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TYPE PRODUCTIVITY ENHANCEMENT
PROGRAM FOR EASTERN EUROPE AND
THE FORMER SOVIET UNION

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No. 3

February 1994

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and
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Presented at the Institute: January 28, 1993

The views expressed in this paper are entirely those of the authors and should not be attributed in any manner to the World Bank.

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Building Capabilities: A Marshall Plan type Productivity Enhancement Program
for Eastern Europe and the former Soviet Union

by

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January 1993
(revised)

This paper was prepared for presentation at the "Osteuropa-Seminar", jointly organized by the Institute for Advanced Studies, Vienna, and the Vienna Institute for Comparative Economic Studies (Vienna, January 28, 1993). The views expressed in this paper are entirely those of the authors and should not be attributed in any manner to the World Bank.

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I. INTRODUCTION

The economies of countries of Eastern Europe and the former Soviet Union (FSU) today resemble neither a command nor a market economy. In most of these countries, the state no longer directly controls enterprises as it used to, yet the full set of institutions, networks and best-practice capabilities vital for a well-functioning market economy is still missing.

It is clear that the building of a modern market economy where there was none before requires a great deal more than macroeconomic stabilization and privatization. Among other elements, knowledge by all participants of a wide variety of implicit and explicit rules and procedures that enable a market economy to function are needed, together with an array of institutions that facilitate the smooth functioning of these markets. This "market infrastructure", that is, the whole body of capabilities and institutional memory that together makes up the organizational backbone of a market economy, cannot arise overnight. In the industrialized market economies, experience has accumulated over many, many decades, though at times faster in some countries than in others. The emerging market economies of Eastern Europe and the FSU, in contrast, lack a great deal of this experience, and lack the time needed for know-how to develop in an incremental fashion. A great deal of attention by policymakers to the development of market-supportive institutions and capabilities will be essential, therefore, in order to effectively jump-start this process.

This paper puts forward the case for a particular type of local capability building mechanism, productivity enhancement study tours inspired by the technical assistance (TA) component of the historic Marshall Plan. Such study tours, complementary to other forms of capability and institution building, could yield quick and visible assistance by providing participants with both the opportunity to see for themselves what works in a well-functioning market economy and the means to adapt it to their local environment. A distinguishing feature of this approach, modelled on the Marshall Plan TA programs, is the degree of rigor that would be applied to the management of the entire process to ensure maximum value added, including meticulous up-front planning by regional or national productivity centers, stiff criteria for participant selection, structured and intensive work schedules during the actual tours, commitments by participants to report writing and dissemination activities, and careful follow-up evaluation. For

the emerging market economies of Eastern Europe and the FSU, the study tour approach also is very flexible, and could be used for institution-building (to transfer know-how for setting up privatization programs, payments settlement mechanisms, business registration or real estate market development, for example) as well as productivity-building in agriculture, manufacturing and service sectors (including the possibility of tying support to institutional change, for instance restricting production-related study tours to privatized entities).

As background, the next section provides a selective overview of critical aspects of the Marshall Plan TA programs and a more detailed review of a specific country program. The third and final section presents evidence for the relevance of the study tour approach for Eastern Europe and the FSU, and discusses a few important implementation issues.

II. THE MARSHALL PLAN TA PROGRAMS

Until very recently, there appears to have been relatively little written about the technical assistance programs of the Marshall Plan and their impact in increasing labor productivity in Western Europe.¹ Based on a recent review of the Marshall Plan TA programs, this section emphasizes a few critical features that made Marshall Plan TA distinct from other forms of technical assistance delivery.² More detailed historical information on one particular country program is also provided.³

¹ An interesting early description of the principles behind the European effort for higher productivity, the work of the national productivity centers, and the catalytic role of U.S. aid can be found in Jean Fourastie, "Towards Higher Labour Productivity in the Countries of Western Europe", *International Labour Review*, 63:4 (April 1953), pp. 340-55. For information on country-specific TA programs, see International Cooperation Administration (ICA), *European Productivity and Technical Assistance Programs: A summing up*, Paris, 1958.

