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Selected articles from the Vietnamese-language periodical devoted to industrial problems, published in Hanoi by the Industrial Board, Lao Dong Party Central Committee.

CONTENTS PAGE

REFORM OF ENTERPRISE FINANCIAL POLICY DISCUSSED

[Article by Doan Trong Truyen: "Demand and Basic Structure of Financial Reform in State-Operated Industries"; Hanoi, Cong Nghiep, Vietnamese, No 19, November 1969, pp 8-17]

Financial reform in state-operated industries is essential to the improvement of industry management. It has to comply with the socialist principle of management, the autonomy of the enterprise, and the application of economic laws in state plans in order to create conditions for the production and to heighten the responsibility of the industry in the accomplishment of state plans.

In our previous studies of national income, we have considered a number of policies with regard to the industry income, its earnings, and the distribution of its profits. In the drive to improve the management of state-operated industries this time, we can, with the cooperation of all industry sectors, change, improve, or propose realistic policies in order to come to a complete management revolution. At the same time, we have to study the policies of related areas, such as price, financing, credit and payment policies. In this article, however, we limit our discussion to the demand for the reform of the industry financial policy and the basic contents of the measures that need to be carried out.

I. The necessity for the improvement of the enterprise financial policy and its position in the present reform movement of enterprise and industry management.

The basic demand of the present reform movement of enterprise and industry management is in response to the

changes during the transition from a small-scale manufacturing economy to a large-scale industrial socialist economy, from a strictly administrative management to a socialist system of economic planning management.

While discovering many shortcomings have been committed due to the lack of understanding of the managerial concept and of the economic effect in the production, we realize that the biggest deficiency of our country's financial system is the unability to understand the significance of national income distribution and to regulate economic activities by the use of money for the purpose of improving management, increasing production efficiency and raising socialist capital accumulation. Even though economic planning has been made the basic policy of enterprise management two years after the liberation of the North, the loose structure of administrative system and of financial supply have weakened the role and have diminished the effectiveness of the financial system. We have overemphasized the rigid policy of a balance budget and long forgotten the stimulation effect of income in respect to the national economy. The investment policy of the State has not produced pressure and had little or no control over the economic effect of the enterprise. The financial policy has not been able to stimulate the enterprise into studying and selecting the best use of capital, into minimizing the cost and increasing capital effectiveness. Bank credit has not been used efficiently enough to increase capital effectiveness. As far as the price administration is concerned, we have been very slow in building a rational and complete wholesale price, instead we have held on to a supply-oriented overhead cost price. Wages so far does not correspond to labor productivity, quantity and quality of production and in no way serve to encourage cadres and workers to develop their skill or to improve their knowledge of science and technology.

Due to these shortcomings, our financial policy has fallen short of its main objective which is to build up the initial capital accumulation in order to accomplish the socialist task of industrialization. Reality has shown us that in the long run many enterprises have failed to increase capital effectiveness and to raise capital accumulation. If this situation is not quickly cured, the task of industrialization will run into more

difficulties.

Consequently, we must have a complete understanding of the demands of the reform movement of enterprise and industry management set forth by the party Central Committee and must regard the reform of the enterprise financial sytem and the improvement of the financial relations between the State and the enterprise our top priority task. Neglecting the financial management part in this reform movement is neglecting one important demand which is to transform a service oriented administrative system of industry and enterprise management into a socialist industrial one. We must also stress the inseparable relationship beteen the organizational reform and the economic one, the former being the improvement of productional organization, managerial technique and labor management, of the team leader system, of the chain of command, of the planning and labor discipline, and of the materiels supplying channel, while the latter being the improvement of the planning, of the financial and salary policies, and better utilization of materiels. Both aspects of the reform are advocated by the socialist government and are part of "the great task of organization" which Lenin regarded as the main duty of the proletarian dictatorship during the period of construction of socialism. These two aspects of the reform, though independent as they appear to be, are essentially related to one another. On one hand, they are the measures that need to be taken "to make the economic structure of the State one sole organization, one economic machine in guiging hundreds of millions of people to follow one plan."(1)

In order to insure that such a structure would work, Lenin demanded total obedience of the workers to the leader during the production and iron discipline among workers. On the other hand, more than anyone else, Lenin advocated that centralization be based on the mobilization of the people in earnestly participating in the task of social and industrial management and wholeheartedly emulating building socialism, upgrading labor organization and building the socialist State "in the form of a system of communes which are responsible for

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(1) Lenin, Report to the 7th Special U.S.S.R. Communist Party Congress, Vol.II, Part1, Su That Publishing House, Hanoi, page 371.

their production and consumption, which do not waste labor and increase productivity consistently." (2)

It is true that the methods of production organization under state planning and discipline are insignificant unless they lead to the increase of social labor productivity and the economization of labor which are the factors determining the victory of socialism and communism as Lenin stated. The overwhelming advantage of the socialist economy is that through uniform planning it can control the national economy and replace the old class dictatorship system of centralization with the socialist democratic centralization. The system of service is nothing but one created by special conditions such as war and has to solely depend upon the strength of the state. The state directs all economic activities through the calculations of a planning center without consideration of loss or gain, without regard to capital effectiveness and without application of objective economic laws, therefore it cannot stimulate the creativity among the people.

The reality in many socialist countries as well as in our country proves that as long as the management system is stricly service oriented, all the reform policies relying on the structure of the administration and the laws will only loosen the system itself and increase the burden of non economic activities. Because of this very reason, the party Central Committee when launching the current reform movement calls for the simultaneous accomplishment of both aspects -- that is to transform a loose body of management which involves itself in scattered and incoherent activities into a vigorous and centralized organization by abolishing small-scale producmethod and engaging in large-scale production and at the same time to replace a non-calculated and inefficient method of enterprise with a well calculated and advantageous one by eliminating the administrative and service-oriented policy and reaffirming the socialist method of enterprise based on the planning of economic course of actions. Furthermore, the reform of the financial system of our country in general and that of the enterprise in particular requires significant organiza-

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(2) Lenin, Report to the 7th Special U.S.S.R. Communist Party Congress (The Immediate Task of Soviet Authority), Su That Publishing House, Hanoi, page 415.

tional reform accompanying more efficient application of economic laws in the areas of national income, revenues, salaries, prices and credits. Therefore we should not literally distinguish the question of organization and that of economics and should absolutely avoid emphasizing the former over the latter or vice versa.

Thank to this reaffirmation of the priority of the reform movement, we should be able to improve the structure of management as well as the working methods in an efficient and expeditious way. This improvement in turn creates favorable conditions for the economic reform which will be done in a gradual but steady fashion. In the case of our country especially, our large industrial enterprises are few and have just begun to develop, our agricultural production organization is inadequate, war damages have not been recovered, the administrative and service-oriented characteristics are deep-rooted in our management system and our management cadres have long gotten used to the passive and uneconomic way of working, the task of rebuilding the economic management system of which financial mangement is a part and increasing its effectiveness therefore requires a great deal of research and application. The experiences in the past years and the present needs prove that only the implementation of the discussed measures can turn the existing system of state industry and enterprise management into a new one which can meet the demands of a large-scale industrialized economy and the socialist relations of production.

II. The meaning of the financial independence of enterprising units in the process of precise application of the economic planning system.

Financial independence of enterprising units calls for the units' collective ownership right of the means of production given to them by the state.

In determining the role of the Vietnamese worker class in the present revolution, comrade Le Duan stated: "owning the means of production is owning the labor, the production and the distribution. The important question is then to guarantee the workers their right to become true owners of their factories and the farmers of their agricultural cooperatives so that they can devote all their strength and mind to build socialism, to

increase labor productivity and to involve in the management of the production units."(3)

Reaffriming the collective ownership right of every production unit in the framework of collective ownership of the means of production is an objective demand of our country economy.

According to the Marxist-Leninist theory of expanded reproduction, the basic difference between the expanded reproduction of individual enterprises and that of the whole society is that in the first place, the combination of all productions is made at the society level to guarantee to the basic structure material elements for the next production step whereas at the basic structure level labor and means of production are combined to produce new use-value for the society, in the second place, only at the basic structure new value and accumulation are created to expand production, however the production units can only find new material elements at the society level for their production expansion.

Thus a production and expanded reproduction cycle takes place in every single economic activity of either individual enterprise or the national economy and the production and reproduction cycle of the national economy is nothing but a combination of all the cycles of individual enterprises in the society. Under socialism as long as the ownership right of the management unit is not defined as its responsibility to sufficiently and regularly maintain the social production cycle and accumulation and especially its own production cycle and accumulation, state management authority is not likely able to plan the production of the nation and to regularly accumulation in order to expand social production.

On the other hand, our country is emerging from a technically underdeveloped and unbalanced economy, our enterprises' activities are not well regulated and our state plans are not so precise and responsive to the situation, the state therefore cannot adequately control the centralization and planning of the material supply of all enterprises in the nation for the produc-

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(3) Le Duan, "The Role of the Vietnamese Worker Class and the Mission of Labor Union in the Next Stage," Cong Nghiep (Industry), No 4, May 1967, page 9.

tion and consumption purposes and cannot discover or apply the true potentiality of the basic units in order to increase the production vigorously. Under this condition, we must strengthen the state centralization plan and at the same time give the enterprises significant power in solving their production and consumption problems by direct cooperation with friend enterprises and locals, by earnestly developing their own potentiality and by internally maintaining their balance in all areas. Classifying local enterprise management and granting more power to the basic structure are the appropriate measures to develop the activities of the locals and production units, to smoothen the working of the framework of the state planning and to maintain the equilibrium of the national economy. These are the common objective demands of socialist countries during the period of construction of socialist technical material structure and especially of those like us moving from the phase of small-scale production to that of socialism without going through that of capitalism.

Whether judging from present reality or from future prospect, we can say, based on the above analysis, that the financially independent enterprise system is the proper application of the democratic centralization principle in the organization and management of the socialist economy. This simply means to strengthen the leadership of the centralization and management of the state and to brighten the collective ownership role of every factory and every enterprise in the framework of state ownership of the means of production. It is in the beginning of this period of socialist construction that the broadening of the ownership right becomes more important in boosting the initiative of the production units and speedily increasing the production and accumulation leading to the industrialization of the country.

Financial independence is the basic prerequisite of the economic planning system. Since the planning system was made official, we have in fact moved forward from the management system in the resistant war period to that of a new period. However, the lack of a keen understanding of the socialist economic laws and principles of management on our part has been responsible for the under-effectiveness of the planning system and the perseverance of the administrative and service-oriented system.

Today, in advocating the new policy of enterprise management, the party Central Committee reaffirms that the enterprise is the cell of production of the society, has full right and responsibility over its course of production and reproduction under the framework of the common plan, and has the duty to increase the socialist accummulation in order to develop its own production as well as to contribute to the expanded reproduction of the society. The procedures and policies will be improved and changed to perfectly implement the system of economic planning in the enterprise. Carrying out the policy of financial independence is creating basic condition for the movement of enterprise management reform.

The Marxist Leninist economic doctrine points out that the socialization of the production is the result of the two processes. On one hand, enterprises, through accumulating, increase their productivity and employ more labor to become large production units. This process is called the accumulation of production. On the other hand, the enterprises which are industrially and technically related to each other merge into large, well organized group. This process is called the centralization of production. With the present industrial level, the centralization process in socialist countries will have to begin with the expansion of the accumulation of the production units. Our government, with the power of the proletarian dictatorship, can carry out the centralization of the production, but this must not be the centralization of the units which are backward and produce barely enough, or even not enough for their own use. The task of centralization of the production in our country must begin with the improvement of the enterprises, turnning them into bigger, stronger production units which guarantee their own process of reproduction, attain optimal capacity of equipments and strive for better returns on their investments.

Contrary to the believe that the state does not follow the right direction of production accumulation and centralization and push this process too fast as it grants more power to the enterprises and practices the policy of enterprise financial autonomy, it carries out the right policy of accumulation and centralization on a more solid foundation.

In summary, implementing the policy of enterprise

financial independence is indeed applying the socialist economic laws and theory of value, carrying out the profit incentive policy, and coordinating the system of centralization and the laws of the market of which the former plays a more important role than the latter.

III. Basic structure of policies for enterprise financial reform.

The basic characteristics of a typical administrative and supplying system of finance is that the state collects all the funds and accumulation sources produced by the enterprises, provides initial investments and additional capitals, both fixed and variable, and compensates for losses suffered by the enterprises whether they are resulted from mismanagement on the part of the enterprises or of high ranking cadres, or from government price policy. It should be noted that the wholesale price is an internally regulated price, and is used in enterprise transaction and thus free of value. Enterprising based on this price system is simply practicing the supplying system, and is impossible to calculate profit. Bank credit is a form of supplying. It tends to make the borrowers unconcerned of improving the effectiveness of the capital, since they lose nothing even if they can not pay it back. In case of our country at the present time, the state planning itself is still very much characterized by that of a small-scale production economy. Both the long term plans and the yearly plans are slow in implementation, vague in purpose, too rigid in nature, overemphasize the legal aspect, and are often changing. If the state still carry out the policy of supplying and collecting which is often known as that of balance budget, then it is obvious that the state does not grant to the enterprise the true responsibility of the necessary capital for its process of expanded economic reproduction.

