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● USSR: Economics

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HEAVY INDUSTRY TO PRODUCE MORE CONSUMER GOODS

(Summary at end)

In a discussion article concerning the inflationary situation in the USSR (too much cash chasing too few consumer goods), Pravda strongly criticizes Gosplan, U.S.S.R., for "artificially" restricting the growth of consumer output in heavy industry plants. (1)

"Heavy industry," Pravda says, "now has the opportunity to provide machinery for the light and food industries, for agriculture, the service trades and for trade on a far larger scale than in the past. Heavy industry plants are being drawn into the direct production of consumer goods on a constantly increasing scale."

The example is given of the Ministry of Investment, Manufacture, Automation and Control Systems, which devoted more than 30% of its output to consumer goods, during the early years of the current 5-year plan.

A number of other branches of heavy industry are also increasing their consumer output as a proportion of the whole effort, but Pravda is campaigning against those heavy industry plants which have the resources, but have so far refused to do their bit. It mockingly scorns their concern for the alleged "purity" of their basic production lines, and says that usually this is only an excuse to screen a more prosaic motive -- the desire to avoid the trouble and effort needed to organize consumer output.

(1) 30 June 1970.

Pravda's contributor, a Bachelor of Economics named Ya. Orlov, takes both Gosplan and the Central Statistical Administration severely to task for artificially dividing consumer goods into the "privileged" and the "stepchildren" in their instruction entitled "On the System for Planning and Accounting for the Production of Goods for Household and Domestic Use."

In other words if the wares are listed in the instruction, they are produced by the factories, whereas unlisted goods are ignored, despite a demand for them, because they cannot be included in the factory's plan and therefore would reduce its reported income. As Orlov puts it, initiative in producing unlisted goods would be "encouraged" by punishment.

Orlov therefore proposes that the official plans in future should provide for a certain percentage of output to be allotted to consumer goods, on a medium-term basis. Secondly the incentive funds should be tied to annual growth in the output of consumer goods.

He insists that this is not a short-term campaign, nor a transient problem, but a long-term and serious effort. For example, he suggests that newly-built heavy industry plants should contain shops for the production of consumer goods designed as an integral part of them.

Orlov makes the point that consumer production, which uses by-products from the main production lines of the plant, frequently earns a good profit, and so it is in the interests of the factories themselves.

He also suggests that either the whole or a major part of consumer output produced as a side-line in the peripheral republics should be placed at their disposal. This would act as a major incentive to their production, and clearly would have the effect of weakening Gosplan. It would also, to some extent, revive the old danger of "parochialism" (mestnichestvo) which led to the abolition of Khrushchev's Sovnarkhozy. It is a proposal which is sure to be met with fixed bayonets by Gosplan, but Orlov is clearly not one of that organization's admirers.

To achieve the necessary climate for maximum consumer output, Orlov proposes that enterprise, local and republican funds should be used, as well as a new special fund formed by the heavy industry plants for the purpose. Its size would be fixed as a percentage of the planned prime cost of the manufacture of consumer goods in the various branches of industry.

Since the whole of this Pravda article is in clear contradiction with the specialization policy, which has been a main theme in Kosygin's economic thinking ever since 1965, Orlov concludes by admitting that the most economic method of expanding consumer output is to build large specialized factories designed for the purpose. But that would mean far more capital investment than the USSR is willing to sacrifice for consumer manufactures, and for the whole period of the next 5-year plan (1971-75) heavy industry is going to be under pressure to do much more for the consumer.

Consequently the expected restoration of the priority for heavy industry growth rates in the coming plan is not as retrogressive as might otherwise appear, particularly when it is recalled that there is likely to be a further small shift in favor of consumption and away from accumulation. (2)

In January 1968 Pravda reported that about 3/4 of consumer durables are produced in heavy industry plants. (3) That implies that about 5-1/2 million radios and radio phonographs, five million TV sets, 3,000,000 refrigerators and 4,000,000 washing machines are now being churned out annually by Soviet heavy industry.

However, it clearly could do much better, and Orlov has suggested some sensible and strongly reformist ways of enabling it to do so. Whether Gosplan will cooperate is a very different question, but at least the State Prices Committee is doing its share by cutting the price of TV sets (by about 5%) (4) and thereby ensuring an even larger market.

At present 56% of Soviet families have TV, (5) compared with about 90% in Britain. So the Soviet market has not yet reached saturation levels, but the fact that the price has had to be cut again suggests that stocks have been mounting recently.

(2) Voprosy Ekonomiki No. 12, 1969, pp. 71-84 and RFE Research report "Priority of Heavy Industry to be Restored in 1971-75?" by r.r.g.

(3) 7 January 1968.

(4) Reuter, 1 July 1970.

(5) Radio Moscow, 12 April 1970.

What does seem clear on the basis of Orlov's article is that the present proportion of heavy industry output devoted to consumer goods (now at least 10% by value) (6) is likely to rise appreciably during the 1971-75 plan.

Summary: A discussion article in Pravda vigorously criticizes heavy industry, Gosplan and the Central Statistical Administration for not doing enough to boost the production of consumer goods in heavy industry plants. This paper gives some of the background, and suggests that such production is likely to increase proportionately to the total output of the factories concerned during the 1971-75 plan.

r.r.g.

(6) Pravda, 7 January 1968.