² For a detailed historical discussion of the establishment of the TA programs under the Marshall Plan, the organization of the national productivity drives, sector study tours and follow-up TA support services, see James Silberman, "The History of the Technical Assistance Programs of the Marshall Plan and Successor Agencies, 1948-1961" (Draft mimeo), 1992, Industry Development Division, The World Bank, as well as the more policy-focused, summary paper "Restructuring for Productivity: The Technical Assistance Program of the Marshall Plan as a Precedent for the former Soviet Union", by James Silberman and Charles Weiss, Jr. (mimeo, 1992).

³ The Austrian country program is described in some detail; in the original Silberman piece, the specific national productivity programs described are those of France, the United Kingdom, the Netherlands, Norway and Turkey, as well as

a. Historical Overview

For a variety of reasons, a significant gap appears to have developed between levels of productivity in industry and agriculture in Western Europe and the United States by the end of the Second World War. Although Britain and France began showing interest on a national scale in the question of productivity by the mid-1940s, it was not until United States involvement in connection with the Marshall Plan began in 1948 that action plans were formulated and concrete programs to enhance productivity in European nations began.⁴

The Marshall Plan TA programs constituted the largest and most comprehensive coordinated effort of technical assistance to industry and agriculture ever undertaken. In fact, because of the scale and intended impact of the programs, it is a misnomer to refer to the programs as "TA": while the programs had TA elements, their main point was much broader, namely an enormous national effort to do everything possible to close the productivity gap and thereby raise living standards in a very short period of time.

Over the years 1948 to 1957, the programs reached most industrial plants, agricultural entities and marketing agencies in Western Europe, at a direct cost of less than 2.5 percent of the better-known capital assistance program.⁵ In tandem with complementary initiatives, the programs accelerated the postwar economic recovery, raising the annual rate of increase in the

Taiwan and Japan (Silberman, *op.cit.*, Chapter VII).

⁴ An initial survey of representative sectors of British and French industry was conducted by the U.S. Bureau of Labor Statistics in 1948, with the concurrence of Paul Hoffman, Director of the Marshall Plan, and served as a catalyst for the massive country-specific TA programs. The surveys were undertaken in response to concern by the U.S. secretary of labor and leaders of U.S. industry that funds transferred under the capital assistance program would not be employed as productively as possible absent a complementary effort to improve European production organization and management practices (*ibid.*, Chapter III).

⁵ The total direct costs amounted to approximately U.S.\$ 300 million over 1948-57, with roughly 80 percent in U.S.-controlled local currencies generated by sales of U.S. grant aid of commodities, materials and machinery (*ibid.*, Box 1, p.5). This figure can be compared to the U.S.\$ 12.5 billion that was ultimately made available to Western Europe between 1948 and 1951; for an analysis of the economic effects of the capital assistance program, see Barry Eichengreen and Marc Uzan, "The Marshall Plan: economic effects and implications for Eastern Europe and the former USSR", *Economic Policy*, April 1992, pp. 14-75. Significantly, no mention is made in this article (nor in most other articles on the Marshall Plan) of the TA components of the Plan.

labor productivity of Western European industry from its historic level of about 1 percent per year to 4 percent or more. It was not uncommon that productivity would increase by 25 to 50 percent within a year within individual enterprises with little or no additional investment. Many of the participating countries continued the TA work long after the conclusion of the formal program, showing that they were convinced of its value.

As a model mechanism for building capabilities, three elements of the historic programs deserve special emphasis: their then-novel "reverse TA" study tour approach, their use of built-in multipliers to ensure subsequent broad dissemination, and the broad nationwide priority given to individual country efforts.

"Reverse TA" study tours. The Marshall Plan TA programs used the reverse of the now-conventional approach for foreign TA delivery. Instead of sending general advisors and specialized consultants to Western Europe, large numbers of closely supervised productivity study tours were sent from Western Europe to the United States.⁶ Over roughly a decade, from 1949 to early 1957, the programs together brought about 19,000 Europeans from management, supervisory staff, government and labor to the United States, to learn at first hand new concepts of private and public management, production, distribution and marketing required for increased productivity in industry and agriculture. Such productivity study tours enabled participants to see for themselves what best-practice looks like in their own area of expertise, so that they could then come back home and apply what they had seen, adapting it to fit their local environment.