This irrational and unscientific organization on the part of our system is the main of many causes of the passive attitude that exists now in our enterprises. The problem is that enterprises only contend for more equipments, machineries, more labor, and more fund without calculation. They fail to set long term goals such as modernizing fixed capital, adding and improving equipments, applying new technology, improving the chain of production, economizing fund and labor, training cadres, and put up reserve for the future. They only try to ful-

fill the quantity index requirement, produce just enough to meet the expenses, and do not pay attention to the economic criteria such as the improvement of technology, productivity, and accumulation, and the reduction of cost, since they think that the state will compensate them if they suffer any losses. All that the enterprises worry about is trying to meet the yearly production level set by the authority. They are not really concerned as whether their products are successfully manufactured, whether they meet the demand of the national economy, whether the economic contracts are signed, or whether these contracts are carried out correctly. In other words, our enterprises do not know how to calculate, do not operate according to large scale industrial production method, do not apply the socialist enterprising principles, do not strive to expand and modernize enterprises, and do not increase production and socialist income.

The objective of financial management lies in the utilization of capitals, including those used in production and accumulation which is used to increase production. The demand of the reform movement is therefore reaffirming the rights, responsibilities, and interests of the enterprises over the capitals distributed to them by the state and over their own accumulation in complying with the significant changes in the financial relationship between the state and the enterprises.

In genaral, the directions set forth by the party Central Committee to improve enterprise and industry management constitute a well balance and competent system, but on the other hand, the new regulations and procedures of the reform plan put more emphasis on the internal relationship between the state and the enterprises.

First of all the state must guarantee to provide sufficient capital for the enterprise to proceed its own production and accumulation. Then, on one hand, it must determine the enterprise's share of contribution to the socialist accumulation fund; on the other hand, it must determine the rights and interests of the enterprise in the use of its produced revenue and accumulation which the enterprise will retain for continuing production, in increasing production and raising the living standard of workers and cadres at the enterprise. The enterprise has to distribute its products to the market for public consumption according to the price schedule fixed by the

state in order to redeem for the capital unsed in production and to be able to create accumulation. Under these circumstances, the change in the relationship between the state and the enterprise requires proper changes in the price policy aspect and the establishment of a rational wholesale price system. The investment policy of the state and the bank credit policy have to be improved in order to increase the efficiency of the management of the financial system of the state and that of the enterprise.

1. Basic changes in the rights, responsibilities, and interests of the enterprise over its production capitals and accumulation.

The most important of the financial reform measures this time is granting to the enterprise the right to use part of the capital depreciation fund and part of its revenue for the improvement of fixed capital and of machinery capacity in the process of production development, requiring the producing and accumulating enterprise to correctly follow state planning, and stimulating the enterprise to increase its productivity, to reduce cost of production, and to raise accumulation for the best interest of the state as well as of its own or its workers and cadres.

Technological revolution in our country includes both the construction of new enterprises with present technological knowledge and the improvement of production potentiality and of technological standard of existing enterprises. In order to have sufficient capital for the expansion of material technical structure and the reequipment of the enterprises, the state has to be able to accomplish the centralization, at a high level, both of the accumulation produced by the enterprises and of all other sources of capital, so that it can carry out an uniform plan of investment and new construction. Thus the state will have to collect a considerable part of the revenue produced by the enterprises and centralize part of their depreciation fund. The enterprises, nevertheless, have the responsibility to carry out the technological revolution on their own by means of their available sources of capital. In spite of this collection of accumulation and depreciation fund, the state will have to give to the enterprises a part of it in allowing them to reequip and expand material structure at their own initiative.

As of variable capital, the basic reform direction is to reaffirm the level of necessary variable capital and budget. This fund will be channeled through enterprises for manufacturing or producing. Every year, enterprises will be allowed to take out some of their earnings in supplementing the variable capital which they receive. Credit banks will have to increase their efficiency in lending capital and in supervising the use of capital.

In order for the enterprises to display their rights significantly, they must respond to the demands for production expansion at their expenses, such as balancing state material supplies, and especially supplies used in construction and equipments. This is one of the most difficult problems to solve. But until we accomplish it, can we expect to truly improve and develop the economic management system.

2. Reform of enterprise earnings distribution and implementation of new national income policy.

Under the framework of the previous national income policy, the state, through taxation and interest payments, collects all the revenues made by the enterprises, except that a part of the enterprise revenues will go into the enterprises' funds. This policy can hardly accelerate the economy and stimulate enterprises to increase the socialist national income, because the interest of the workers is not tying with the volume of revenues produced at the enterprises. To improve this situation, we got to find a better method of income distribution in order to encourage the enterprises to carry out state plans more effectively, to increase the accumulation significantly, and to produce more capital which will be used to expand enterprises and to raise the income of both cadres and workers. In order to achieve this objective, the state will have to implement certain new measures.

National income and enterprise earnings policies: Normal enterprise revenue consists of two parts: that part of revenue going into the state budget in the form of national income and earnings retained by the enterprise for production development and for the improvement of workers and cadres living standard.

The enterprises have the duty to transfer a fixed amount of their earnings to the state. These earnings are

determined form the difference between the industry price and the enterprise price. These prices are fixed for a number of years. In setting the volume of production, the types of products, the salary and budget indexes as well as the price system, the state has practically imposed upon the enterprises the duty to transfer to the state their accumulation sources in the form of national income, and at the same time encourages the enterprises to strive for production development, cost reduction, and surpassing the level of accumulation as set by the state. The imposition of enterprise earnings payment to the state also serves as a stimulant on the part of the enterprises in achieving higher rate of production efficiency. But in order for this scheme to work, the state has to determine the amount of earnings which the enterprises have to pay to the state in such a way that they feel profitable in developing production, reducing cost, and increasing accumulation compare with the previous year. If so, the state has its income increase. In addition to this imposition, the state should press for an earnings payment ratio based on total production capital, both fixed and variable, in order to encourages enterprises to carefully calculate and plan before asking for more capital, to utilize machinery capacity to the utmost, and achieve high capital effectiveness.

Distribution of the earnings retained by enterprises: The fact that part of the earnings of the enterprises will be retained for their own use is a stimulation for the production and to the improvement of the economic effectiveness of the enterprises, because the higher the earnings they are allowed to retain, the more favorable conditions are for them to carry out the production expansion plan, to improve technology, industry, and quality of products, and to raise the living standard of workers and cadres. This retained earnings will be put in three different funds: the production development incentive fund, the collective bebefit fund, and the reward fund.

The production development incentive fund should be set up in such a way to encourage the enterprises to follow this direction: the better the plan is carried out, the more exceptional the production volume, the quality of products, and the efficiency of production are, the more profitable will it be to the state as well as to the enterprises, because their financial condition enables them to increase their volume of production, the quality

of their products, and their efficiency.

The earnings that are retained by the enterprise will be used for the improvement of workers and cadres' welfare which is to raise collective benefits and individual rewards. They will be located in two different funds: collective benefit fund and reward fund. Conditions and methods of allocation of these funds must be determined appropriately to make workers and cadres feel that their material interest is tied with that of the enterprise, and to correctly apply the principles of labor distribution and material incentive under the realistic circumstances of our country.

3. Price policy reform and directions toward building a rational and complete wholesale price system.

Building rational and complete systems of wholesale prices is an important demand set forth by Tenth Party Congress in 1964. It is therefore essential for the present enterprise management reform wave to build various systems of enterprise, industrial, and commercial wholesale prices.

In order for the enterprises to be able to carry out the principle of financial independence sucessfully, they must be guaranteed to operate normally, and after complete selling of their products, be able to take back their cost of production plus some profits. These principle and conditions are related to the wholesale price system. The state uniformly determines the wholesale prices of basic products bought or sold by the enterprises. Without rational and complete systems of wholesale prices, the state is likely unable to effectively audit and compare production expenses between enterprises, can not base on previous cost and accumulation level to evaluate present performance of an enterprise, and all the financial stimulative measures will not develop in the right direction or to the expected degree. Without such systems of wholesale prices, the administrative and supplying methods of management can still be carried out, but the economic planning system loses its significance. And this is the present unsatisfactory reality that we must overcome.

The enterprise wholesale price must first of all base on the reasonable cost of that enterprise. In the framework of production, technology, and management reform

the state has to estimate and determine the progressive average cost for each type of product of the enterprises operating under the same condition, after it has determined wholesale price for production materiels, reevaluated fixed capital and depreciation fund, increased labor management and salaries, and set the salary index in conforming with state plan. In case of extreme difficulties in determining the cost, the state can adapt a relative average cost level for each individual enterprise -- that is the cost after eliminating unnecessary expenses made by the management and after including new changes in the cost components and necessary tasks for the enterprise to normalize its production.

The most important task facing the state now is to calculate, analyze, and propose appropriate measures for production rationalization, to carry out the belt tightening policy in order to achieve a reasonable cost price, and in the determined but practical spirit fight to reduce cost for a quickly return to that level in the years 1964 and 1965.

After successfully setting a reasonable cost level, the state then proceeds in determining a profit level for the enterprise, which, when combining with the cost, makes up the wholesale price. This determined profit will allow the enterprise to maintain their three funds and contribute to the state budget. This level of profit will depend on these two factors: the enterprise wholesale price policy or that of products' distinction which is designed to encourage enterprises to produce vital products, those in great demand, or for export, to limit the production of non-vital products, and to press for the extensive use of domestic resources and the improvement of product quality, and the position of the enterprise in the national economy, especially its technology, its line of industry, and its labor condition.

The determination of production expenses and profit level and the establishment of a fixed and rational wholesale price system require a series of measures aiming at an enterprise financial system overhaul and leading to the reform of enterprise management. This is the question of the application of the theory of value in an efficient way in the implementation of production planning, in the improvement of labor productivity and in the expansion of socialist accumulation. This is is very difficult and complicated task, therefore the state should proceed step by step, key point to key point.

Since the rational cost, the determining factor in the determination of the wholesale price, is based on the advanced average production conditions, the profit level is predetermined, and the wholesale price is fixed, the enterprises can raise their real profits by working hard to reduce production cost. After all, the proposed measures are designed to achieve one purpose: to encourage enterprises to operate with the least labor and material resources and to achieve the highest possible socialist accumulation. With this proposed new method of management, the state can practically eliminate its task of regulating enterprise cost indexes through directives and turn the burden of reducing production cost over to the enterprises. The enterprises are now assuming the responsibility of planning, such as calculating all the expenditures and watching cost fluctuation. In fact, the new complex of reform measures have now placed the enterprises in new economic situation, forced them to strive for the improvement of the management aspect and their capital effectiveness, and have created an objective operational system which draws the enterprises into meaningful commitment to state plan and into the task of developing initial accumulation. They also significantly comply with the objective socialist economic laws, with the implementation of the system of economic planning, and with the application of these economic laws in the context of direct planning.

4. Reform of the state investment policy and improvement of the credit bank efficiency concerning enterprise financial management and of the planning system.

The principle of enterprise financial independence does not advocate that the enterprise will assume complete financial control and responsibility, because it can not alienate itself from the socialist structure of state ownership. Besides, there are projects of expansion, reconstruction or productivity acceleration that enterprise alone can not manage. On the other hand, the state continnues to pour in new investments under the state-insured basic construction program. The question of reform here is to increase the economic effectiveness of new investments. The state, through its financing, calculates and chooses construction projects which cost can be reduced and capital effectiveness can be increased.

In our country, credit banks only play a limited

role in the task of supplying capital to the enterprises. As we have mentioned earlier, credit banks should increase short term lending to supplement enterprises' variable capital, improve lending procedures, interest rate policy and system of liquidation through banks, develop credits' effectiveness, and step up the supervision of loans' use. In addition to short term loans, credit banks should increase long term lending for the enterprises to enpand or build additional plants, to obtain more light equipments, to improve technology and the chain of production, and to increase the production potential, because enterprises themselves can not possess sufficient means to carry out suc projects, in spite of their growing investments and production development incentive funds.

In summary, except large investments for expension and construction projects funded by state budget, other forms of financing are channeled through development funds and bank credits. The utilization of credits will be stepping up to push forward the reform of enterprise financing.

