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TREND TOWARDS INDICATIVE PLANNING CONFIRMED

Professor Liberman's latest contribution to Pravda (21 November 1965) makes the intentions of the September Plenum much clearer. He begins by rejecting the dogmatic view which holds that central planning is incompatible with a system based on direct contractual links between producers and consumers.

Central planning, he writes, can no longer be identified with instructions as to how much of everything should be made by every factory in the USSR. "Such attempts only clog the channels of planning and make it vulnerable to the immense variety and constant change of concrete requirements." In practice central planning can and should only determine the general proportions, growth rates and optimal relationships in all spheres of labor, production and consumption.

The purpose of planning henceforth, according to Liberman, is not the maximalization of production but of national income -- a much more intelligent aim. As a result of the September Plenum, the proportion of the national income devoted to consumption is intended to increase materially, largely due to increased efficiency in the use of investments.

What Liberman fails to notice, however, is that the greater efficiency should in its turn come from more productivity, a factor the growth of which has been declining for 3 decades:

Average Growth of Labor Productivity in %¹

1951-55	8.2%
1956-60	6.5%
1961-64	4.6%

1) Kommunist, No. 16, 1965.

Planned Targets to be a Guide, not a Directive

The Professor is on safer ground when he turns to the "control" (i.e. target) figures of the national plan, which henceforth are to be regarded as guiding lights for the factories, not as firm directives. In practice this means that the manager is certain of the lower limits for his sales, but has room for expanding his business by making additional direct contracts with his consumer organizations.

Stores, wholesale and retail firms, as well as supply bases will all be able to act as contracting parties in the direct agreements with factories. Moreover this arrangement is to be introduced in heavy industry as well as the consumer sector, to judge by Liberman's reference to the example of the builders of a power station who draw up contracts for the supply of generators, turbines etc.

The contracts are expected to be long-term (i.e. three to five years), and they can only be cancelled by mutual agreement. Central targets are to be limited to only the most important goods, particularly to those where the state rather than the factory is the main buyer (e.g. fuel, power, metals, chemicals, building materials, the most important foodstuffs etc.).

The gradual restriction of the list of centrally planned supplies will eventually lead to the replacement of rationing by a wholesale trade system whereby even preliminary requisitions are unnecessary. According to Liberman, the wholesalers will have the necessary reserves to be able to absorb unexpected fluctuations in demand. He claims that it is far cheaper to have a certain surplus of supply over demand than to attempt to set up a complex system for the distribution of supplies and the "liquidation of disproportions." Here he is probably arguing with the computer fanatics of the neo-Stalinist school, who believe that the old system could still be workable if only information on local developments were made available to Gosplan in time for it to act.

Once the factory has filled its order books on the contractual basis, the Ministry responsible is supposed to approve the factory's planned target in accordance with the volume of output sold. Thus the central ministries no longer have an initiating role to play. They are now supervisory rather than command agencies, but they will have to assist the more backward plants by finding outlets for their goods, and the more progressive ones by increasing their raw material supplies.

Price Competition Envisaged

Professor Liberman writes:

It is perfectly rational to suppose that there will be inter-factory competition for orders based on quality guaranties, delivery dates and prices.

Price-cutting is therefore now completely respectable, and the question arises as to how to go about it. According to Kommunist (No. 16, 1965) the cost of raw materials, materials and fuel now amounts to 71.4% of total production costs in Soviet industry. This percentage is unlikely to fall, but there is still room for wage costs to be reduced. Kommunist says bluntly:

....We can and should ensure the normal growth of the productivity of labor, without affecting the most important gain made by the workers -- the liquidation of unemployment. In practice this means that it is necessary to allow the factories to rid themselves of their surplus contingents of workers and at the same time to guarantee that other work should be found without loss to the individuals concerned.

[Emphasis supplied]

Such reductions in the labor force of factories, according to Kommunist, will be accompanied by higher wages for the remainder of the staff. But a management which is determined to cut prices will see to it that the cost of the wage increases is not as great as the savings made by its dismissals, thereby leaving itself a margin for underbidding its competitors.

Hence, on Liberman's showing, the elements of competition in the new system are quite considerable. As labor is released by the plants, productivity should go up and profitability too. But Kommunist leaves one in no doubt that these elements of progress must be paid for by at least a temporary rise in the unemployment rate. The service trades will benefit from the labor released by industry, because they can provide new employment with a minimum investment per worker. As there is still no dole in the USSR, the transition period must be unpleasantly austere for a large number of the workers about to be fired.

r.r.g.