The size and composition of teams varied substantially in the Marshall Plan country programs, depending on the particular subsector or functional area of specialization. In general, industrial/agricultural subsector teams (such as grey iron foundry, furniture manufacturing, or fruit canning) and functionally-specialized teams (such as materials handling, or standardization) were relatively large, usually between 12 and 20 people. Each such team was structured to include representatives from several enterprises of the same subsector or function, and was composed of a mix of industry association leaders, top managers, middle-management (supervisors,

⁶ Following an initial survey of representative subsectors of British and French industry conducted by the BLS in mid-1948, it was felt that the differences in efficiency relative to U.S. best-practice were so great that only large-scale visits of comparable U.S. plants could convey an understanding of productivity increase potentials.

technical people) and workers.⁷ Teams composed of legislative members and senior governmental officials, on the other hand, were smaller (4-10 people).

The study tours typically lasted from 4 to 6 weeks, with a strenuous schedule of plant visits, seminars, collection of data and documents on plant equipment, costs, labor relations and other aspects of enterprise operations, and report writing. On average, each industrial subsector team went to 5 different industrial centers, and visited one, two or three separate plants in each locality. Training was an important element of these visits: at each industrial center, there would be some form of training, either through a film, or through sitting in on a course for foremen, mid-level supervisors or managers. It was seen as important to teach production, R&D, management and marketing concepts not in the abstract, but always related to specific industrial products.

Multiplier mechanisms. Through a careful set of mechanisms including mandatory preparation and dissemination of reports by participants and follow-up technical services from the United States, Marshall Plan TA programs provided a broad, systematic exposure to new productivity-enhancing ideas throughout the participating country. The goal was to generate as much spillover to the rest of the economy as possible. At the conclusion of each study tour, the team members were required to compile and publish a book-length technical report, including photographs, blueprints, drawings, plant documentation, and statistics from the U.S. enterprises that they had visited, and disseminate it widely throughout their own country.⁸ On their return home, each of the team members would typically visit a number of other factories, and participate in regional seminars, conferences and training sessions.

In addition to dissemination efforts by participants, a comprehensive network of follow-up technical services was provided both from the United States and through national productivity centers. The list of follow-up technical services included: (i) digests of technical material, industrial and trade journals in semitechnical language understood by lower-level technicians; (ii) reports on U.S. practice in standardization, specialization and simplification; (iii) display in Europe of samples of U.S.

⁷ The tripartite structure of the teams (employers, engineers and workers) apparently was critical in fostering collaboration between social classes (Fourastie, *op.cit.*, p. 347).

⁸ By 1958, some 950 study tour team reports had been published, with a circulation of over 1 million copies (Silberman, *op.cit.*, p.37).

products suitable for local manufacture; (iv) mail inquiry services on technical and managerial problems, with recommendations by U.S. firms; (v) statistical data on U.S. productivity as benchmarks for measuring progress on the shop floor; and (vi) training programs for managers, engineers and supervisors, including the training of trainers. In this way, the programs continued to assist participants back home and reached much beyond, introducing almost all industrial and agricultural entities to approaches and techniques to reduce costs, and increase output, quality and variety more than a generation in advance of what they were then using.

Nationwide priority. Perhaps the main achievement of the study tour programs was to change attitudes, to change the mind-sets of managers and workers to the centrality of productivity for economic prosperity. To rapidly focus everyone's attention on productivity as the primary mechanism for raising living standards, it was felt that a "psychological shock" was needed, which could best be achieved through a broad, high-profile, nationwide program (referred to as national "Productivity Drives"). To get the required nationwide support, the programs were conceived at the highest levels of government, industry and labor in participating countries. Rather than being imposed from outside, the programs were adapted to local conditions and adopted at the national level only following an understanding by decisionmakers of the nature of productivity gaps, and the relation between productivity and living standards.

The organization of each country's productivity enhancement program was run by a prominent, high-level Productivity Center (or equivalent agency). In addition to publicizing the goals and content of the nationwide Productivity Drive, the Center's main responsibility was to coordinate the study tours; the Center also published the tour reports, promoted subsequent inter-plant visits and follow-up technical services, and disseminated information. To support more effectively local needs and specific subsectors, Centers often were organized into regional and subsector divisions.