IV. Important things to be taken into account in carrying out the financial reform.

Reaffirming the role of the enterprise, implementing the principle of enterprise financial independence, and fully carrying out the proposed measures as well as the other measures concerning the reform of the planning system, the supply of materiels, and the consumption of goods are an important step in the reform of both state and enterprise management systems. In order to accomplish it, the Ministries, Regional Offices, and other management organizations must enforce, improved, and changed their management policies and related tasks. On the other hand, the enterprises will also have to do the same thing. As far as this reform plan goes, enterprises are guaranteed to have sufficient capitals for production, are provided with adequate means to improve technology and labor skill, and are allowed to manufacture products with a reasonable price schedule. Production efficiency, therefore completely depends on the quality of the enterprise management, and in order to facilitate these conditions, enterprise financial management must be improved in many aspects.

As we have discussed it earlier, the vital task in

the current reform movement is the reform of managerial organization. It could and should be solved first to create feasible conditions for the implementation of the more important reforms in the economic structure. Not all of the reforms in this area are entirely organizational. Some of them, such as the improvement of the supervision, the leadership, or the material supply system are; on the other hand, some are not exactly organizational. They are measures designed to normalize the conditions of organization and operation which have been deviated for a long period of time. Enterprises must correctly follow the reform guidelines of the party and the government in the implementation of the campaign against negligence in the management of technology, labor, supply and capital. Even in the area of finance, there have been wide spread deficiencies caused by irresponsible management cadres. These very common deficiencies could be inaccurate book-keeping, erroneous transaction and liquidation, inapropriate determination of prices and salaries, insufficient, irregular even irresponsible observation and calculation of the cost, or could be that special policies concerning overtime labor, occupation hazard and business expenses are deliberately abused. It should be emphasized that the reduction in the load of state ordered indexes and the simplification of the control procedures on the part of the state do not mean a deemphasis in the uniformity characteristics of the socialist financial system and a limitation of the planning role on the part of the enterprise. On the contrary, this is a step to revitalize the financial system and to strengthen the planning task and discipline to fit our country new demands, based on the modern concept of economic and financial management. The reorganization of the departments of statistics, accounting, and economics, the implementation of the system of chief accounting, and the adjustment of the planning at the failing enterprises are the most urgent tasks that need to be done in order to create favorable conditions for the reform. If we are unable to carry out such tasks, we will not have reliable sources to calculate new economic and technical criteria, cost and profit levels, profit payment ratio, and the establishment of different types of enterprise funds in compliance with the present reform directions.

Experineces form the natinal income test point and initial management reform test point proves that a quick normalization of the production conditions is the pre-

requisite for the enterprise management reform. This normalization, however, is not the reestablishment of old management system and its regulations. It is, instead, a gradual implementation of new reform measures, for instance, enterprises will have to move along the new reform direction in adjusting costs or prices. From realities of the economic management reform in general and of the financial system reform in particular, we realize that we have to create definite objective conditions for the reform measures which, in turn, create feasible conditions for the next move.

The reform of the enterprise financial system is not a simple task, but rather a comprehensive network of many measures which are related to one another. The reform must be carried out in accordance with the already set basic objective and direction; on the other hand, it should accommodate with the economic and social structure of our country. The reform should be carried out step by step, gradual but firm. For example, in order for the financial effect to develop its most, the wholesale price system must be complete and reasonable, the basic capitals -- both the capital retained by the state and that distributed to the enterprises -- must be redistributed, and the distribution of construction materials, machineries, and equipments must be reviewed. Even only the readjustment of the price system alone requires the reviewing of the materials and products policies which themselves are determined by the revolutionizing technology and product directions of each enterprise in the common framework of the state plan in the coming years. The financial measures are designed to stimulate the enterprises to best achieve the state plan. Thus, the state planning system must be stabilized and improved before the reform of enterprise financial can be done. Furthermore, it is the improvement of the relationship in the planning aspect between the state and the enterprises, such as the mobilization of the enterprises to balance their operations and activities and to combine their effort in solving the inequilibria in the national economy, leads to the determination of financial and enterprising autonomy of the enterprises. Therefore, in this reform movement, we must have a complete understanding of all the questions that we have raised, and at the same time we must analyze the intra-relationship between the reform measures to determine the priority of each measure.

The methods of small-scale production and of administrative and supplying system has been the way of thinking and doing of the industry and enterprise mangement cadres in our country. In the last couple of years, the lack of supervision on the part of the state has spread this passive phenomenon. To overcome this attitude and and to build a new management system is a long term and detailed project. Only a determination to carry it out step by step can lead to the result that we hope for.

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MANAGEMENT OF WHOLESALE PRICES DISCUSSED

[Article by Vu Tien Lieu: "Some Insights into the Management of Wholesale Prices in Present-Day Enterprises"; Hanoi, Cong Nghiep, Vietnamese, No 19, November 1969, pp 18-23]

A basic requirement in our efforts to improve the management of state enterprises is the close coordination between the state centralized planning and active business management and the use of economic levers to push the enterprises into using the management methods of socialist and large scale enterprises. Among these levers, prices play a vital role.

At every review of the situation in business management, the Party and government always reminded the cadres about overcoming the burdensome effects of small-scale enterprises which often neglected economic efficiency in production and lacked long-term planning. On the other hand, the Party and government also pointed out the negative aspects originating from the deficiencies of present regulations, especially in the field of administration and supplies. One of these deficiencies was that for a very long time, "we neglected and were slow in guiding the prices within the state economic sector," that was why "prices did not fully play the role of a main carrying pole to increase production, step up the tenchnological revolution, increase productivity and quality, and reduce cost" as pointed out in the Report of the 10th Congress of the Party Central Committee.

In the war-time conditions of the past few years, the neglect in price planning and management has brought much confusion to the price system in the state economic sector. The auditing of income and expenses in the enterprises as well as in the state management machinery has

not been timely and accurate enough and has not contributed to an increase in the quality of production and management.

While the 10th Congress of the Party Central Committee recognized that the price system for the purchase of agricultural products and for the retailing of consu,er goods was "comparatively logical and acceptable," it viewed the wholesale price system in the following way:

"We have only begun to collect data on such important prices as the prices of the means of production, basic construction, transportation, internal distribution, and so on; we have not yet relied upon an accurate auditing of costs, nor followed a logical system of income budgeting, and we have not developed a good and unified management system."

The Congress also pointed out the following task:

"We need to build quickly an acceptable and logical system of wholesale prices and guide the prices in a unified way. We need to determine a system of unified wholesale prices and stabilize for a certain period of time the wholesale prices and the internal distribution prices of the enterprises in order to strengthen economic auditing, improve cost editing and profit planning, increase productivity and quality, reduce costs, and encourage the various branches to obtain new equipment, and carry out production specialization and cooperation."

After the passing of this resolution, we began to build a system of wholesale prices, but we need to improve this system further in order to create the necessary conditions to improve the quality of production and management. According to the experiences of many socialist countries, the building of a price system and the publication of prices must be carried out before embarking on the improvement of business management.

The situation in the enterprises used as test points for state income and improvement of management also showed that a step by step adjustment of the various types of prices was an urgent requirement for the application of the measures aiming at an economic recovery. That is why right now the organs responsible for the management of prices must get ready to build a logical system of wholesale prices which will really help toward the improvement of management.

A system of wholesale prices includes concrete and complex regulations for each product, that is why in an article on general research, we cannot present all the

problems which need to be solved. In this article, we shall try to present only some insights into wholesale prices in the improvement of industrial management in order to have an exchange of research opinions on prices while we are trying to improve management.

I. Importance of a Good System of Wholesale Prices in the Improvement of Industrial Management

Since the North embarked on the road of socialist reconstruction, the ecomomic laws of socialism have played a decisive guiding role in the development of our economy. The business activities of the state enterprises have been decisively affected by these laws and by the value laws.

After reviewing 10 years of experience in price manipulation, our party realized clearly the relationship between the economic laws of socialism and the value laws as applied in the socialist conditions of our country. In the basic spirit of the 10th Congress of the Party Central Committee, we realized that in our socialist construction in the North, we needed to develop the guiding role of the economic laws of socialism and at the same time apply the value laws in such a way that these value laws were closely related to and dependent upon the activities of economic laws which came into play in a socialist state.

We believe that this is the theoretical base for the building of a price system and the guidance of prices to improve industrial and business management in our country.

In planning our national economy and in assigning responsibilities to the enterprises, our state has a firm grasp of the basic requirements of the economic laws of socialism and applies these laws to the particular economic situation of our country. The objective necessity for the use of value and monetary categories in the planning and economic evaluation of the measures adopted by the state plan is clearly evident in the selection of concrete norms which include both product and monetary norms. We cannot have correct norms if we do not use money to evaluate economic efficiency correctly. But we cannot also evaluate economic efficiency correctly if we do not have a correct price system.

We must acknowledge that in the past many planning agencies adopted norms without paying due attention to the general requirements of the national economy; the planning

based on a system of fixed prices was basically illogical the planning paid more attention to product and quantity norms than to monetary and quality norms. That showed clearly that the calculations for social labor did not receive due attention although they constituted a basic requirement in the application of the basic laws of socialism. That was the basic and profound origin of the careless implementation of the planning norms and the inefficient regulations in administrative and supplies management in production bases and in the higher management agencies. It was easier that way for the economic management agencies to comply with administrative orders and proclaimed norms without having to use correctly economic levers and economic laws to step up production and improve management. The 10th Congress of the Party Central Committee criticized this tendency as "a subjective attitude disregarding the value laws in our efforts to step up production and build up socialism."

The function of prices as a means to calculate the cost of social labor is used not only in the general research on economic efficiency and on the overall norms for the national economy but also in the study of the concrete norms for each enterprise such as the products to be manaufactured, the raw materials to be used, and so on. Moreover, through their function in the distribution and redistribution of national income, prices also constitute a strong lever in the implementation of the party's and the government's policies in economic development for the service of socialism.

The state sets up a system of wholesale prices for the supplies used by the enterprises (machinery, raw materials, fuel, electrical power, and so on) and also fixes the business wholesale prices for the products sold by the enterprises to the state. By manipulating the prices of supplies, the state can guide and encourage the enterprises to use the supplies in the way it wants. The business wholesale prices will generally reflect the state requirements in production quality and will encourage the enterprises to satisfy these requirements. With the prices of supplies fixed, the enterprises must organize and manage their production according to the norms set up for the use of supplies and labor. In satisfying this requirement, we have basically achieved the planned cost and the difference between the business wholesale price and the cost price constitutes the profit that the enterprises could use for their expansion and for the collective welfare of their cadres and workers. This difference will vary from product to product and the enterprises will have various degrees of incentives as planned by the state for each concrete period.

On the basis of these prices, the enterprises can calculate their incomes and expenses, realize the advantages of their production as planned by the state, and increase their determination to step up production. Then the enterprises can begin to organize their production, calculate their capital requirements, and find measures to reduce costs and increase profits. On this basis, the credit extended by the banks and the direction of financial agencies will play an active role. Through the coordination between planning and the price policy as presented above, we can see that it is most important for our state to perfect its system of wholesale prices in order to improve the management of state-owned enterprises.

As the activities of the enterprises are directly related to the system of wholesale prices, the determination of these prices has a special meaning for business activities:

1. Almost all the expenses for the technical and material supplies used by the enterprises are audited according to the system of wholesale prices for the means of production. Without a stable and logical system of wholesale prices for the technical and material supplies, there could be no stable cost and the enterprises could not have a good economic auditing. Illogical wholesale prices for technical and material supplies will induce the enterprises to calculate their efficiency in an erroneous way and use the supplies in a different way than that set up by the state. Unstable prices for the technical and material supplies will push the enterprises and the state agencies into a passive attitude and will prevent them from adopting any long-term plan for the improvement of their management. The state cannot also evaluate the performance of the enterprises as the effect of wholesale prices for supplies can be much greater than that of the various efforts of the enterprises.

Wholesale prices for technical and material supplies, especially for the tools, also have a great influence on the technological revolution. Without correct wholesale prices for technical and material supplies, we cannot guide the enterprises in carrying out the technological revolution nor can we expect them to implement the state policies on raw materials, fuel, and power.

Incorrect wholesale prices for technical and material supplies will not allow us to compute correctly the cost price which is the basis for the calculation of the business wholesale price.

2. Without a good system of wholesale prices for technical and material supplies, we cannot raise the sense of responsibility of the enterprises in mastering their production and reproduction processesses. Our experiences in the past few years showed that with inaccurate cost prices (based on illogical rpices) and with the maintenance of previous supply systems, the state would not be able to do much to help the enterprises improve the quality of their management. Bad management would often produce high cost prices and also high fictive profits. The origin of this negative aspect comes first of all from the price system.

3. The industrial wholesale price includes the business wholesale price and the centralized accumulation of the state. The accumulation planned by the state for each sector has a very great influence. For the means of production, the state accumulation is used to stimulate the technological revolution. For consumer goods, the state plans various levels of accumulation for different products in order to carry out its policies for consumer goods.

