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STRATEGY OF EXPORTING FIRMS IN THE SOCIALIST ECONOMY

The term strategy has been traditionally connected with the warfare. It has been laso used with reference to some sophisticated games like chess. Since the appearance of the work of Neuman and von Morgenstern the concepts of game and strategy have been more and more used in the analysis of the behavior of economic actors. [1] Concepts of the theory of games served initially to describe the behavior of decision makers in the market — free and monopolistic. Those were mainly zero sum competitive games. [2] Later the concept of games has been extended also over non-market behaviors of economic and social actors — e.g. over behaviors in administered systems. The concepts of game and strategy have particullary strong relations to the activistic approach to the behavior of economic and social actors. In the approach social and economic phenomena constitute an „ecology of games" played by purposefully behaving actors. [3]

In theory of the socialist economy prevails a view of firms (enterprises) as passive objects of the central steering. Only a relatively short time ago attention has been paid to the autonomous behaviors of enterprises. It has been noticed that they often come out of the central control and/or can successfully block central inititives. This turner the attention of the economists to the game paradigm as an instrument for describing and analysing the behavior of firms in the socialist economy. The firm does not react to central signals but actively responds to the behaviors of other economic actors (including the central administration) and takes autonomous actions. It plays a game(s) with the actors from it's environment. Some patterns of behavior can be observed in the game(s). They can be called strategies.

In the article the game paradigm is used to analyze the behavior of exporting firms in the socialist economy. It is attempted to identify

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[1] J. Neuman, O. Von Morgenstern, Theory of Games and Economic Behavior, Princeton University Press, Princeton 1953.

[2] see K.S. Moorthy, „Using Game Theory to Model Competition", Journal of Marketing Research, vol. XXII, no. 3 (August 1985).

[3] see M. Crozier, E. Friedberg, L'Acteur et le système. Les constraintes de l'action collective, Edition du Seuil, Paaris 1977.

their strategies. But to answer the question „what is the strategy of exporting firms?" another question should be answered first — „what game are they in?". The game(s) played does not determine however the behavior of the firm. Other aspects of the environment and internal characteristics of the firm should be taken into acount.

The structure of the article is as follows:

1) a general model of the behavior of the firm is a starting point,

2) next — a model of interactions of the firm with the actors in it's economic environment is presented (the model is a part of the general model of the behavior of the the firm),

3) finally games (and strategies) played by exporting firms in the socialist economy are analyzed — the case of Poland is taken as example.

Basic assumptions

Two main concepts of the behavior of the firm can be distinguished — deterministic and activistic ones. Behavior of the firm is defined as every change in it's structural state i.e. any change in it's relations with the environment and any change in it's internal structure. Behavior externally determined is called a reaction.[4] Sometimes technology is deemed to be a determining factor.[5] Social determinism can be also found. In that approach behavior of firms and other social actors is determined by the requirements of maintaining the functional equilibrium of the social system,[6] or by some laws of social development.[7] In the contingency approach researchers have been trying to formulate a comprehensive list of factors determining the behavior of the firm — — it's internal and external contexts. In many concepts of the socialist economy firms are treated as passive centrally administered objects.

Partly auto-determined behavior is called a response whereas a fully autonomous behavior is called an action.[8] Advocates of the activistic approach treat the firm as a responding and acting actor. An observeable patern in the firm's responses and actions can be described as it's strategy. A characteristic of a strategy contains:

1) all changes in the relations of the firm with it's environment — i.e. a position change vector of the firm,

2) all changes in the deployment of the firm's resources — i.e. a structural change vector of the firm.

The activistic concepts of the firm take different shapes. In the neoclassical economics the firm is treated as a rational decision maker (homo oeconomicus). The research by H.A. Simon has undermined the vision

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[4] see R.L. Ackoff, „Towards a System of System Concepts", Management Science, July 1971.

[5] e.g. J. Woodward, Industrial Organization. Theory and Practice, Oxford University Press, London 1965; C. Perrow, „A Framework for the Comparative Analysis of Organizations", American Sociological Review, April 1967.