The most successful programs began with a flood, so that the entire population would quickly see some tangible effects: within the first year or two, there were at times 100 or more teams that had gone and come back, yielding a tremendous weight of evidence for the benefits of the program.⁹ As well, the most successful countries during the Marshall Plan had very large public relations departments and turned out many, many

⁹ See Silberman, *op.cit.*, p.36.

brochures, so that every person on the street understood what increases in productivity meant, and how they would translate to higher wages, lower prices, and higher living standards.

b. The Austrian National Productivity Drive

The U.S.-led initial surveys of representative subsectors of British and French industry in mid-1948 and the first British study tours to counterpart U.S. plants in 1949 were a strong incentive for other Western European countries to follow suit. Of all other Western European countries, Austria was the next country to reach an agreement on the launching of its own program. In fact, an in-depth dialogue with U.S. counterparts was initiated by the Austrians as early as 1947, at the same time as British and French discussions. Extensive talks were then held in December 1949 between Marshall Plan staff and Austrian government, industry and labor officials, leading to the establishment of the Austrian Productivity Center (OPZ, Oesterreichisches Productivitaets Zentrum) in Vienna in 1950.¹⁰ In view of the centrality of exports for the Austrian economy, the importance of reducing costs for export production was recognized from the beginning.

Initially, the OPZ was established as a non-profit private association comprising employer and trade union representatives (as in Belgium and Switzerland, and in contrast to the public bodies of Italy and Denmark or the mixed public-private bodies of France). During the initial discussions, labor-management hostility was evident, though less pronounced than in some other countries. Labor representatives were seeking explicit guarantees in return for their participation in the productivity enhancement program, given that factory rationalization during the 1920s had been accompanied by increased unemployment without increased wages nor reduced prices. Industry representatives, on the other hand, were thinking solely in terms of new equipment and increased labor effort, and were unwilling to provide guarantees until the results of the productivity drive were known. The bilateral U.S.-Austrian discussions were a critical forum to put forward the view that, based on the U.S. experience, re-equipment and labor effort could by themselves

¹⁰ Austrian counterparts in the December 1949 discussions included two Ministers, four labor unions (Paper Workers Union, Metal Workers Union, Private Employers Union and Chamber of Labor), the Chamber of Industry (Productivity Section), the Industrialist Federation, the Employers Research Association, the General Research Institute, and representatives of the National Institute of Economic Statistics. A great deal of information for this section is derived from "Review of Austrian Productivity Program, December 15-24, 1949", by James Silberman (December 27, 1949; from Silberman's personal files).

account for only a small part of potential productivity enhancement.¹¹ Rather, productivity enhancement was the result of numerous technical management and marketwide reforms, including improvements in factory layout and departmental organization, work flow, materials handling equipment, time and motion analysis, job subdivision, inspection and packaging, material and component standardization, reduction of excessive variety of models, frequent design improvements and the benefits from enlarged markets with longer production runs.

With time, the climate for labor-management cooperation improved. By June 30, 1951, 29 separate Austrian study tours had visited the U.S., including separate teams for logging, farm mechanization, agriculture extension services, forest and agriculture mapping survey techniques, agricultural statistics, chemicals, on-the-job training for young farmers, young foresters and engineers, and government-labor-management relations. The funds committed to the Austrian TA program under the Marshall Plan for fiscal year 1951 amounted roughly to U.S.\$ 303,000; to mid-1957, the funds channelled to the Austrian productivity program totalled U.S.\$ 23 million.¹²

As an example of the effectiveness of study tours, the "on-the-job training for foresters" team returning from the U.S. had broad, measurable spillover effects. Following the training received by this group of foresters, they in turn travelled from area to area to give intensive one-week courses. Though the training concentrated on such simple tasks as sharpening and setting of saws and efficient work methods, careful subsequent measurement showed that output and salary per worker were increased on average by 30 percent after taking the course. As the benefits of the course became more widely known, the OPZ became swamped by applications, eventually leading to the training of a sizeable share of all forest workers in Austria.¹³

In 1952, the OPZ was reorganized in the legal form of a non-governmental association following a labor-management agreement on the

¹¹ In the talks, the Austrians had initially given insufficient attention to practical engineering and operational production problems facing factories. At the time, the average European worker was expending far more physical effort, and for longer hours, than his/her U.S. counterpart (where productivity was higher).

¹² Economic Cooperation Administration, Technical Assistance Division, "Year End Report - Fiscal Year 1951" (August 15, 1951), Washington, D.C; and ICA *op.cit.*, p. 71.