Because of the importance of the correct application of the value laws in the state planning and the use of the price levers to encourage the enterprises to produce according to the state plans and norms, we cannot neglect the study of prices in our research for the improvement of business management.

II. Role of Wholesale Prices and Their Manipulation for The Improvement of Business Management

Business management is directly related to wholesale prices. Each category of price has its own role and its own policy requirements. That is why in the manipulation of prices for the improvement of business management, we must study each category of price to improve its computation and perfect the price system in accordance with the objectives and requirements of present-day business management.

The following three prices have a direct influence on the business activities of the enterprises:

-- the wholesale price for technical and material supplies,

-- the business wholesale price,

-- the industrial wholesale price.

1. Wholesale Price for Technical and Material Supplies

The wholesale price for technical and material supplies is the price fixed by the distribution agency for the sale of these supplies to the enterprises for use in production.

A logical system of wholesale prices for technical and material supplies will have a great influence on the production and management of the enterprises:

a/ Serve and encourage the technological revolution.

Once we have studied the conditions for the raw materials, fuel, technical and material supplies and once we have used prices to calculate the economic efficiency, we can determine the most profitable economic and technical measure to be used for the state plan.

We must use this direction as a base to determine prices in order to encourage the enterprises to carry out the technological revolution. The prices of the equipment and machinery must be fixed in such a way that the enterprises will realize that it is in their best interests to follow the direction of the technological revolution. At present, the state encourages the technological revolution to increase labor productivity, therefore the wholesale price for equipment and machinery must be determined according to the direction set up by the 10th Congress of the Party Central Committee: "The state will not aim at centralized accumulation or will aim only for minimum accumulation."

b/ Provide guidance for the most logical and the most economical use of raw materials, fuel, and power.

After careful calculation and comparison among the different types of available raw materials, fuel, and power, we select the best suited type with the highest economic efficiency and try to guide the enterprises into using this type.

The prices of raw materials, fuel, and power must induce the enterprises into using the supplies selected by the state. For example, a distillery can use as its raw materials rice, wheat flour, corn, potatoes, manioc, and so on. From the overall viewpoint of the economy, we must determine the kind of raw material the distillery should use. Once this raw material has been selected, we must fix its price in such a way that the enterprise will realize that it is in its best economic interest to use this raw material.

c/ Serve the auditing of the cost price of the enterprise.

Together with other expenses, the cost of supplies has a great effect on the cost price of the product which constitutes the basis for the calculation of other wholesale prices. It is also the basis for the calculation of the financial transactions of the enterprises.

On the basis of the necessary expenses for labor and supplies, the enterprise determines its capital requirements and its purchase and payments of equipment and raw materials to insure its production level. In comparing its expenses and its product capabilities, the enterprise can determine its income and the level of profit to be paid to the state.

Though in the state system of indices the cost price is no longer a legally compulsory index, in the economic auditing of the enterprise as well as in the control and guidance of the planning agency, the use of cost price and its elements is still a very important basis to discover the weak links in the production process and determine the necessary measures to improve the quality of production and the management of the base units. That is why the determination of a stable and logical system of wholesale prices for the technical and material supplies is vital for the enterprise so that it could compute and analyze its costs and find ways and means to improve its management. At present it is still quite common that the prices of technical and material supplies are unstable and illogical. If the price of the same technical and material supplies varies within short periods of time, then the enterprise cannot make its economic calculations, therefore the prices of technical and material supplies do not play its full role in the activities of the enterprise.

Besides the above-mentioned role in the production enterprises, the wholesale prices of technical and material supplies can also be used by the supply agencies to encourage reduction in their transportation costs and improvement of their business management.

2. Business Wholesale Price

The business wholesale price is the product price paid by the state to the enterpise. It insures that the enterprise can continue to function normally, recover its costs, and have some profit. If the enterprise improves its management, increases its productivity, and reduces its costs, then its

profit level will increase. The profit will be distributed to the enterprise, its workers, and its management cadres. The determination of a logical system of business wholesale prices is an important measure to make the enterprise become more responsible toward the state plan and insure the production and business rights of the enterprise within the limits of the tasks entrusted to the enterprise. In our building of a system of business wholesale prices, we must be careful to implement our policies for various products:

-- our price policies for main and secondary products, for products manufactured according to plan as well as products manufactured with the residues and by-products of the enterprise;

-- our price policies for common goods for the basic and common needs of the people and for the higher products which we have not been able to popularize yet;

-- our price policies for goods requiring complex technical processes and for products requiring only simple processes in their production;

-- our price policies for products of various quality;

-- our price policies for packaging to encourage the safeguarding of the product quality as well as the saving of material;

-- our price policies for goods destined for export and goods destined for internal consumption, and so on.

3. The Industrial Wholesale Price

The industrial wholesale price is the price at which the enterprise is selling its products to other enterprises or is putting them into circulation. It includes the business wholesale price and the level of accumulation desired by the state.

The use of prices to carry out the level of accumulation desired for the national economy is of great importance. To serve the technological revolution and encourage the enterprises to use high efficiency tools, the 10th Congress of the Party Central Committee affirmed that the state should realize no accumulation or only minimum accumulation with the means of production, especially with tools and machinery.

As for consumer goods, the level of accumulation varies from product to product in order to implement the policies of the party and the state for consumer goods.

III. Price Guidance and Organization Improvement to Insure Good Price Management

Price guidance is the use of value laws to satisfy the requirements of the economic laws of socialism. In order to guide wholesale prices and build a logical and acceptable system of wholesale prices for each enterprise, we must carry out the following tasks:

1. Determine the direction for technical improvements and improve the chain of production, that is continue to carry out the technological revolution in the enterprise. Only this way can we have the necessary basis to determine the prices for the equipment and encourage the use of the equipment in the direction already determined;

2. Determine the policy for supplies and raw materials in order to determine the wholesale prices for the supplies to be used in production and encourage the enterprises to use definite types of supplies in production;

3. Determine again the method of production (determine again the products to be manufactured by the enterprise) and determine the policy for each product (which product should be encouraged and for what aim, and so on) in order to have the necessary basis for the calculation of the business wholesale price for these products;

4. Determine the direction of accumulation and the consumption policy for each product in order to determine the industrial wholesale price.

In the present movement to improve business management, the problems in the improvement of organization and management are still very important.

One of the improvements which can have a decisive influence on the stabilization of wholesale prices is the improvement of the supply and distribution of technical and material supplies to the enterprises. On the whole, because of its difficulties in obtaining the necessary supplies, the state has not insured a regular supply of basic material supplies to the enterprises according to plan. But on the other hand, the enterprises which exchange their products with one

another did not have a good system of contracts. The shortage of supplies forced the enterprises to search for these supplies themselves in various localities. With the exchange prices for these supplies unstable, with the transportation costs often exceeding the planned costs, the prices of the supplies as they reach the enterprises are often too high and not uniform so that the production costs are themselves unstable and often exceed logical norms. The enterprises not only have many difficulties in computing their costs but cannot also concentrate on insuring high quality in their production.

The stabilization and improvement of the state supply system and the on-the-spot supply of the materials needed by the enterprises for their production will contribute greatly to ending the undesirable situation mentioned above. On the other hand, we must also improve the supply and distribution of the products manufactured by the enterprises and improve the delivery system between the production enterprises and the state purchasing agencies, especially the delivery system between central and local enterprises, in order to build a good system of wholesale prices for the supplies to the localities.

We should also emphasize that the distribution of profit by the enterprise, though not influencing directly price determination, has a great influence in increasing production at the bases. We must have concrete measures in this line in order to establish a close link between the workers' benefits and the quality of the production of the whole enterprise. Only this way can the business wholesale price play its useful role in the improvement of business management.

Lastly, to insure the building and management of prices according to the direction adopted, we must study the price guidance provided by the state, the management agencies, and the enterprises, and have a clear determination of responsibilities.

I have stated above some of my opinions in the building of a good and acceptable system of wholesale prices. Such a system not only serves to improve the present-day management of industrial enterprises but also constitutesa requirement for the improvement of economic management in general.

Past experiences showed that this is one of the most complex and most difficult tasks in socialist economic management in our country. We do not hope to achieve all the desired results in a short period of time; moreover, the value and the price (that is the monetary expression of the value) are always changing so that a price system, once determined, cannot be considered as fixed. In our present situation, the determination of prices still encounters many difficulties so that the building of a good and acceptable price system can only be achieved step by step. But we must actively try to create conditions for building comparatively logical prices in important areas in order to have a basis for the improvement of our business management.

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RESPONSIBILITIES OF KEY MANAGEMENT CADRES DEFINED

[Article by Nguyen Thien Lan: "Some Opinions on the Main Rights and Responsibilities of Key Leadership Cadres and of the Management Machinery in Industrial Enterprises"; Hanoi, Cong Nghiep, Vietnamese, No 19, November 1969, pp 24-31]

According to the spirit and basic contents of the movement for the improvement of the management of state-owned enterprises which is being tested in a number of enterprises, the building of new functions and the determination of the rights and privileges of key leadership cadres in the enterprise have a very important meaning. They insure that all the business activities of the enterprise are directed in a uniform and well-coordinated way and at the same time they underline individual responsibility in the direction of major business activities aiming at the smooth and continuous functioning and development of the enterprise.

At present, business, technical, and production leadership in the enterprise is still not centralized enough. The director's responsibilities and the job description of key leadership cadres are still unclear and illogical so that business activities are often unorganized, slow, and uncoordinated, thus limiting the production and business efficiency of the enterprise.

The director system has been adopted for some time, but in reality, the director has not yet centralized effectively all his leadership powers in production and business management. The existence of many assistant directors without clear-cut responsibilities has led to the situation in which each person knows part of the work and does not work closely with the others. Even when the director has adopted a certain solution, his orders lack force and the implementation is often slow because of unclear responsibilities.

The concrete division of responsibilities among the assitant directors is still often illogical. It is noticeable that the technical assistant director is responsible for the daily technical production but must go through other assistant directors for the use of labor and supplies. In some enterprises, it is very difficult for the two technical assistant directors (one for industrial technology and one for electrical and mechanical technology) to coordinate their work. That is why the director often becomes the man to resolve concrete problems which should have been resolved by other key cadres; he becomes the "arbitrator" for these cadres and does not have enough time to guide the production and the business as a man of his position should do.

In directing the daily technical production, the technical assistant director has not really become a leader, instead he is rather a negotiator, even when regulations have not been followed. Production orders often are not obeyed to the letter and work discipline is rather lax. In technical leadership, the technical assistant director often neglects to control the correct implementation of labor and supplies norms. The technical aspect of the work is often unrelated to its economic aspect. The application of technical innovations and the study to maintain and raise product quality have often not received due attention.

It is most important that the director receives assistance in the control and calculation of the economic efficiency of production, but the assistant director for operations has not been able to provide this assistance as he is bogged down by administrative details.

The organization of the workers' livelihood, though a common responsibility of the director, has not been the responsibility of anybody in particular so that the basic needs of the workers, especially in the present difficult situation, have not been satisfied.

Faced with the above-mentioned situation, the reorganization of business management should concentrate this time on strengthening and centralizing into the hands of the director the leadership power for all economic, technical, and livelihood activities of the enterprise; concentrating all leadership for daily technical production into the hands of the chief engineer; strengthening the responsibilities of the chief accountant to increase accuracy and efficiency in economic auditing; and creating the function of assistant director for livelihood to look after the living conditions of workers and cadres. All these steps are aimed at making

the leadership for production, operations, and other business activities become more orderly and more scientific to answer the requirements of modern industrial production.

The Functions of the Director and of Other Key Cadres in the Enterprise

1. First of all it should be clear that the director of the enterprise has the overall responsibility for all internal activities and external relations of the enterprise. The director is appointed by the state, and on behalf of the state, he must manage all the production and business activities of the enterprise, insure the fulfillment of all tasks entrusted to it, carry out correctly all the state policies and regulations, step up production and technology, raise product quality, change the product mix, safeguard production, raise the level of accumulation of the state, and improve the living conditions of the workers and cadres.

To carry out all these responsibilities, the director must be assisted by a number of key cadres and a strong and vigilant management machinery, and at the same time he must have a high sense of responsibility, a good knowledge of production and business, and he must know how to analyze the economic activities of the enterprise. For the director must exploit and develop fully the potentialities of the enterprise, and he must bear the final responsibility for ever increasing the production efficiency of the enterprise, insuring greater contributions to socialist accumulation, and protecting the collective interests of the enterprise. The director of the enterprise must not only manage all the immediate activities of the enterprise but also study the direction for its future development, prepare and create the material conditions for technical innovations, develop production, and carry out the motto of producing more, at a faster rate, and at cheaper costs.