[6] e.g. T. Parsons, Structure and Process in Modern Societies, The Free Press, New York 1960.

[7] e.g. many marxist concepts.

[8] see R.L. Ackoff, op. cit.

of the rational decicion process. [9] In extreme cases the decision process within the firm has been compared to and accidental huddle of divergent elements and factors — see „a garbage can model of organizational choice". [10]

The article advocates the activistic concept of the firm. The deterministic approach is rejected as most of the deterministic concepts show lack of comprehensiveness — they show a „bias" towards some groups of determining factors. The rejection of determinism is also based on more fundamental assumptions. The firm is a social system that is composed not of reacting automats but of persons having a free will. So the firm is a multiactor system in which the actors behave in a purposeful manner i.e.:

$$B_p = f(K, N, d),$$

where:

B_p — a purposeful behavior of an actor,

K — the knowledge of the actor about the conditions and results of the behavior,

N — the norms of the actor,

d — nuisance variables (e.g. emotional states of the actor).

The purposeful behavior is not equal to the rational one (rational in the objective sese). Poor knowledge about the conditions and results of the behavior can cause that the responses and actions of the actor may not lead to the ends prefered by the actor. By accumlating and enriching the knowledge an actor can make his or her behavior more rational in the objective sense — can rationalize the behavior. [11]

The purposeful behavior also differs from the subjectively rational behavior, which can be describe as follows:

$$B_r = f(K, N)$$

A purposefully behaving actor as opposed to a rationally (in the subjective sense) behaving one is under influence of different disturbing factors (nuisance variables).

Behavior of a multiactor system like the firm cannot be reduced to the sum of behaviors of the constituting actors. Similiary inappropriate is a holistic vision of the firm as a supraindividual entity. In the article the ontological and methodological concept of systemism has been admited. [12] The firm is not a simple aggregate of individuals but it is a supraindividual entity neither. It is a system of interrelated actors. As a system the firm has systemic or global characteristics. Some of the characteristics are reduceable, other are not. The latter are rooted in particular actors and their interrelations but do not characterize them. Thus the firm can be treated as a responding and acting actor but it's responses and actions and it's strategy in general cannot be explained without former recognition of behaviors of the constitutiong actors and the interactions between the behaviors.

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[9] H.A. Simon, Administrative Behavior, 3d ed. Macmillian, New York 1976.

[10] M.D. Cohen, J.G. March, J.P. Olsen, „A Garbage Can Model of Organizational Choice", Administrative Science Quarterly, vol. 17, no. 1 (1972).

[11] the notion of rationalization used here is different from the notion used in psychology.

[12] see M. Bunge, „A Systems Concept of Society. Beyond Individualism and Holism", Theory and Decision, vol. 10 (1979).

A general model of the behavior ot tne firm

The assumptions presented above form a basis for a general model of the behavior of the firm. The firm is treated here as a proposefully behaving actor. The core of the model is the straegy makig process (SM). It is composed of two interrelated subprocesses — the strategy formulation process and the strategy implementation process. The result of the strategy making is the strategic vicion — SV. It often takes a form of of a formal strategic plan. From the strategy implementation process emerges the real strategy of the firm — S, (an observeable patern in it's behavior)and the organization of the firm — O.

As the firm is a multiactor system the strategy making process is a social interaction. The actors bring their interests in the process. An interest of an actor can be defined as that what he or she considers to be advantegeous or preferable. In practice the interests manifest themselves in the actors' goals. Particular actor gain also different influence on the direction (position change vector) an on the way the firm behaves (deployment of resources).

A general framework for the behavior of the firm is imposed by the environment in which the frm is located. From the enironmental position of the firm (P) results a set of potentially available strategic options — a set of potential strategies (S_P).

The set of potential strategies can be reduced to the set of feasible ones (S_F). The reduction is done by taking into account the firm's resources (R) — it's personnel, technology, financial, material and intangible resources. The resources of the firm limit it's behavior in two ways. First the amount and productivity of the resources reduce the number of strategic option feasible in given environmental conditions. Second the mobility of the resources restricts the possibilites of changing the position of the firm in it's environment.