¹³ See *ibid.*, p. 72.

continuation of the national productivity drive (though the Center *de facto* operated under the supervision of the Section for Economic Coordination in the Federal Chancellery, since that is where control of the U.S. counterpart funds resided). Over the ensuing years, the Center, with a staff of 50, continued to play an important role in coordinating the study tours, and organizing training courses and informational services. However, these functions were shared with a large number of management, labor and government-sponsored groups dealing with productivity. In addition to the various government Ministries that are concerned with productivity (Ministries of Agriculture and Forestry, Trade and Reconstruction, and Transport and Power), the Regional Institutions for Economic Promotion (under the provincial Chambers of Commerce), the Austrian Association for the Promotion of Economic Efficiency, the Institute for Economic Research, the Working Group for Research in the Distributive Trades, and the Institute for Small Business Research all had explicit mandates to handle questions relating to productivity, as well as benefitting from separate sources of funding.

Given its background as an early leader in the Marshall Plan TA programs and its success in narrowing the productivity gap in its own industry with a large central staff as well as through more decentralized channels, Austria is in a strong position to reapply its national experience to countries of Eastern Europe and the former Soviet Union. Much of Austria's as well as other Western European countries' experience seems directly applicable to the emerging market economies to the East.

III. THE CASE FOR A MARSHALL PLAN TYPE PRODUCTIVITY ENHANCEMENT PROGRAM

a. The current Eastern Europe and FSU context

Without doubt, one of the most striking similarities between countries of Western Europe in the late 1940s and countries of Eastern Europe and the FSU today is the large gap in productivity levels with international best practice. Just as in Western Europe in the late 1940s, there is an extreme scarcity of modern management and marketing capabilities in both industrial and agricultural enterprises, stemming importantly from a legacy of isolation and lack of contact with world markets. In the former Eastern bloc, an extreme bias towards military production together with capital goods in general being favored at the expense of consumer goods have further created rigid patterns of management practice that are not well suited to a more flexible, market-oriented environment. In addition, as in Western Europe in the late 1940s, many high government and business officials in Eastern Europe

and the FSU today are unaware about both the concept of productivity and modern approaches to enhance productivity. Of critical importance, failure to implement a tangible program with rapid and visible benefits may have had profound political consequences then, as it may today. The same sense of urgency prevails today. Finally, one of the most important criteria for the success of a productivity enhancement program, a well-educated and skilled workforce, exists in Eastern Europe and the FSU, as it did back in Western Europe.

There are also many differences between the political and economic situation in Eastern Europe and that of postwar Europe. In addition to more severe macroeconomic challenges, critical market-supportive mechanisms and institutions are still very underdeveloped in the emerging market economies of Eastern Europe and the FSU, and underlying legal, fiscal and regulatory frameworks remain inadequate. At the enterprise level, many managers are accustomed to managing only production, given the prior fragmentation of enterprise functions, with procurement of inputs, product selection, sales and marketing, and research, development and design undertaken outside the production-oriented plants. Indeed, a sizeable proportion of the population remains unfamiliar with the basic workings of a modern market economy. Furthermore, the commitments to market reform vary from country to country, often from region to region within the same country, and at times from month to month. In some countries where policymaking governance structures remain very fragile and where a tradition of respect for laws has not yet fully emerged, it may be difficult to organize and establish effective central Productivity Centers; in such cases, more decentralized and regionally-based efforts may be called for.

Importantly, the rest of the world also has changed fundamentally, in both geopolitical and economic terms. During the Marshall Plan, the United States was the single dominant donor, and the recipient countries were relatively eager to follow the U.S. lead. Today, there are a multitude of potential hosts, with differing national or hemispheric-wide objectives. In economic terms, the world marketplace has become global, and the level of competition between national and multinational enterprises has intensified sharply.¹⁴ Perhaps one of the most important differences of a positive

¹⁴ However, based on interviews of enterprises conducted in summer 1992 in the United States to gauge their willingness to participate in a potential study tour program, most companies appeared willing to accept visitors and show them technology and management methods appropriate to their needs. The concern with secrecy regarding latest technology was also evident in the 1950s, and did not pose an obstacle to the broad sharing of technology of more general

nature between then and now is that there already exists a historic precedent where many countries have benefitted, countries that today will still remember and therefore may be even more willing to help out in turn.