2. The chief engineer directs the daily technical production, manages the use and distribution of labor, supplies, and power, resolve technical problems, and insure a continuous, balanced, and well-coordinated production.

The chief engineer is responsible to the director for all operations from product designing to product completion and storage, for the correct implementation of all adopted plans for technical production, for the implementation of the technical norms, regulations, and production discipline set up by the state or the enterprise, for the

technical development of the enterprise, and for the technical and professional education of the technical cadres and workers in the enterprise. When the director is absent, the chief engineer replaces him to direct the activities of the enterprise.

Thus, the system of chief engineer concentrates the leadership for technical production into the hands of a person who is capable in handling production and labor organization and technical research, who has the power to make decisions on daily problems in technical production, and whose decisions must be carried out correctly by the workshops, production units, and their support agencies. In carrying out his functions, the chief engineer must concentrate on developing a firm grasp on the daily production and on industrial techniques in order to research, manage, and implement technical innovations in production, and at the same time he must help the director build a long-term plan for the technical development of the enterprise. The chief engineer must also pay attention to the management and correct use of supplies, labor, and power according to the norms already established and he must also try to find and apply newer and more progressive norms through new techniques and new organizational methods. That is why the leadership of the chief engineer must coordinate the technical and economic aspects of production management and put an end to the present practice of "production at any price."

3. The chief accountant helps the director to delve deeper into the economic and financial problems of the enterprise. Unlike the present head of the finance and accounting section, the chief accountant helps the director to achieve and develop the financial autonomy of the enterprise, calculate and devise measures to achieve the highest economic efficiency in production and operations, and at the same time, he is responsible to higher authorities for the correct implmentation of all the financial systems and regulations of the state.

The chief accountant is responsible not for finding capital or carrying out accounting operations but for organizing and directing the accounting task. His main task is to organize economic auditing, prepare with other departments all the data to help the director analyze the economic activities of the enterprise, find out the wasted production expenses, and find measures to step up savings in order to increase the economic efficiency of the production operations. The chief accountant also carries out and make sure that other people also carry out correctly the financial systems

and regulations of the state and this constitutes the relative independence of the chief accountant. At present, the chief accountant is not a chief economist, he is the capable assistant to the director for analyzing the economic efficiency of the production of the enterprise, discovering production waste, and controlling the correct implementation of the financial systems and regulations of the state.

4. In order to help the director carry out a number of other major tasks such as livelihood, supply, consumption, certain enterprises also have an assistant director for livelihood, and if it is really necessary, also an assistant director for supply and consumption.

The assistant director for livelihood (to replace the present assistant director for administration) is responsible to the director for organizing and improving the material and intellectual life of the workers and cadres in the enterprise. He organizes and manages the food, lodging, transportation, medical services, entertainment for the workers and cadres, organizes nurseries and kindergartens for the workers' children, and tries to create favorable conditions for the workers to concentrate on production and have enough spare time for rest and recreation. This is a very important task because it is directly related to the safeguarding of labor for the immediate needs and for the reproduction of labor for the long-term needs of socialist building and industrialization.

The assistant director for supply and consumption is responsible to the director for the suplly and consumption of products according to the plan of the enterprise and the contracts signed by it.

5. The workshop supervisor manages all the production activities of his workshop in order to insure the fulfillment of all the tasks entrusted to it by the enterprise, and under the general management of the director, he implements the norms set up by the plan for product quantity, quality, and costs. The workshop supervisor is directly responsible to the chief engineer for the implementation of the production plan for the workshop according to the production norms, indices, and criteria set up by the enterprise.

The workshop supervisor carries out correctly the production and technical orders of the chief engineer and issues concrete directives about the production and technical aspects of his workshop.

The workshop supervisor must really direct his workshop, have a firm grasp of its working plan, know all the aspects of labor organization and technical production within his workshop, and be capable to direct production and resolve the concrete problems created by the daily technical production. In order to do this, he must follow production closely and avoid getting bogged down by bureaucracy, meetings, and administrative problems.

The workshop supervisor must insure a continuous, balanced, and well-coordinated production within his workshop; he must maintain close coordination with other workshops; and on the other hand, while carrying out his own responsibilities, he must work closely with the director to improve the general management of the enterprise and discover the negative aspects of related workshops and organs.

The workshop supervisor must also possess a basic understanding of economic management and he must know the theories and practical aspects of the management of a workshop. In his daily work, he must emphasize the need to coordinate the technical and the economic aspect of management.

Depending on the scale and production organization of the workshop, the supervisor can have one, two, or three assistants to help him in his work. The division of responsibilities among the assistants is determined by the director of the enterprise.

6. The production cell is the smallest production unit in the enterprise and is the place where equipment, labor, power, and supplies are directly used and where the economic and technical norms are carried out.

The production cell leader is responsible to the workshop supervisor for carrying out the production plan of his cell. He must be experienced in production and production technology and must be able to organize and direct the workers in his cell. On the whole, he should not be far away from production.

The Management Machinery and the Functions of the Various Sections of the Enterprise

In an enterprise, the accurate organization of the management machinery, the concrete and scientific determination of the rights and responsibilities of the various sections and of the section chiefs is most important because

they insure that management achieves the best results in production and operations and that the enterprise will carry out correctly the policies and systems it had set up.

1. In each enterprise, the organization of the various sections to help the director of the enterprise depends on the size and nature of production and on the requirements in production, operations, and livelihood.

On the whole, the sections have two main functions:

First: Act as the staff in all the management aspects of the enterprise and help direct production and operations according to the plans and economic and technical regulations of the enterprise and the policies and systems of the state.

Second: Serve production and livelihood, from the preparation stage, supply of labor and materials, technical guidance, on-the-spot resolution of production difficulties, to the organization and improvement of the living conditions of the workers and cadres and the creation of favorable conditions in the workers' material and intellectual life to help maintain and step up production.

To carry out these two functions, the various sections in the enterprise must guide and control the workshops so that they will carry out correctly the production plans, regulations, norms, and criteria, and at the same time they must reflect and report to the director the overall situation, the economic and technical violations in the enterprise, and suggest corrective measures to deal with the major defects which can affect production and operations severely.

To guide the sections in their functions, the key cadres in the enterprise will not divide these sections among themselves and consider them as their own responsibilities as it is being done at present; they must rather divide the work among themselves according to the work of these sections. For example, for the daily and monthly supply and management of labor, the labor section is under the direction of the chief engineer; but it is under the direction of the director for the recruitment and labor policies.

In order to carry out correctly this division of responsibilities according to the task, we must:

-- Determine the concrete work contents of each section,

-- Emphasize the service of production and the life of each section,

-- Develop the section chiefs' and assistants' capabilities in internal work distribution and management,

-- Establish a system of individual responsibility and concrete and clear-cut work methods in each section as well as a system of relationships between the sections, the section chiefs, and the key management cadres.

2. The number of sections depends on the size and nature of production and on the volume of work for each major task in the enterprise. As for their organization, we do not haveto follow a definite form within the enterprise; instead we should be guided only by the nature of the work to be done.

a/ In large enterprises, working directly with the chief engineer to help in the production and technical leadership, there are usually a number of sections such as the production section, the designing section, the section for industrial techniques, the section for electrical and mechanical techniques; to help in the service of production, there are the labor section (to supply daily labor and labor management), the section for supply and consumption (to supply tools and materials and transport them to the point of production). Working directly with the chief accountant, there is the accounting-finance section. (In enterprise using large amounts of capital and involving many monetary transactions, there can be two sections: the finance section and the accounting section). The accounting-finance section still has a chief to carry out the accounting and financial transactions. Where there are two sections, both sections help the chief accountant to control and analyze the economic activities of the enterprise. Working directly with the assistant director for livelihood are the section for living conditions, the health section. The director of the enterprise has the overall responsibility, but to carry out his concrete tasks, he often works directly with the planning section, the section for basic construction (to develop the direction of production or plans for the expansion of production), the technical sections (to build plans for technical development or technical control) and a number of other sections such as the labor section, the section for supply and consumption (to set up plans for training and recruitment, for the supply of materials, and for product consumption), the section for personnel organization, and the defense section.

To help the director in his administrative and correspondence work, there should be a director's office to replace the present administrative section. There should be a clear-cut division of responsibilities between the labor section and the section for cadres' organization; the labor section must delve deeply into labor economics: labor organization, norms, productivity, etc., but the implementation of systems and policies should be transferred to the section for personnel organization which is responsible for both cadres and workers.

b/ In enterprises of average and small size, the management machinery should be smaller and lighter and the key cadres should cumulate many tasks for which the volume of work is still light and the work is not yet complex. For example, in technical management, the industrial section in enterprises of average size should cumulate the designing task, and where the equipment is not numerous nor complex, it can also cumulate the task for electrical and mechanical techniques.

In small enterprises, the sections should cumulate many closely-telated tasks. For example, the planning section is also responsible for regulating production; the technical section is also responsible for industrial and mechanical techniques; the section for labor organization is responsible for labor as well as personnel organization; and the defense task can be entrusted to the director's office.

c/ In the main workshops, there is no need to organize a complete management machinery as is done under the director. To help the workshop supervisor control the data and the situation, the sections should send professional and technical cadres to work in the workshops. The workshop supervisor has a number of cadres belonging to the workshop to help him manage the warehouse for final products, the books, the designs, and so on; the number of these cadres would depend on the volume of work of the workshop and its needs for the direction of production.

d/ In a number of major additional workshops (mechanical, electrical, and so on) which produce definite items for the service of the main production and need to have cost auditing, we can organize a complete but light professional and technical machinery to help direct and manage production.

To determine the rights and responsibilities of the director and other key management cadres in the enterprise, we would like to contribute the following ideas:

1. Rights and Responsibilities of the Director

-- Have overall responsibility for for all aspects of internal management and external relations of the enterprise.

-- Carry out the normal planning tasks of the enterprise; study and direct the long-term planning for production expansion, technical advances, equipment improvement, product amelioration; set up plans for the training of workers and cadres in accordance with the needs of specialization and technical development.

-- Provide unified direction and coordination of all production activities and livelihood aspects in the enterprise through systems, criteria, regulations, and work orders; provide regular technical control and concentrate on solving the weak links in production and operations.

-- Manage, safeguard, and develop public property; organize and manage all production, economic, technical, and livelihood activities in the enterprise; organize the defense of production and protecting the secret and safety of production.

-- Follow up regularly the economic efficiency of the enterprise and have plans and appropriate measures to overcome waste and increase economic efficiency.

-- Insure the implementation of socialist laws in the enterprise; carry out socialist management principles and adopt scientific working methods; implement democratic management and insure the workers' rights of participation in the affairs of the enterprise.

-- Make decisions on the concrete measures to carry out the resolutions and directives of higher authorities and control their implementation.

-- Have a firm grasp on the organization, cadres, and wages structure in the enterprise; once the commissioner's approval has been obtained, issue orders toassistant section chiefs and assistant supervisors; review salary structure in accordance with production work; deal with all violations of regulations and systems and with the incorrect implementation of work orders and directives; recruit workers according

to the needs of production and operations; and fire cadres and workers who have strongly violated the discipline.

-- Borrow capital from the banks whenever necessary, and use production funds to develop production, technology, improve living conditions, and reward workers according to state regulations.

-- Sign economic contracts (for the supply of materials and consumption of products); cooperate with other enterprises in production, science and technology; prosecute all violations of economic contracts which could harm the enterprise.

-- Have the right to request the directly higher authorities and state agencies to carry out their responsibilities toward the enterprise and protest whenever necessary.

2. Rights and Responsibilities of the Chief Engineer

-- Provide unified direction to the daily technical production according to the progress of production; regulate the supplies, labor, and power; solve production problems and insure a continuous, balanced, and well-coordinated production.

-- Direct all designing, testing, and preparatory work for production; organize and balance the main and secondary chains of production; determine and perfect the industrial processes; build and implement technical regulations; organize technical control; and introduce product standardization.

-- Organize and manage the reparation of tools and equipment in good time for the service of production.

-- Organize production rationalization and apply technical innovations in production; raise product quality; coordinate the public's intiatives for technical improvements with those of the technical machinery of the enterprise and study technical development.

-- Build up and implement correctly economic norms and use new methods and techniques to conform with more progressive norms on the waste of materials, labor, and power. Participate in the analysis of the economic activities of the enterprise.

-- Organize the specialization of technical cadres and workers; train the technical cadres and workers in the enterprise and raise their professional level to answer the requirements in management and technical development.

-- Coordinate the technical and scientific research done by the enterprise with that carried out by other enterprises, research agencies, and schools.