The set of feasible strategies contains the actual strategy of the firm (S). Two additional factors influence the actual behavior of the firm. The first one is it's strategic vision (SV). The role of this factor depends mainly on the fact if from the strategy formulation process a coherent and realistic strategic vision can emerge and if the strategy implementation process can carry the vision into effect. The behavior of the firm is also influenced by it's organization (O). The division of labour and power and the communictaion network tell us who and how influences the strategy formulation and who an how influences it's implementaion.

Strategy of the firm can be effective or uneffective. A strategy is effective if it enables to maintain or to widen the field of manoeuvre of the firm — i.e. it's set of feasible strategic options. This can be achieved by relaxing the limitations connected with the position of the firm in it's environment and/or by buildng up firm's resources. A strategy is uneffective if it reduces the field of maneouvre of the firm.

Thus the strategy of the firm influences it's position and resources in a positive or negative way. Position of the firm in it's environment and it's resources depend not only on it's behavior, but also on external factors not considered in the model (e). The scheme of the interrelations in the general model of the behavior of the firm is presented in fig. 1.

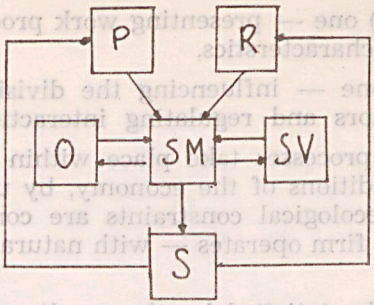


Fig. 1

In the functional notation the model takes a form of a set of interrelated equatations i.e.:

— the set of potential strategies (S_p) is a function of the environmental positionof the firm(P):

$$(S_p) = f_1 (P),$$

— the set of feasible strategies (S_f) is a punction of the environmental position of the firm (P) and it's resources (R):

$$(S_f) = f_2 (P, R),$$

— the strategy realized by the firm (S) is a function of it's position (P), it's resources (R), it's organization (O), it's strategic vision (VS) and the strategy making process within the firm (SM):

$$S = f_3 (P, R, O, SV, SM),$$

— the position of the firm in it's environment (P) results from it's strategy and from external factors not considered in the model (e):

$$P = f_4 (S, e),$$

— the resources of the firm (R) depend on it's strategy (S) and on external factors (e):

$$R = f_5 (S, e).$$

Behavior of the firm in an economic system

The goal of the article is an analysis of only one of the elements of the above presented model. The question is to explain the nature of interactions between the firm and other actors in it's economic environment. The environmental position of the firm can be analyzed at least in four analytic planes:

1) position ot the firm in the ecological system,
2) it's position in the economic system,
3) it's position in the social system,
4) its position in the global system.

Thus the economic environment is only one dimension of the environment of the firm. It seems however it has a fundamental meaning for it':s behavior as the economic activity is the main characteristic identifing the firm among other social actors.

Two basic aspects of economic processes can be distinguished:

1) the natural (real) one — presenting work processes in an economy and their technological characterstics,

2) the regulating one — influencing the division of labour among different economic actors and regulating interactions among them.

The real economic processes take place within a framework set by natural (ecological) conditions of the economy, by used technologies and by social needs. The ecological constraints are connected with natural conditions in which the firm operates — with natural resources, climate, soil, etc.

Material social needs statisfied by the results of economic processes are shaped mainly by cultural factors (in developed societies). For example in Poland a strong penetration of consumption paterns from better developed Western societies can be observed.

An important factor influencing the real ecnomic processes is the set of technologies available in a given economy. The technological level of the economy is a result of a long and complex development process.

The type and intensity of restrictions imposed on the real economic processes in which the firm participates depend on it's position in the technological chain containing technological operations from the extraction of natural resources till the satisfaction of final social needs. Mining firms are strongly affected by the natural conditions. Existing consumption patterns are directly felt by consumption goods producers and retailers. Firm located in intermediate stages of technological chains are directly influenced by the constrainst dictated by employed technologies.