b. Implementation issues

Based on the achievements of the Marshall Plan TA programs, a strong case can be made for the urgency of conveying to the populations of Eastern Europe and the FSU the message of the centrality of productivity enhancement to rapidly improve living standards. And as an effective mechanism to enhance productivity, study tours with built-in multipliers can offer quick and visible assistance with critical spillover to the rest of industry. In particular, there appears to be a growing and understandable frustration on the part of Eastern European and FSU counterparts who have received Western consultants that ask a lot of questions, and then go back to their own countries to write about what they have learned; it is not uncommon for the next wave of consultants to ask the same questions that were asked the previous time. The timing seems ripe for capability-building through a massive reverse flow of study tours. However, does a compelling case exist for national or multilateral public involvement in such efforts, or is it sufficient to rely on private parties to initiate and fund such study tours on a pure enterprise-to-enterprise basis?¹⁵

There does indeed seem to be an important role for public involvement in the organization of study tours, ideally including at least some multilateral involvement in coordination. Critical drawbacks of the extreme laissez-faire approach include (i) the likely omission of specific industrial or agricultural subsectors that may be of greatest benefit to rapidly increase local living standards, (ii) the inherent lack of industrywide dissemination from privately-organized tours, and (iii) the absence of a population-wide education campaign on the benefits of enhanced productivity.

"Gap-filling" and coordination. To give rise to a rapid and visible increase in living standards for the population as a whole, industrial subsectors that produce very basic goods and services that local consumers

applicability.

¹⁵ With much lower international travel and communications costs, a number of private initiatives are already taking place with Western companies bringing Eastern European/FSU managers and workers to their headquarters for training, often funded at least partly through home government training grants.

need most and want most should be at the top of the priority list. In addition, subsectors that have relatively low foreign exchange requirements, that already have a reasonable state of technological modernity, that can soak up excess pockets of employment in other areas of the economy, as well as critical public sector-related and governmental institutions may all be desirable candidates for rapidly raising living standards, yet may not be priority areas for Western private sector agents. Public involvement would be critical in "gap-filling", in subsidizing or funding industrial subsector tours and governmental tours that meet broader developmental objectives (and that may or may not be requested by Eastern European or FSU counterparts) but would not otherwise be organized. From the international business community viewpoint, production of goods and services geared largely to the domestic market, that will not immediately provide another source of international competition, likely would generate less resistance or obstruction.

As examples of industrial subsectors that meet some of these "preconditions of success", low-cost furniture and clothing can be produced with high-productivity technology at low capital intensity. Improvements in production of other goods and services related to the housing sector, such as inexpensive home appliances and construction materials, probably also will be well received by local consumers. Another priority are best-practice techniques for processed food, that is, the packaging, canning, freezing, drying or powdering of basic foodstuffs, to save the surplus from rotting. The production of silos to dry and store grain, as another example especially for Russia and the Ukraine, would use available technology and prevent spoilage, saving an otherwise big drain on foreign exchange. Banking services and trade finance, payments clearing mechanisms, various public sector institutions, as well as spare parts depots, goods handling, transportation and distribution services, are other areas for visible improvements. Given the underdevelopment of market forces in providing consumer information, it may be desirable, relatively early on, to commission a quick survey to understand what consumers need most and want most. The creation of new jobs in the consumer "goods and services" cluster would subsequently facilitate downsizing in some other industrial subsectors.

There may also be a public oversight role to ensure that selected enterprise participants in Eastern Europe and the FSU meet specific "preparedness to respond" criteria. Within particular subsectors, each enterprise that would like to participate in the program should be required to submit a plan, a proposal of what it would like to accomplish and hopes to learn, together with background material on the enterprise's current state of technology. A related criteria for enterprise selection should be the

availability of substantial raw materials and input stockpiles, so that enterprises can immediately implement what they have learned, upon their return. For example, a furniture enterprise with stockpiles of wood, varnishes and other finishing materials would be preferred to one without any or very low levels of material stocks. After submission of proposals by enterprises wanting to participate in study tours, competent individuals from the local/national productivity council should visit the prospective participant plants to verify that submitted information is correct and that what was proposed is feasible.

