. Regarding the relationship between the factory director and the workers' congress, this document stipulates: the factory director should respect the functions and powers of the workers' congress, support its work and accept its supervision; he should regularly report back to it on his work; the factory director should try to implement all the resolutions adopted by the congress concerning production or administrative work; should the director's opinion differ from that of the congress, the former can ask for reconsideration and should the director still disagree with the decisions made after this reconsideration, he or she can submit the issue to the factory Party committee for a ruling.

In the Chinese industrial enterprise, the organization of the Chinese Communist Party exercises a collective leadership in the implementation of the Party's general and specific policies, and in ideological and political work; the factory director gives unified directions regarding production technology and managerial and administrative activities; and the workers' congress runs the enterprise in a democratic way. These are the three cardinal principles concerning the leadership system of industrial enterprises. On hearing that democratic management was implemented in Chinese enterprises, some foreign friends have thought this to be an abandonment of unified control, others have seen the restructuring of our former economic system as leading to capitalist liberalization. Both of these are total misunderstandings of the present situation.

#### THE REFORM WILL BE CARRIED ON WITH UNREMITTING EFFORTS

(11) Reform of the systems of economic administration and management reform carried out in Sichuan over the past 3 years are only partial and exploratory and the methods used have been far from perfect. In particular, a number of problems still exist which have to be solved concerning the issue of how to strengthen our macro-economic guidance while stimulating the micro-economy. The organization of the reform, however, is quite correct. This orientation means: (a) strengthening the centralized leadership of the state over macro-economic activities, while granting economic organizations independent powers in micro-economic activities; (b) while upholding a socialist-planned economy as a prerequisite, making every effort to bring into play the supplementary role of readjustment by the market; (c) in place of the past practice of managing the economy solely by administrative means, utilising a new approach which is a combination of administrative and economic measures, i.e., managing the economy by means of both economic levers and economic decrees. In short, finding the best solutions to these three problems is the overall task of the reform of China's system of economic administration. To do this, it is not only necessary to extend the enterprise's independent power, but also to carry out a series of successive and synchronised re-structurings and reforms in the fields of planning, finance, taxation, prices, banking, commerce, materials allocation, foreign trade and wages, as well as in the reorganization and merging of enterprises, the establishment and definition of the duties of leading economic organizations, etc. This is a complex and arduous historic task. China's relevant leading organizations, as well as economists and workers in the economic field, are determined to fulfil it.

(12) China is a developing socialist country, and a large one too, with a population of 1,000 million (800 million of whom are peasants). Her systems of economic administration and management must correspond to this basic condition. I highly appreciate the remarks of an American scholar, a professor of Cornell University, who talked

during his visit to China about how China should best deal with the problem of learning from foreign experience in management and administration and sum up her own experience in these areas. He said, "The key to China's fundamental problems lies just in China and nowhere else". This is quite true. Since conditions differ from country to country in the world today, no foreign country's system of economic administration and management, however effective in its native country, can be copied without adaptation in China. By this, of course, I do not mean that we should not learn from foreign countries and their experience; what I mean is that we must not indiscriminately follow foreign models regardless of our own conditions. The task confronting the Chinese people and the Chinese economists is: to sum up our experience over the past 32 years since the founding of New China, especially in the last 3 years of experimentation and reform; and meanwhile, through carefully studying the experience of various foreign countries, to draw on their good qualities; then to work out a well-conceived programme for reform; and finally, through practice, gradually evolve a new managerial and administrative system that is appropriate for the development of China's economy and society. The Chinese people and Chinese economists are not only confident that they can fulfil this task and capable of doing so but are also willing to exchange experiences with the people, economists and sociologists of all countries on friendly terms.

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**REPORT OF THE THIRD INTERNATIONAL CONFERENCE OF  
THE INTERNATIONAL ASSOCIATION FOR THE ECONOMICS  
OF SELF-MANAGEMENT IAFESM — 23-25 AUGUST 1982,  
MEXICO**

The Third International Conference on the Economics of Workers' Management was held from 23 to 25 August 1982 jointly organized by the International Association for the Economics of Self-management (IAFESM) and the Centro de Estudios Económicos y Sociales del Tercer Mundo (CEESTEM); about 85 participants from seventeen countries attended the Conference together with various personalities and observers from various Mexican institutions (Annex I).

The Conference was opened by Lic. J. Nuño on behalf of the President of CEESTEM and ex-President of the Mexican Republic Lic. Luis Echeverría A. Santiago Roca from the IAFESM expressed in his opening speech that the objective of the association was to promote scholarly exchange and the diffusion of knowledge about the economics of workers' management but also to contribute to the advice and reflection of workers' economic problems in practice. Ivan Menéndez Director of CEESTEM read aloud to the participants and to the Mexican press a joint declaration by CEESTEM and the IAFESM entitled Self-Management and Worker Management: An option for Democratic Development (Annex II).

After the opening ceremony seven groups or themes were organized.

- Theme A: Plan and Market, Stability and Employment in Self-Managed Systems; Coordinator Deborah Milenkovitch.
- Theme B: The Economic Theory of the Labour-Managed Enterprise. Coordinator: Deborah Milenkovitch.
- Theme C: The Economics of Organization and Social Relations in the Enterprise. Coordinator: Paul Kleindorfer and Martin Lockett.
- Theme D: Institutions and Power Structures in Self-Managing Economies. Coordinators: Hugo Pirella & Tom Baumgartner, summary by Wanner Woodworth.
- Theme E: The Process of Transition Towards Self-Management. Coordinators: Henk Thomas & Branko Horvat.