The real economic constraints do not determine the behavior of the firm, while:

a) to some extent they can be delibarately slacken or shifted — e.g. the consumption demand can be changed or even created,

b) the firm can usually change it's position in the real economic processes (in the social division of labour).

The possibility of changing the position in the social division of labour depends on internal strategic characteristics of the firm — on mobility of it's resources, organization, strategy making process and on it's strategic vision. It depends however also on the way the economy is regulated.

In the spehere of regulation the firm interacts with other purposefully behaving actors. Below an attempt to model the sphere of regulation is undertaken. The nature of interactions between economic actors and resulting ways of regulation can be presented in two dimensions the distribution of power in an economy and the level of conflict. The distribution of power can be depicted in the form of a continuum. The extereme points of the continuum are: D_t — the state of a complete subordination of all economic units to one central unit and D_o — the state of full sovereignty of all economic actors (fig. 2). The state D_t means exclusively central regulation. In the state D_o only self regulation of the economy occurs. As we are moving away from the extreme points of the continuum the role of power in the economic interrelations is growing. It takes the greatest meaning in the middle of the D_tD_o axis.

Martial economy
Market economy
Political game
Administered economy
Syndicalistic economy
T
M
B/L
C
K_t
K_o
D_t
D_o

Fig. 2

The level of conflict of interests in an economy can be also depicted as a continuum. The point K_o in the continuum denotes a complete lack of conflict an cooperative behaviors only. The point K_t means a state in which the interests of all economic actors are conflicting. The middle of the K_oK_t axis denotes an equilibrium betwen cooperative and conflict behaviors.

The points D_t, D_o, K_o and K_t should be treated as boundary points of the area of economic behavior. It is impossible to find a real economy with only cooperative or conflict behaviors. Similiary there exist no economy in which power is concentrated in one point or all economic actors are fully independent. If through the points D_t, D_o, K_o and K_t we draw straight lines perpendicular to the axes D_oD_t and K_oK_t we will get the boundaries of the area of economic behaviors (fig. 2). The intersecting axes D_tD_o and K_oK_t divide the area into quarters. For each quarter an ideal type of regulation exists. In each ideal type power and conflict relations occur in „pure" extereme forms. In the state of of complete concentration of power and full conflict the tyranny (T) is the ideal type of regulation. It is based on coercion executed by one central unit over all economic units. In the state of full conflict but at the same time of total independence of economic actors the perfect market (M) is the proper regulating mechanism (exactly — selfregulating mechanism). Total subordination of economic units and at the same time lack of any conflict represent the ideal type of bureaucracy (B), if the subordination is based on rational decisions of subordinted units. If the subordination results from ideological or moral indentification the leader — we have the type of charismatic leadership (L). In the case of full cooperation of sovereign economic actors the regulating mechanism is constituted by social consensus. An economic community emerges (C). The real relations between economic actors differ from the ideal types. They are penetrated by the political game (game for power). The role of the game is the greatest in the center or of the area of economic behavior.

It seems that depending on the real interrelations between economic actors at least five basic models of the economy can be identified (fig. 2). Models as opposed to ideal types ilustrate essential characterstics of the economic reality. In the figure distribution and intensity of dotting correspond to the nature of interactions between economic actors in a given economy and to the intensity of the given type of interactions. So there are:

— martial economies in which the coercion executed by central economic actor is the real regulating mechanism,

— market economies — dominated by the market selfregulation,

— administered economies regulated mainly from one central point on the basis of rational subordination of economic actors to the central authorities (it is doubtful if the charismatic power can play any greater role in the regulation of modern economies),

— syndicalistic economies in which the regulation is based mainly on reconciliations between sovereign actors (on social consensus),

— economies regulated in priciple by the political game (political bargaining).

Martial, market, administered etc. economies are model concepts. Those models illustrate the most essential characteristics of the economies. It does not mean that, for example, in a material economy there are no cooperative behaviors or market relations. It only means that behaviors and relations of that type are in that economy relatively rare and unimportant.