Another critical area for public oversight, to ensure that foreign public resources are efficiently spent, is individual participant selection. Careful attention will need to be paid to the selection of team members, so that selection is from a broad enough base to prevent capture by one or a few interest groups. It may be useful, in addition, to enlist the assistance of trained local psychologists in the formulation of regional advertisement campaigns, to help ensure that appropriate candidates apply. Screening of chosen team members by foreign company officials that have extensive local contacts in any particular subsector is also desirable as an additional check on the appropriateness of participants. For the travel to industrialized countries, it will be critical to structure incentives to prevent study tours from becoming a vehicle for either foreign shopping sprees or defection. The study tours need to be so intensive as to provide little free time for unrelated activity, and prudently supervised; to the extent that factory workers value peer opinion, for instance, it may be desirable to have the results of a final evaluation by the host country of all participants posted on bulletin boards of factories/agencies back in the home town. Most importantly, lessons need to be learned and incorporated from previous experience with Eastern European and FSU study tours abroad.

A compelling case for complementary multilateral coordination arises as soon as more than one donor country intends to participate in receiving study tours. There are gains from cross-country coordination of both requests on the demand side that meet local developmental objectives but are not met by any of the participating donors, as well as multi-country invitations on the supply side in response to only one or two study tour requests. There are also coordination gains from matching requests for the development of specific skills with the availability of either very dispersed or very localized international expertise. Importantly, rather than functioning as a hands-on administrator, multilateral coordination should function as an information clearinghouse. Any degree of multilateral coordination, however, should not prevent as many decentralized, privately-

initiated study tours as possible from taking place. Finally, in certain countries, it may be preferable to concentrate public efforts at the local or regional level rather than at the national level, with successful local initiatives then stimulating the center.

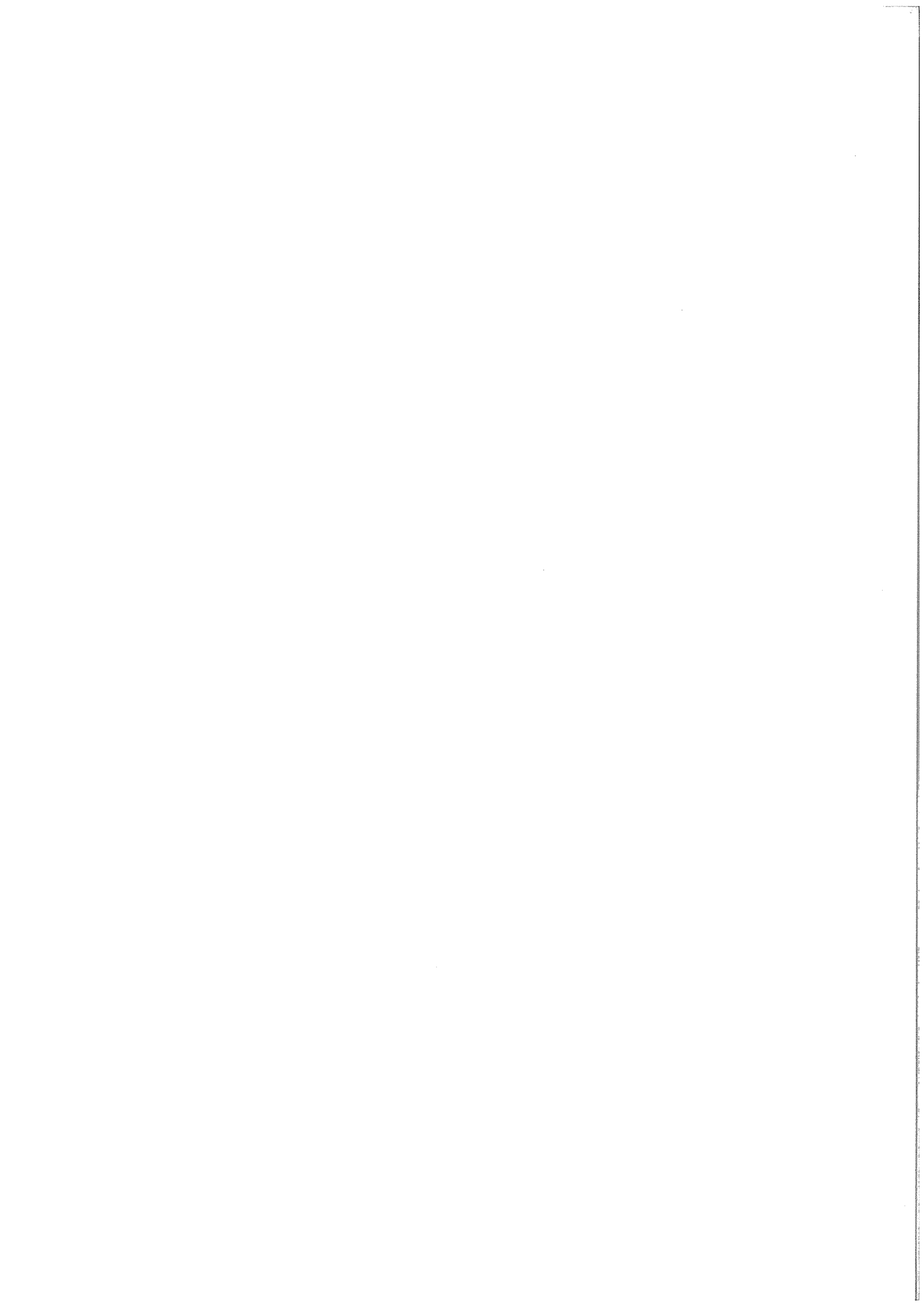
Dissemination. To promote industrywide dissemination, both knowledge and information acquired from study tours should be broadly shared and a wide array of not-inexpensive technical services should be made available. If the study tour effort is restricted exclusively to individually-organized private initiatives, the benefits of enhanced productivity will only diffuse slowly from targeted recipient enterprises, since the incentives will be to keep the information proprietary rather than to share it as widely as possible. Funding for subsequent rounds of study tours could be made conditional on written reports and their broad dissemination by previous groups. With respect to the provision of follow-up technical services such as digests of technical materials and benchmark data on best-practice that will benefit everyone, there is a public goods aspect which merits public funding.