-- Have the right to propose disciplinary measures against persons who had violated the production discipline of the enterprise (such as refusing to carry out the technical, economic regulations or to obey the work discipline); stop all work and production in cases where the violations affect production adversely and report them to the director; propose promotions and rewards for good workers (for their initiatives in increasing productivity and in saving labor and power); participate in regular reviews of workers' performance for promotion.

-- Replace the director in the management of daily tasks when the director is absent.

3. Rights and Responsibilities of the Chief Accountant

-- Help the director to organize and direct the economic auditing of the enterprise; analyze and help the director to review the economic activities of the enterprise and find measures to strengthen economic auditing in order to increase economic efficiency.

-- Suggest plans and measures for saving production costs, saving capital, and increasing the income of the enterprise and the state.

-- Organize a system for the accounting and management of the internal capital of the enterprise in accordance with the requirements of production leadership and economic auditing of the enterprise and the accounting regulations of the state. Provide guidance in opening books, keeping records, making reports to reflect correctly and in good time the economic and financial activities of the enterprise.

-- Organize and guide cost calculations for supplies, fuel, main products, transportation, profit and loss, and so on, prepare documents to make the analysis of economic activities become more complete, more timely, and more accurate.

-- Manage all the property (in kind and in value) of the enterprise and carry out regular evaluation and control.

-- Review and control the original documents, accounting reports, property statements and insure the keeping of accurate and timely records on the economic activities of the enterprise.

--Carry out and control the implementation of the financial and accounting regulations and systems of the state. Have the right to refuse settlement of expenses which do not conform with the state system; if directed to make payment by a written order from the director, he has to comply but he can report to higher authorities.

-- Train and raise the professional level of the accounting and financial cadres in the enterprise.

4. Rights and Responsibilities of the Assistant Director for Livelihood

-- Organize and manage housing quarters for the workers and their families, organize the workers' transportation to work (in a number of enterprises) and rest areas for workers in between shifts.

-- Organize and manage tightly community kitchens and look after the health of workers who take the third shift or who have to work in areas which are bad for their health.

-- Coordinate with the localities to make sure that the foodstuffs and consumer goods distributed will reach the workers.

-- Organize nurseries and kindergartens for the children and cultural and physical education activities for the cadres and workers.

-- Look after the health of the workers, manage health stations and dispensaries and pay special attention to professional diseases.

5. Rights and Responsibilities of the Assistant Director for Supply and Consumption

-- On the basis of production plans (main, secondary) and plans for technical improvements, expand production, repair the equipment, plan and organize the supply of material and technical supplies, and insure continuous production. Carry out the consumption plan for the products of the enterprise.

-- Urge the agencies, enterprises, cooperatives responsible for the supply of materials to the enterprise to provide timely and correct supplies; urge the consumption of the products manufactured according to the contracts signed with other agencies.

-- Carry out correctly and in good time the supply requirements of the chief engineer in order to serve production.

-- Organize and guide the transportation network so that the supplies will reach the point of production.

-- Take part in the building and implementation of the norms for the use of supplies in the enterprise.

-- Organize the warehouse and carry out the systems devised for the transportation, storage, distribution, and control of supplies.

6. Rights and Responsibilities of the Supervisor and Assistant Supervisors

Rights and Responsibilities of the Workshop Supervisor:

-- Direct the production and techniques according to the regulations, systems, and criteria set up by the enterprise; carry out correctly the economic norms, institute regular control of these norms, and devise measures to overcome deviations from these norms.

-- Carry out correctly the production and technical orders of the chief engineer; find solutions for the technical and production difficulties of the workshop; mobilize and organize the public for the rationalization of production and improvement of techniques in order to increase labor productivity and product quality.

-- Follow the production process, control the accuracy of the original data, regulate production, and help the economic auditing of the entire enterprise to become more accurate.

-- Carry out the plans for the training and technical education of the workers and cadres. Propose promotions and participate in the periodic review of workers' performance.

-- Protect production and safeguard its secrets.

-- Suggest improvements in production and labor organization.

-- Propose recommendations for outstanding cadres, workers, and teams; have the right to stop temporarily the work of workers and cadres who did not follow production orders and propose disciplinary measures against any action violating production discipline; make decisions on the administrative affairs of the workshop (leave, sick leave...).

Rights and Responsibilities of the Assistant Workshop Supervisor:

-- Help the supervisor to urge and make sure that all those in the workshop carry out correctly production plans according to the regulations, technical specifications, and economic norms set up by the enterprise. In certain enterprises, the assistant may be responsible to the supervisor for the use and reparation of the equipment and tools of the workshop.

-- Follow the various steps of the production, supervise the supply of materials, equipment, and designs to the workshop, and transfer the finished products of the workshop to other sections.

-- Where production is done on a three-shift basis, there could be, if necessary, an assistant supervisor for each shift (in big workshops) or a shift leader (in workshops of average and small size). The assistant supervisor for each shift (or the shift leader) will have to regulate production, coordinate the use of labor and supplies, solve technical difficulties, carry out correctly economic and technical norms in order to fulfill the tasks assigned to his shift by the supervisor.

-- Have the right to resolve problems within the area assigned to him by the supervisor.

-- The assistant supervisor replaces the supervisor when he is absent in order to resolve the problems of the workshop.

7. Rights and Responsibilities of the Production Cell Leader

-- Direct the workers in the cell to carry out correctly the production task entrusted to the cell and follow the technical regulations and norms set up by the enterprise for the use of materials, labor, and power.

-- Carry out correctly the production and technical orders issued by the workshop supervisor to the production cell; help the workers to solve technical difficulties; mobilize the workers to develop their initiatives in increasing labor productivity and product quality.

-- Urge each worker to fulfill his production task and insure that the cell achieve its daily production target, both in quantity and in quality.

-- Supervise and make sure that the use of materials, labor, power, and productivity of labor are recorded accurately.

-- Have the right to propose recommendations for good workers and disciplinary measures against those violating production discipline and affecting the quantity and quality of the products of the cell.

-- Have at his own disposition a number of hours (if it is really useful he can leave production) to direct, control, and coordinate the affairs of the cell.

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USE OF MATHEMATICS IN PLANNING DISCUSSED

[Article by Le Nhu Sam, Cadre in the Hanoi Industrial Bureau: "Application of Mathematics to the Planning for the Mai Dong Machinery Plant (Hanoi)"; Hanoi, Cong Nghiep, Vietnamese, No 19, November 1969, pp 32-37]

One of the important advances of modern management science is the increasing applications of mathematics in planning, statistics, economic analysis, and so on. In our country, these methods have been applied in a number of tasks and in certain enterprises they have brought good results. In the past few years, the Hanoi Industrial Bureau has acquired a number of experiences in the application of mathematics to the improvement of planning and management in the state-owned enterprises managed by the Bureau. In this article, we shall relate one of our successful experiences at the Mai Dong machinery plant.

I. Some Common Characteristics of the Mai Dong Machinery Plant and its Planning Situation Before 1968

The Mai Dong enterprise is a machinery plant managed by the Hanoi Industrial Bureau. Compared with local enterprises, it is a comparatively large business, but compared to other enterprises managed by the central government, it is only a small business. Its main task is to produce steam hammers, water pumps, and water pipes used in the cities and in industrial areas. It has comparatively modern equipment. Most of its cadres and workers are industrious, but the planning cadres are still lacking and do not perform well. The collection of statistical data is still deficient. Technical management is still weak. The setting of norms has not yet been completed. Before 1967, the Mai Dong machinery plant often did not fulfill the tasks entrusted to it by the state and was considered as one of the weak enterprises of the city. That was why its cadres and workers lacked enthusiasm.

Why did the Mai Dong machinery plant fail to fulfill its tasks before 1967? There were many reasons. One of the main reasons was that the plans set up by the enterprise itself and the production indices revised yearly by higher authorities for the plant did not have an accurate and scientific basis. In reviewing previous plans to discover their deficiencies, the Hanoi Industrial Bureau asked us to apply mathematics to the planning for the Mai Dong machinery plant in order to step up its production. To step up production, we must grasp and exploit the potentialities of the enterprise and achieve equilibrium among the various production processes. We cannot deal with generalities but must calculate production potentials and compare them with production tasks on a scientific basis. With the slow situation in the Mai Dong plant, we knew that our task would be very difficult at first, especially when we still lacked working experience. But encouraged by the comrades in the Hanoi Industrial Bureau, we decided to go ahead and had a firm belief in the result of our work. We began our work in the third quarter of 1967.

Mathematics is very rich in contents. Many mathematical methods can be used in the production planning for an enterprise. One of the methods we applied and found most suitable was the binomial expression.

We were quite worried when we applied mathematics for the first time to the production planning for an enterprise. We knew the mathematical theories, but how do we apply them to practical realities? After our successful application, we concluded that the application of mathematics to the production planning for an enterprise is entirely feasible.

The first difficulty of our task was that the Mai Dong enterprise did not have definite labor norms. But we believed that the more difficulties we met, the more experiences we could learn. We spent much time at the plant to set up norms. Because of unscientific and inaccurate methods left over from the past, the plant did not have labor norms, and the few norms it had were too old or inaccurate. After many calculations to determine the labor norms, we finally set up a system of production norms for each product through each industrial process and we used the system as a scientific basis for the application of mathematics to an industrial enterprise.

Once the norms had been set, we used mathematics to review the accuracy and scientific character of the old plans of the enterprise and found that:

a/ The old plan did not follow closely the production conditions and capabilities of the enterprise. If the Mai Dong plant was required to produce the number of water pumps mentioned in the plan, it would not have enough machine hours to insure the achievement of the planned target. The severe shortage of machine hours for each type of machine, calculated on the basis of recognized norms and acknowledged by the director of the Mai Dong plant, was as follows:

There was a shortage of 392 machine hours for the T630 lathe, 21,375 machine hours for the 1610 lathe, 14,250 hours for the milling machine, 4,272 hours for the drilling machine, and 792 hours for the T8-62 lathe.

b/ With the old plan, there was no way to know if there was a shortage or surplus of machine hours for each type of machine. That was why the enterprise was completely passive in accepting sub-contracts from other enterprises because it was not sure of its own capabilities. The planned production of water pipes was too low compared to the production potential and the number of machine hours available. Because of unrealistic planning, there was the following surplus of machine hours: 4,000 hours for the drilling machine, 990 hours for the standing lathe, 2,000 hours for the planing machine, and 1,000 hours for the milling machine. When the enterprise tried to find out the need for water pipes, it was told by the Planning Comission and the Water Office that it should produce as many pipes as possible. Thus, the planned production of water pipes did not rely at all on the consumption needs.

c/ The old plan did not reveal accurately which type of equipment was still lacking in the Mai Dong plant.nor which type should be transferred to other enterprise. The application of mathematics clearly provides an accurate basis for the planning of new equipment for the enterprise. It is also a scientific basis for the transfer of equipment from one enterprise to another within the same sector. Together with the equipment, there must be skilled workers to use them. That was why the application of mathematics also reveal accurately the shortage or surplus of each type of workers and the amount of their salaries. This constitutes a scientific basis for the transfer of labor from a surplus area to a shortage area.

d/ It was also through the application of mathematics to production planning that we realized that in the past the planned targets did not have any practical or scientific basis, the equilibrium of equipment and labor was slow and

uncertain, that was why the supply of materials and capital was inaccurate. The application of mathematics revealed that the Mai Dong plant could not achieve the planned targets in 1968.

In short, the old way of planning had many shortcomings because the plan was not based on accurate norms, did not have a scientific basis, did not stick close to the production potential of the enterprise and the requirements of the national economy. The disequilibrium was not clearly revealed and the state and the enterprise were unable to exploit all the potentialities. The management cadres in the enterprise did not know in advance whether they could achieve the planned targets. When difficulties cropped up, the plan had to be readjusted and its implementation was very passive. The result was that the cadres and workers lacked enthusiasm and the leaders in the enterprise could not evaluate accurately the production potentials and the difficulties of the enterprise. What was even more harmful was that the old way of planning could lead to the following negative aspect: the enterprise which was clever in their reporting might receive low targets while the one which did not know how to present their difficulties would be given higher targets, thus leading to inaccuracies in the evaluation of the performances of various enterprises.

In finding out the above-mentioned shortcomings and realizing the usefulness of mathematics in the control of planning in the Mai Dong enterprise, the Hanoi Industrial Bureau and the leadership cadres in the Mai Dong enterprise have a firm belief in the new method and are determined to use mathematics in setting up plans for the enterprise. Some cadres were rather reluctant at first and thought: "The Mai Dong plant was so slow and mathematics was so complex and theoretical, wouldn't it be unrealistic and rather utopic to apply mathematics to the enterprise?" But they have started to change their minds after seeing the concrete results.