Concepts of the economic refrom in the Polish foreign trade

The economic system in which Polish exporting firms operate has been shaped by the economic reform initiated in 1982. In conceptual discussions there was usually a consent as concerned the need for rejection of the traditional command methods of regulating the national economy and the foreign trade. They had proved to be ineffective in practice. For many years their diminishing effectiveness was observed. They could not secure an appropriate rate of economic growth and satisfy social needs. They were unable to give the economy an advatageous position in the international division of labour and to balance the economic relations with abroad.

Sometimes the discrepancy between the command methods and the ideals of the socialist humanism was pointed out. Under those methods executives and workers were reduced to the role of passive executors or the central orders. They deprived participants of the economic life of their subjectivity. People couldnot selfactualize in their work.

Finally the adequacy of the concept of the socialist economy treated as a super-enterprise administered by means of central commands was questioned. Except of a short period of the martial communism in the USSR no socialist ceonomy has been under pure command regulation. There were elements of „parametric" regulation and in many instances — of market regulation (e.g. black and grey market). Bargaining and political games could also be observed.

The basic conceptual argument in the field of the economic reform took and still has been taking place between the proponents of market and „parametric" concepts. The former think that the regulation of the national economy (and of the foreign trade) should be based as far as it is possible on the automatic market mechanism. The role or the central administration should lie in protecting the market and in in regulating it's mechanism when it is necessary (the concept of regulated market). The proponents of the latter approach see the possibility of regulating the economic processes by means of centrally issued „parameters" — i.e. prices, rates of exchange, interest rates, etc. Prices and other economic „parameters" do not result in this approach from free market processes but are delibarately established by the central administration.

The concept of regulated market has been put in a wide scale into practice in Yugoslavia and Hungary. The results have not proved however in a univocal way that the approach is correct. A relatively higher level of balance between supply and demand has been achieved, especially in the consummer goods market. But the rate of economic growth has been unsatisfactory, there have been no structural changes reinforcing the export production, the international competitiveness of the ex-

port has not improved. For many advocates of the market concept economic troubles in Yugoslavia and Hungary result however from unconsitencies in the implementation of „marketization" programmes — from leaving administrative barriers damaging the market mechanism.

Market concepts have a rich and grounded theoretical basis. Theories of the market economy have been developed since the classical economics. They have been continued in the works belonging to the neoclassical theory and in modern neoclassical studies — e.g. the Chicago School. They show a great flexibility and reveal substantial evolutionary power. Many times their basic premises were questioned. The result was not however the rejection of the concept of market economy but it's modification and absorbtion of the „dissenting" theories. That has happend to the theory of monopolistic competion. That can be also observed in reference to modrn theories — the transaction costs theory and new competition theories.

Market concepts have met a resitance of ideological nature, especially from the orthodox iterpreters of the marxist thought. They maintain that in the socialist society the capital market cannot exist. It would be in conflict with the principle of gainig incomes only from personal work. The labour force cannot be treated as a commodity — so there is no place for the labour market. The automatic market mechanism is in a conflict with the principle of planned development . The market inevitably leads to the differentiation of incomes and living standards and that cannot be reconciled with the principle of social justice, etc.

In the reality of Polish economy rather questionable is also the adequacy of the market concepts. Most of the proponents of the concepts see it and treat their proposition rather as postulated ideal that should be aimed at and not as a model depicting the most essential features of the economy.

The evaluation of the competing concept of „parametric regulation" (where the economy is administered by means of centrally established prices, rates, etc.) cannot be fully convincing either. The practical experience is not quite encouraging. To a great degree this a result of an unconsitent implementation of the „parametric" regulation in many socialist economies. For example in Poland even during wide „parametrization" programmes (e.g. so called WOG system introduced in the seventies) many administrative barriers belonging to the command system were left. That led to a degeneration and to a failure of the „parametric" regulation.

