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MALYSHEV ON HOW TO FIX PRICES

Since the September Plenum the Soviet air has been thick with broad generalizations about the need for a better and more rational price structure. But until a week ago no one had come up with any concrete suggestions as to how this sensible objective was to be attained.

I. Malyshev, the deputy head of the Central Statistical Administration, has now moved the debate one step forward by giving some gratuitous advice on the subject to the new State Committee for Prices of Gosplan, USSR. Malyshev's article appeared in Izvestia (October 13th, 1965), and it deals mainly with the importance of profits and profitability in Kosygin's new system.

For seven years past, Malyshev, who has long been a leader of the reform movement, has been saying that "the economic content of the return on capital is profit,"¹ and arguing that profits should be calculated in relation to capital, rather than to costs.

Two parts of his lengthy battle have been won. Profit is now one of the main indices in plan fulfillment, and it is calculated in relation to capital. But it still depends on rational prices, and the latter have by no means been achieved yet. Indeed Malyshev seems to fear that the Prices Committee is going off on the wrong track. He reminds his readers that the Committee is to propose a revised list of wholesale prices by 1st January 1966, and then hastens to exclude "spontaneous market relationship" as a basis for prices. Such market forces seem to him to be a bourgeois heresy.

Instead he claims that price formation must be "scientific," by which he means that prices must approach "socially

1) Voprosy Ekonomiki, no. 9, 1958.

necessary labor costs" as closely as possible and provide a profit at least big enough to pay the interest on capital and to build up the factory's funds.

Then he adds a significant sentence which reads:

.... In our opinion, in fixing prices the whole of the net income of society (added value) should be distributed in proportion to the basic and turnover funds employed. Only such a system of prices would be adequate for the system of planning laid down by the Plenum....

[Emphasis supplied]

Any such purely mechanical system, while admittedly an improvement on the present "administered" prices which have almost no basis in rationality, would still not reflect demand properly, and hence would be likely to fail in the long run. It was pointed out in 1958 (Voprosy Ekonomiki, no. 9) that the Malyshev system has a transparent flaw. If a factory in Gorky, for example, needs machinery and Gosplan tells a plant in Leningrad to supply it merely because the Leningrad plant shows the highest profitability, it may still be true that a third plant in Odessa produces the most efficient machines for Gorky's original purpose. While the profit in Leningrad may be great, it may be more than offset by losses or reduced profits in Gorky.

In this area Malyshev's revisionism has not moved far enough, and the State Committee on Prices would do well to reject it as inadequate. Nevertheless his Izvestia article is a welcome sign that the economic debate has by no means ceased with the ending of the September plenum, despite the drearily repetitive praise for the Kosygin program which is now filling the columns of the press.

r.r.g.