II. Use of Mathematics in Planning the 1968 Production for the Mai Dong Plant and the Results Achieved

a/ Setting the problem. We used the binomial expression to plan the 1968 production for the Mai Dong enterprise. First of all, on the basis of the task entrusted to the enterprise and on the real situation in the plant, we grouped the equipment into groups having the same use. We came up with 15 various groups. In 1968, the Mai Dong enterprise was

assigned to produce eight different products. With the given groups of equipment, the available work force, and the number of products to be manufactured, we were able to calculate the total amount of production hours in 1968 for each group of equipment. The problem set up with the help of mathematics was designed to:

1. Put to maximum use the production potential of the Mai Dong machine plant; there shouldn't be any surplus or shortage of machine hours so that the plant could achieve its highest production level.

2. With such production potential and in such condition, what should be the quantity to be produced for each product so that the output value, the commodity value, the business income, and consequently the labor productivity and socialist accumulation would be highest? In setting up this problem, we did not forget the objective and subjective factors, that is the limitations and restrictions of a production plan.

b/ Solving the problem (see the footnote at the end)

In solving the problem, we found the most logical production plan. In the old plan, there would be shortage as well as surplus of machine hours for various groups of equipment so that it would be difficult to achieve the planned targets and the planned total output. In the most logical production plan that we found, the production potential of the enterprise would be used fully, the total output value would increase by 4.2 percent compared with that of the old plan. Moreover, we can safely say that if there is no major change, the Mai Dong enterprise would certainly fulfill this progressive production plan.

In the following simple chart, the readers can compare the indices in both the new and the old plans:

Name of target	Percentage in Old Plan	Percentage in New Plan
Steam Hammers (in kind)	100	101.1
Water Pumps (in kind)	100	34.2 (1)
Water Pipes (in kind)	100	1,165.0
Output value	100	104.2
Accumulation level	100	107.0

(1) To achieve the planned production target for water pumps, the enterprise must sign production contracts with other plants and request for additional equipment and labor.

c/ Comparing the old and the new method

The advantages of the new production method are clearly shown in the following points:

1. There is no need to bring new equipment to the Mai Dong plant (moreover, one milling machine was in excess and could be sent to another enterprise); there is no need to assign additional labor to the plant (two workers at the milling machine could even be reduced); there is no need to increase the total amount of wages (1,200 dong of wages could even be saved for the year); there is no need to invest additional capital, both fixed and mobile, -- that is with the old conditions of production or even less, a higher total output and a higher accumulation could be obtained through more scientific, more logical, and more accurate calculations. The main problem for the Mai Dong plant is to strengthen management, improve working methods, and achieve better organization; there is no need yet to bring in new equipment and labor.

2. In the old method, each change in the plan required the abandonment of the old plan and the setting up of a new plan complete from start to finish, and this procedure required much time and paper work. At the Mai Dong plant, a change in the plan would require two or three reams of paper and two or three weeks of preparation. With the use of the mathematical method in planning, we need only to set up the mathematical model once and for all, and subsequent planning changes would require only the change of some data in that mathematical model. Only when the production direction and task of the enterprise are completely changed that we need to change the entire mathematical model and solve the problem all over again. Thus, as we still have many changing factors in our industrial production, the adjustments in our planning would not require too much time and effort. The new method in planning would insure flexibility in the setting up of the plan and at the same time the state plan is still being followed correctly.

Once the most logical plan has been adopted, the most important problem would be the organization of its implementation. The Mai Dong plant requested additional cast iron from the supply agency to produce more water pipes. In supervising the production process, we can also apply the mathematical method to the supply of materials, the standardization of production, and the guidance of production in the workshops, the production cells, and the important links in the chain of production. In looking at the above-mentioned

chart, the plant director can see immediately relative importance of the various products and equipment so that he can concentrate on the most important links and help fulfill the plan of the entire enterprise.

3. Unlike previous years, the Mai Dong plant fulfilled and even exceeded all its planned targets by the end of 1968. This was naturally due also to the many other efforts of the enterprise and higher management agencies. But one of the reasons for this success was the application of mathematics to the planning at the Mai Dong plant so that the new plan had a scientific basis, was closer to the production capabilities of the plant and to the consumption needs, and regulated more accurately the use of capital and equipment at the plant. The guidance for the implementation of the plan was also more flexible and required less time, less effort, and less paperwork. The cadres, workers, and plant officials became more familiar with scientific working methods. The evaluation ofemulation results was also more accurate. In the Mai Dong plant, there was a new spirit of enthusiasm.

III. First Experiences from the Application of Mathematics to Planning and Guidance for Plan Implementation at the Mai Dong Machinery Plant

We have learned the following experiences from our work:

1. In order to apply mathematics to planning, we need first of all to good norms, especially the amount of labor and materials needed to produce a unit of product. In order to have good norms, we must improve the quality of our industrial management, strengthen the statistical network, and record accurately all our primary data. We can use various methods (time punch, photography, statistical experience) to determine norms. Here the approximation method can be used widely. Without the determination of the norms for the consumption of labor and materials for each unit of product, there would be no scientific basis for the application of mathematics to any enterprise.

2. We must be able to demonstrate through practical experience that the application of mathematics to planning would not make planning more complex and more difficult, on the contrary, it would make it simpler and more accurate. In fact, it would require only one person working for about five hours to solve the above-mentioned problem. With some practice, a man would need only three hours of work and six sheets of paper to solve the problem in production planning for the Mai Dong enterprise.

Looking at the new plan, the industrial planners and the management cadres can see clearly the capabilities of the enterprise, the number of machine hours available for each type of product, the quantity to be produced for each type of product, the total output of the entire enterprise, the type of equipment not needed, and so on. A simple look at the plan would show its scientific basis and strengthen our conviction that the plant would be able to fulfill all the planned targets.

3. We can see from this that each production division can have its own group for the application of mathematics to the enterprise. Such a group would require at the most four persons: a group leader (he is the assistant division directro, the chief of the planning or the technical section), an economic engineer, a technical engineer, and a mathematics cadre with a college education. If there is no mathematical cadre, the two other engineers must know college mathematics.

Each enterprise can set up its own group for the application of mathematics to its activities. Such a group would require only three persons: an assistant direction (group leader), a middle-level economic cadre, and a middle-level technical cadre. These three cadres would need only to have at least a high school education. A number of high-level technical cadres would work closely with this group. These high-level cadres would be familiar with the application of mathematics to industrial management and planning.

Because of this simple organization, any production agency, any enterprise would be able to apply mathematics to its production planning and its implementation of such plans. There will no need to disturb the management machinery of the agency or the enterprise; a rearrangement of the existing cadres in the planning and technical sections would suffice to set up the new group.

From the experience of one enterprise, we do not dare to nurse the ambition of defining the concrete requirements for the application of mathematics to the improvement of industrial management for the entire country. We only want to voice here our fervent wish that the state management agencies pay some attention to our first successful experience, encourage further efforts in this field, and set up appropriate policies to expand the application of mathematics to the planning and management of our industries and our economy.

FOOTNOTES

For purpose of reference for the readers who are familiar with the application of mathematics in industry, we give here a summary of the problem we used in the Mai Dong plant.

I. Posing the Problem

a/ The equipment was divided into the following 15 groups:

1. T630 lathe
2. 1616 lathe
3. T862 lathe
4. Standing lathe
5. C620
6. 736 plane
7. "Giuong" plane
8. "Soc" plane
9. Round grinder
10. Flat grinder
11. Milling machine
12. Horizontal cutter
13. Simple cutter
14. Drill
15. Other lathes

b/ Pose as unknown quantities the various products to be manufactured during the year:

X1 is the number of 50 kg hammers
X2 " 75 kg hammers
X3 " 150 kg hammers
X4 " 8K25 pumps
X5 " 2K6 pumps
X6 " Ø 200 pipes
X7 " Ø 150 pipes
X8 " Ø 100 pipes

(The two 250 kg hammers we produced as a test were not introduced into the equation because we reserved a sufficient number of machine hours to produce them).

c/ The number of machine hours available for production use in 1968 was as follows:

7,762 hours for the T630 group, 27,217 hours for the T1616 group, 8,859 hours for the milling machine, 10,414 hours for the T8-62 group, and so on (that is the left side of the equation reproduced below. See Fig. 2a).

At the Mai Dong plant, there were 15 groups of equipment which yielded 15 inequalities (the number of inequalities was equal to the number of machine groups). And the number of unknown was equal to the number of product types manufactured by the Mai Dong plant.

Thus the entire 1968 production plan of the Mai Dong enterprise was summarized in the following system of m inequalities and n unknowns (here m 15 and n 8). This system of inequalities is called the mathematical model:

Fig. 2a

								No of products
46X1 +	69X2 +	12X3 +	4X4	+	6X6 +	2X7	≤7,762	1
4X1 +	5X2 +	18X3 +	3X4				≤4,606	2
106X1 +	157X2 +	180X3 +	75X4 +	34X5 +	16X6 +	10X7 +	14X8 ≤27,217	3
36X1 +	54X2 +	19X3 +	18X4 +	36X5 +	3X6 +	3X7 +	3X8 ≤10,414	4
7X1 +	10X2 +	15X3 +	9X4	+	X6 +	X7	≤3,621	5
24X1 +	4X2 +			+	12X6 +	11X7	≤10,715	6
38X1 +	56X2 +	67X3 +	15X4 +	4X5 +	3X6 +	2X7 +	X8 ≤8,984	7
34X1 +	50X2 +	47X3 +	X4				≤3,647	8
13X1 +	2X2 +	5X3 +	2X4 +	12X5			≤3,967	9
11X1 +	14X2 +	18X3 +	2X4 +	X5			≤2,351	10
19X1 +	20X2 +	15X3					≤1,257	11
31X1 +	42X2 +	73X3 +	X4		X6 +	X7 +	X8 ≤8,859	12
	42X2 +	46X3 +	50X4				≤3,049	13
	65X2 +	74X3					≤3,705	14
32X1 +	40X2 +	42X3 +	15X4		5X6 +	4X7 +	3X8 ≤8,615	15
1 +	2 +	3 +	4 +	5 +	6 +	7 +	8 + 9	No of columns

Each of the above-mentioned inequation was also a limiting condition of the production plan. The plan must also satisfy the quantity requirement for each type of product.

The fixed price for each type of product was as follows (with 100 dong taken as a unit):

115 for the 50 kg hammer
115 for the 75 kg hammer
250 for the 150 kg hammer
32 for the 8K25 pump
16 for the 2K6 pump
4 for the Ø 200 pipe
4 for the Ø 150 pipe
4 for the Ø 100-75 pipe.

The output value of the 1968 plan for the entire enterprise will be represented by the following function:

$$\text{Max } (115X1 + 115X2 + 250X3 + 32X4 + 16X5 + 4X6 + 4X7 + 4X8).$$

In solving the above mentioned system of inequations, we found the required results and built the new plan.

In case of extraordinary events in the course of the implementation of the plan, the following procedure should be adopted:

Each column represents a product. If consumption does not require any further production of the 50 kg hammer, we need only to take column 1 out of Fig 2a while leaving other columns intact. When a new line of product is introduced, we need only to add another column to Fig 2a. To replace one type of product by another, we need only to replace the old column by a new one. If we have one additional T1616 lathe, we need only to add to the left hand side of the second inequation the number of additional machine hours for the T1616 lathe.

Each line in Fig 2a represents a group of equipment. When the number of machines in a group is increased, we need only to add the extra number of machine hours to the left hand side of the line showing the capabilities of that particular group of machines.

In short, when a line of product is replaced by another, when the number of machine hours is increased or decreased for a group of machine (because of changes in the requirements of the national economy toward the enterprise or changes in the production capabilities of the enterprise), we need only to replace a column or a line of the above-mentioned mathematical model.

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SUCCESS OF DAI DONG WEAVING COOPERATIVE ANALYZED

[Article by Tran Quang, Cadre in the Industrial Committee of the Thai Binh Provincial People's Council: "The Dai Dong Weaving Cooperative, the First Banner of the Thai Binh Handicraft and Light Industry"; Hanoi, Cong Nghiep, Vietnamese, No 19, November 1969, pp 38-42]

The Dai Dong weaving cooperative is located in Dong Son township, Dong Quan district, Thai Binh province. The weaving profession has been practiced for many generations and each and every family know how to weave. The Dong Son cotton cloth, also known as the Do cloth, was quite well-known in the past. Besides weaving, the people in the township also till the land and engage in business.

During the resistance against the French, the Dong Son township was under the French rule and weaving was completely stopped until peace was recovered. But even then, the people still worked individually and it was only in 1959 that the first production group was formed to accept sub-contracts from the government.

In 1960, the cooperative was formed and it achieved a higher level in 1962. Since 1961, the Dai Dong cooperative has strived to improve its performance: it raised the total output value from 632,860 dong to 998,681 dong and with a starting capital of 2,710 dong contributed by the members, it made a profit of 129,100 dong. With this new capital, the cooperative used 69,755 dong to purchase new tools and equipment and 43,171 dong to build 47 brick houses which are now being used as the production plant.