Public relations. Finally, a multilateral effort may be appropriate in assisting participating counterparts in their own conceptualization of their population-wide education campaign. The historic Marshall Plan TA programs worked best in countries where there was a deep level of understanding and commitment to productivity enhancement, throughout government and the productive sectors. From the implementing (Eastern European or FSU, countrywide or regional) counterpart's point of view, it may be more effective to have a public relations effort emphasizing a few identifiable major themes rather than a series of separate, country-specific or firm-specific assistance efforts. Ideally, the basic notions associated with the productivity concept and its benefits to all affected consumers, workers and producers should be as understood in countries of Eastern Europe and the FSU as the concept of "privatization" currently is. In this context, it will be critical to differentiate very clearly the Soviet emphasis of the past on increased productivity arising from working harder, faster and longer hours to the more appropriate emphasis on everything that contributes to more efficient production (of which sheer physical labor effort is only a very small component).

Austria as a catalyst. Austria, and other Western European countries that once have benefitted enormously from productivity enhancement programs, should now contribute to an updated program for Eastern Europe and the FSU. Given the dim prospects of sufficient investments in the near future

needed for sustainable growth, the need is urgent to help these emerging market economies make more efficient use of their available resources. In this endeavor, Austria has a comparative advantage in terms of historical, cultural, linguistic and business ties, especially with Slovakia, the Czech Republic, Hungary and Slovenia. Austria also was one of the first Western European countries to participate in the Marshall Plan TA programs. It should now seize the initiative in putting together a similar program for Eastern Europe and the FSU. If too strong a motivation to tie technology-related assistance to narrow national commercial interests is perceived by Eastern Europe and the FSU, not only will there be less dissemination and reduced goodwill but the prime objective of rapidly narrowing the productivity gap and thereby increasing political stability will be lost.

A lot is at stake, not just with one or two countries, but with the continent as a whole. It is very important to provide assistance with problems of the real side of Eastern European and FSU economies, since failure there may not only lead to increased migration flows to the West but failure of the whole reform program, with potentially very widespread, destabilizing consequences. Given these shared, supranational interests, all industrialized nations, including the United States, Canada, Japan, and other East Asian and Western European countries, should pull together to help. With the involvement of more than one industrialized country, the effort should have at least some multilateral coordination. Austria, as a frontier State with decades of geopolitical neutrality and firsthand historical experience with its own national productivity drive, could also play a leadership role in multilateral coordination. Together with other industrialized countries, Austria should seize the moment and act.



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