and livestock exports slowly increased. The cooperatives and state farms continued to be plagued by poor leadership and a lack of sufficient capital for inputs such as machinery and fertilizer. Morale was low among workers which led to poor performance and inefficiency. The small number of private farms continued to produce proportionately more than the collectives, especially in livestock and fruits and vegetables.

<u>The New Economic Mechanism</u>

Partly in response to economic stagnation and decline in Hungary, a reform of the entire economic structure, called the "New Economic Mechanism," was launched in 1968. The NEM introduced some elements of a market economy, including decentralized planning and an emphasis on managerial expertise, productivity, and competitiveness in the world market. In the agricultural sector, the government proclaimed that state farms and cooperatives were equally valuable (the Soviets maintained that state farms were superior), and the amount of state investment in the cooperatives increased significantly. Cooperative members were given the right to elect their own officers, and the work week was limited to 48 hours. Cooperatives were also allowed to make decisions about what to produce, to make contracts with state enterprises, and to purchase and own machinery. Prices for many commodities were freed of centralized regulations and allowed, for the most part, to follow the market. In an effort to eliminate the negative agricultural trade balance, incentives were introduced for the production of exportable commodities.

What followed was several years of rapid growth in Hungarian agriculture. Fertilizer use increased from 112 to 276 kilograms per hectare between 1968 and 1975. Total grain production rose from 7.6 million tons in 1970 to 13.8 million tons in 1980. Wheat yields increased