The theoretical basis of the „parametric" regulation were given by Lange and Kantorovitch.[13] The main problem lies however in overcoming practical limitations connected with poor structuralization of economic problems. Even now it is very doubtful if it is possible to base the regulation of the economy on administered prices and other ‚parameters".

From the ideological point of view the concepts of „parametric" regulation are rather neutral. Only their superficial similiarity with market methods can provoke incidential attacks by extreme orthodoxes.

[13] see O. Lange, „On the Economic Theory of Socialism" Review of Economic Studies, vol. 4, no. 1 and 2 (1936/1937).

On the other hand there are serious doubts about the adequacy of the „parametric" system. Past experience showed that a considerable part of economic processes came out of the „parametric" regulation and it is doubtful if future improvements in these methods can secure the desired level of central control over the economy.

The main charge that can be raised against the above discussed theoretical concepts is their unsatifactory level of adequacy, their poor compatibility to the economic reality. Though the advocates of market and „parametric" concepts stress the fact that their poproposals should be treated as ideal systems that ought to be aimed at — they have left two important questions open:

1) the problem of identification of the real mechanism ruling the dynamics of th eeconomy and of the foreign trade. Without such an identification all projects and reforms will hang in mid-air.

2) the problem of the „implementation path" — i.e. if the existing economic mechanisms are chageable at all and what is the procedure of transformation of the actual state into the prefered one.

The concentration on ideal (desired) systems leads many times to ignoring of other — real ways of regulation, to an improper simplification ot the economic life and to overlooking of essential factors. Cooperative behaviors and possibilities of regulating the economy by means of the social consensus have ben usually passed over. A disregard of bargaining and political game (game for power in the economy) cannot be tolerated. Lobbies and particular interests are pernament elements of the economic reality. Without taking power relations into account any programme of reforms will be only an unrealizeable fantasy.

Many of the proposed „implementation paths" seem to be rather vague and rely heavily on legislative procedures. Their authors give the impression of having forgotten that the object of the reform is a living social organism and the reform itself is based on an interplay of social forces. It is impossible to implement the economic reform successfully without any concept of the politics of reforming.

The implementation programme

Conceptual discussions lead usually to an implementation programme used as a basis for bringing the new economic system into operation. The implementation programme of the economic reform in the Polish foreign trade was prepared by the VIII Subcommission for Organization and Functioning of the Foreign Trade in the governmental Commission for the Economic Reform.

During the transformation of the ideal vision of the desired system into a practical project some compromises, modifications and deviations from teoretical assumptions for the benifit of real-life constraints were needed. Such a compromise is the programme by the VIII Subcommission.

It seems that the central idea directing the activities of the Subcommission was the concept of „parametric" regulation. Such a conclusion can be infered from many publications by it's members. In accordance with general trends of the economic reform the hierarchical

dependence between the central plan of foreign trade an the plans of the firms was removed. The confority of the behavior of the firms with the central plan should be achieved by means of manipulation of „parameters" — prices, rates, etc. The submarginal rates of exchange should be maintained at the level securing the profitability for 75—85% of total exports. The rates of exchange should be uniform (in imports and exports). To give the prices „parametric" (independent on the firms) character it was decided to base the prices of basic raw materials and energy on the prices of world markets. The tariff policy should play an active role. The taxation policy should stimulate exports. The same role should play the credit policy.

Forseeing some problmes with proper fixing of „parameters" the Subcommission decided to introduce a corrective system of charges and subventions, at least in the initial phase of the reform. The corrective system should have however only a subsidiary role.

Some elements of the traditional command system have been also maintained. For example the central administration has a right to impose on firms tasks resulting from interstate agreements. It is a compromise connected mainly with the character of economic relations with the CMEA partners (the economic agreement in the CMEA are concluded at the governmental level). The central administration was given also the rigth to intervene directly in the personnel policy of the firms. To traditional administrative methods belong also export and import licences and the foreign exchange control. In the latter field however some important innovations were proposed. From 1982 an important source for financing purchases in free-currency countries became so called currency allocations. The above innovation consists in the granting to the manufacturers of the right to puchase foreign currency at the official rate of exchange. The amount of currency that may be purchased results from a detrmined per cent of the value of free currency export by the firm. The above rate (rate of allocation) is determinded by the Ministry of Foreign Trade. The currency allocations can be seen as an intermediate form between command and „parametric" methods.