The cooperative was proclaimed progressive unit in the past five years, the "three high-points" unit for the past four years. For five consecutive years, the party chapter was acknowledged as the four-good chapter, the youth group as the four-good group, and the women's group

as the five-good group. Two of the production cells in the cooperative are at present registered in the contest for socialist labor cells and in 1968, the cooperative had 20 emulation soldiers and 255 progressive workers.

In the other fields such as culture, arts, sports, the cooperative also had many outstanding achievements: in education, 100 percent of those at school age attended classes regularly; in the arts, many reserve artists were trained and sent to perform in various localities in the district and province; in sports, physical education sessions were organized regularly, a female volley ball team was formed, and a defense athletics team was also sent to compete in many competitions held in the district and in the province; the para-military troops were acknowledged as a red-banner platoon and were considered the leading progressive unit of the township and one of the best units of the district.

Since 1964, the cooperative has received many awards and recommendations from the government, the Ministry for Light Industries, and the Provincial Administrative Council. At present, it is acknowledged as the first banner of the Thai Binh handicraft and light industry.

All the above-mentioned achievements of the Dai Dong cooperative were due to many causes. We would like to enumerate here some of the main ones.

I. The Leadership of the Local Party Commissioner, the Determination of the Dai Dong Party Chapter, and the Exemplary Spirit of the Cadres and Party Members were the Decisive Factors in the Strong and Solid Development of the Cooperative

In 1960, when the cooperative was set up, the party commissioner in Dong Son township realized correctly that textile weaving was a traditional profession and, if properly developed, it would contribute, along with agriculture, to the improvement of the people's standards of living. That was why he appointed the assistant party secretary, who was also cumulating the function of township chairman, as the manager of the cooperative and assigned five party members to the cooperative leadership committee. At the beginning, during the building and growth of the cooperative, the commissioner also strived to resolve the difficulties encountered by the cooperative.

From 1961 to 1967, the Dai Dong weaving cooperative, though a professional cooperative, did not benefit from the state food system and was subjected to the same distribution system as agricultural cooperatives. This made the artisans nervous and they could not concentrate on their production. The commissioner himself explained the distribution system to the cooperative members in the weaving branch as well as those in agriculture and told them that the members in the weaving branch would have exactly the same distribution privileges as those in agriculture. His explanations gave more confidence to the members in the weaving branch who would then concentrate fully on their production. During emergency periods such as flood or drought fighting or harvest time, the members in the weaving branch took an active part in agricultural production. When the weaving branch needed additional labor, the commissioner asked the management of the agricultural cooperatives to send their workers, thus avoiding labor disputes between the weaving and agricultural cooperatives and carrying out the motto of "mutual assistance for development."

The party commissioner in Dong Son township paid special attention to the building of the party in the Dai Dong cooperative. The Dai Dong party chapter at first had only six members who were sent by the commissioner to the cooperative to assume leadership responsibilities. Six years later, the chapter grew up to 25 members. Some of them were sent to help the armed forces and the other branches in the district and in the province while some others became the key cadres in the township. At present, the chapter has only 17 members, of whom only six are not directly related to production while all the others work directly in production along with the teams and cells. All of them possess an examplary spirit, a high sense of responsibility, and good organizational skills. In production, the party members always act as a leading force setting up examples for the cooperative members to follow. When the cooperative was still poor, those who did not work directly in production voluntarily accepted low administrative salary. The manager held a key role in the cooperative and often had to work hard, but he received the same salary as the other cadres, and sometimes even less than the average income of a cooperative member engaged in production. The party secretary was also a party commissioner for the township and could devote only little time to actual production: some months, he received only 20 dong, but he continued to work hard. Though they met with many difficulties in their livelihood, the party members always strived to overcome them and none of them had to borrow from the cooperative or take anything from the cooperative, whether it was a piece of wood or a

steel bar. The examplary spirit of the party members greatly helped all the workers, from the management committee to the cooperative members, to become united in their thought and action.

In production, the Dai Dong chapter maintained a high determination, especially in the improvement of tools and equipment. Realizing that manual weaving would yield only low productivity and uncertain quality, the comrades decided to step up the improvement of equipment. At the time it was set up, the cooperative had only 2,710 dong contributed by its members. But because of the determination of the chapter, all the cooperative members strived to increase their accumulation in order to improve the equipment, although their income was still low. And in only five years (1962-1967), the cooperative had an accumulation of 112,926 dong for the building of improved frames and the construction of a new plant, without having to borrow from the state. To solve the difficulties in materials, the chapter mobilized and developed the spirit of self-sufficiency among all the cooperative members. The members took turn to go to the localities to purchase old wood, iron, bearings and they also got in touch with the state enterprises to purchase their by-products for further use. That was why, in 1965 alone, the cooperative built 60 improved frames and by the end of 1967, it had renovated 50 percent of all the frames in the cooperative.

At the time the improved frames were built, the members were afraid that the new frames would be difficult to use in weaving and would reduce productivity. The chapter sent a number of its young members to the cooperative to use the new frames. When it was clearly realized that the improved frames would yield higher productivity and better product quality, then only the cooperative let everybody change to the new frames, that was why all the cooperative members were very enthusiastic.

If the Dai Dong chapter succeeded to maintain unit and solidarity, it was mainly because it carried out correctly the principle of democratic centralization and was able to maintain a close relationship between the party and the government. Many problems were brought before all the members for open and democratic discussion. That was why when the work was distributed to the workers, everybody strived to fulfill their tasks correctly. Whenever he met with any difficult problem, the manager would discuss the matter with the party secretary in order to reach a common solution. At the same time, if the party secretary had any matter for public discussion, he would consult the manager first in order to reach a common view. That was why the manager and the party secretary were able to avoid antagonism in their working methods.

The party members would accept without a complaint any task entrusted to them. Many comrades who were working in the management committee were suddenly transferred to production cells or to other tasks would continue to serve loyally without a complaint. And whatever task was entrusted to them by the party, they always fulfilled them well. This caused the party members to respect and believe in the party.

II. Strengthening Materials Management and Stepping up Technical Improvement

Besides concentrating on party building by using the youth and women's organizations as a nucleus and by seeking to improve the spirit of collective ownership of the cooperative members through political indoctrination, the Dai Dong cooperative also strived to improve the management of the cooperative. It concentrated first of all on achieving a better management of materials and on stepping up technical improvement. For this, the cooperative strived to improve the weakest links first so that it could slowly improve the entire chain of production.

In the past, from 1961 to 1963, the cooperative never had to repay the government for loss of thread, and this had a great influence on the thinking and the livelihood of the cooperative members. On the other hand, as the weaving techniques were uneven in quality, the defective textiles amounted to 27 percent of the amount of textiles contracted to the members. Faced with this situation, the management committee realized that it must first of all strive to improve the management of materials.

After studying the situation, the management committee found out that the loss of state thread was due not only by the pilferage done by some bad cooperative members but also by waste in the weaving process. At the time of thread rolling, any tangled thread would be cut off and thrown away, thus causing much waste and loss. Once the cause had been found, the management committee stopped the pilferage done by the bad cooperative members and supervised more closely the threading process. To raise the spirit of responsibility of those working in this process, the cooperative decided that the workers would put their names on the thread rolls and must try to untangle the snarled thread. This reduced the negligence of the workers and the amount of thread loss and waste. When various types of thread were supplied to the cooperative, the management committee held many weaving tests and determined carefully the norms for each type so that the cooperative members did not have any complaint when they were assigned the new threads.

Once the problems in materials management had been resolved, the management committee started to discuss the technical problems. In order to resolve the technical problems and increase productivity, the cooperative decided to improve the equipment and replace the handicraft frames by the improved ones. Once the improved frames had been adopted, there were also the problems of repairs and replacement parts. At first, the cooperative had to order all spare parts, from a simple bolt to the wheel, at the production bases in the province or purchase them in other localities and this could involve a waiting time which could stop production from 15 to 20 days. The cooperative set up in good time a six-man machine and wood repair cell to produce spare parts and repair the frames; that was why the number of frames waiting to be repaired was slowly reduced and the cooperative became self-sufficient in many spare parts, including the shuttle, which it had to purchase elsewhere in the past. As for simple malfunctions of the frames, the repair cell taught the workers how to repair these themselves.

In the rainy season, the high humidity impaired the quality of the thin threads, causing them to break more easily and reducing productivity. The cooperative concentrated on improving the starching process so that the threads would not break easily.

In conjunction with setting technical norms for the various links in the production process, the teams also tried to have close technical supervision of each worker in order to discover deficiencies early and correct them immediately. Once the workers complained about a frame, the cooperative would send the repair team to see the frame immediately so that the workers would not have to worry about the production equipment. The cooperative instituted a three-layers control system: self control by the production cell, control by the assistant cell leader in charge of technical matters, and control by the technical manager at the warehouse at the time of storage.

Thanks to its persistent efforts in the improvement of the various links in the production process until the entire chain of production became markedly better, production management at the cooperative achieved many good results and contributed to productivity increase and cost reduction.

III. Organizing Logical Production Based on Geographical Location; Having Close Supervision of the Production Unit and Logical Labor Arrangement; Assigning Targets Correctly on the Basis of Democratization of the Planning Task

The Dai Dong cooperative was a high-level one, but it was scattered in four villages in the township. It relied on the geographical position of these villages to organize its teams and production cells. Each team had a team leader and two assistants, one in charge of organization and planning, the other in charge of technical problems and living conditions. Each cell had a cell leader and an assistant. The team leader and his assistants visited the cells daily to control the labor situation and supervise the implementation of technical plans. A member of the management committee was assigned to the teams to supervise the daily production. Thanks to a close supervision of the teams and cells, the management committee could have weekly assessments of the production and the other activities of the teams and cells and spotlight in good time the results achieved as well as the deficiencies to be corrected. The emulation spirit in the teams and cells was very high, and that was also one of the main reasons the Dai Dong cooperative had always fulfilled and even exceeded the state plans every year.

In the daily assignment of labor, the cooperative took into consideration the personal conditions of each worker and each family in order to achieve a logical distribution of labor and put to maximum use the labor potentials of each family, including its children and old people. A family having no help and a large number of children would be assigned to the starching and drying of the threads; old people, children, and weak workers would be assigned to spinning; and strong workers to weaving. Thanks to a logical work distribution, the cooperative put its work force to maximum use and the production chain was not interrupted. Through daily supervision, the cooperative could spot immediately weak or sick workers needing extensive rest and sent in new replacements so that production would not be delayed or stopped.

In conjunction with a logical distribution of labor, the cooperative also assigned norms to the workers according to their health and personal situation and mobilized the workers to accept their norms voluntarily. In the emulation movement for the implementation of the plan, not all the workers were assigned the same norms. For example, the cooperative decided that each quarter the A1 category (strong workers) would weave 53 rolls of cloth, the A2 category 50 rolls, the B1 category 48 rolls, and the B2 category (weak

members or female workers having many children) 45 rolls only. This logical assignment of norms created favorable conditions for all workers to achieve their assigned targets.

IV. Instituting Savings, Increased Accumulation, and Public Accounting for all Cooperative Members

Among the various aspects of management, the Dai Dong cooperative paid special attention to its financial management and strived to increase its savings and accumulation. The income of weaving contractors and production members was very low. If there was no accumulation for the improvement of equipment, labor productivity would not increase, and it would be difficult to improve the standard of living of the cooperative members. The cooperative patiently explained to its members the benefits of accumulation for the expansion of production and the improvement of living conditions. From 1961 to 1968 alone, the cooperative increased its accumulation 48 times. On the other hand, it tried to reduce its expenses. All expenses had to be approved by the members and all big expenses had to be passes unanimously by management and the members' congress. All incomes and expenses must be correctly accounted for. The cooperative decided to cancel all entertainment expenses. Bad practices such as organizing luncheons or dinners at the time of inventory control, review of monthly or quarterly economic activities, sale of merchandise to the state were non-existent at the Dai Dong cooperative. Since 1963, the financial agencies had to acknowledge that the financial management of the Dai Dong cooperative was very good. Most of the expenses of the cooperative were for production while the administrative expenses were kept at a minimum. The ratio of cadres not directly engaged in production to production members was only 1.8 percent and this showed the concentration of the cooperative on production. All expenses, whether large or small, were publicly accounted to all cooperative members, thus making all workers confident and happy.

In the past five years, the Dai Long weaving cooperative has grown quickly to become a good unit in Thai Binh province for the overall production of management. It is now striving very hard to improve its equipment so that by the end of 1970 all its frames have been improved and mechanization could start. At the present rate of development, it will certainly make further advances and remain as the first banner of the Thai Binh handicraft and light industry.

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