Finally in the proposals of the VIII Subcomission some market elements could be seen. For example they gave some freedom to the enterprises to shape the institutional structure of the foreign trade. It was provided that exporting and importing manufacturers would have free choice of trade intermediares (foreign trade companies). It was assumed that the structure would be enriched and differentiated by granting licences for direct trading abroad to legal entities (firms and institutions) and to individuals. It was also allowed to choose freely the from of the legal relationships between the firms engaged in the foreign trade operations. Finally a limited use of free (market) prices was permited. To the category of free prices were included trade commissions and margins.

It seems that the weak side of the proposals by the VIII Subcommission was a lack of a social perspective and a technocratic „bias". It is quite probable that a more comprehensive analysis of the social conditions o fthe economic reform could help to overcome many difficulties met during the implementation phase.

The realized economic system

The realization of such a complex venture like the economic reform is not simply bringing prepared projects into operation in a predetermined way. The economic and social situation changes continuously. Many unforseen phenomena emerge. In the result the realized system may be quite different from the projected one. Let us see how the actual economic system is to the dominant theoretical concepts of the socialist economy — command, „parametric" and market systems.

Serious troubles in the execution of the „parametric" regulation can be seen. The desired level of the exchange rates has not been achieved. It seems that the central administration is afraid to devaluate radically the zloty for fear of increasing the inflation pressure and of negative scial responses. For the same reasons the uniformization of rates of exchange in exports and imports has not been achieved. Many prices do not play the role of independent „parameters". Many times they are matter of bargaining between the central administration and enterprises. Tax reductions and exemptions are higly indivudualised and are also a subject of bergaining. Bargaining has even the corrective system. The same can be said about the foreign currency allocation rates.

It also seems to be doubtful if the automatic market mechanism properly plays it's regulating role. The freedom of enterprises in shaping the institutional structure of the foreign trade is still limited. Many of the foreign trade companies have preserved their monopolistic positions. Structural changes are moderate. The economic role of the newly licensed firms is rather limited. The service infrastructure of the foreign trade is still underdeveloped. The banks have not turned into commercial banks. They have remained quasi administrative institutions. The use of free prices in the foreign trade is limited. The situation has even changed to worse by introduction of the category of so called justified costs that are open to bargaining.

According to the premises of the economic reform the use of traditional methods was restricted. They play a rather limited role in the regulation of the economy. On the basis of the past experience it is rather doubtful if they could ever play such a role effectively. Plan assignments and means given to the enterprises easily have been becoming matter of bargaining and political game. All administrative methods are particulary open to the bargaining behaviors — above all the metods that are indivudualised and addressed to individual economic entities. Sometimes expressed expectiations that the restauration of the command system will establish order and discipline in the economy are a pure illusion.

The above observations lead to a coclusion that an essential role in the functioning the Polish foreign trade palays bargaining and political game. The behavior of the economic actors is based to a great extent on the power relations between them. The most important participants in the political game in the foreign trade are: the central administration, specialized foreign trade companies and manufacturing companies. Till now the central administration has managed the control over the game and has been able to control the economy and the foreign trade. In satisfying it's information needs the central administration has been rela-

tively independent on the enterprises. The last few years were a period of recovering of the economic situation from the end of the past decade. The economy followed already known development path. Extraordinary measures of the martial law were also used. Now the situation has been changing. It is likely that the central administration will be more dependent of information flows comminig from the enterprises. It is also likely that the enterprises will take advantage of their monopolistic positions — of the monopolistic intermediaries in the case of foreign trade companies and of the monopolistic suppliers in the case of manufacturing firms. The stalemate situation is quite imaginable. The danger of the loss of the central control over processes in the economy and in the foreign trade is pretty real.