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PRELIMINARY RESULTS OF THE REVALUATION OF BASIC FUNDS

Two years of laborious, detailed work by the bureaucrats of the USSR are now culminating in the publication of some new statistics of unusual economic interest. Vestnik Statistiki, (no. 10, 1960), in an article by A. Belyakov, announces that on 1st January 1960 the replacement cost of all the basic funds of state and cooperative organizations in the Soviet Union was 2001 milliard rubles. Taking into account the basic funds of budget organizations and kolkhozy, the total is 2438 milliards. If the private property of the population is included (mainly houses and livestock), the figure rises to 2965 milliards.

Fourteen per cent of all basic funds consists of agricultural machinery, the value of which is said to have doubled since 1940. Twenty-seven per cent of the total is in industry, 12% in transport and 32% in housing. All other branches of the economy comprise the remaining 15%.

The sub-division of basic industrial funds is shown as follows:

Engineering.....	20%
Fuel.....	17%
Electric Power Stations.....	12%
Non-ferrous metallurgy.....	10%
Foodstuffs.....	9%
Light Industry.....	5%
Timber, paper and woodworking.....	6%
Building Materials.....	5%

Belyakov also gives a further breakdown in percentage terms which is worth recording: -

Composition of Basic Funds by Type and Purpose

	All Basic Funds subject to re- valuation	Industrial Basic Funds
Total.....	100	100
Including:		
Buildings.....	44.8	27.5
Installations and Transmission Systems.....	26.9	33.7
Power-driven Plant and Equipment.....	4.2	8.3
Manually Operated Plant and Equipment.....	13.0	24.2
Measuring and Regulating Instruments, Laboratory Equipment.....	0.7	0.8
Transport Equipment.....	7.5	4.0
Instruments, Production Inventory and Accessories.....	1.0	0.8
Other Basic Funds .....	1.9	0.7

Seventy-seven percent of basic funds in the national economy are reported to be controlled by the Council of Ministers of the Union Republics, but it is stated that as regards the total value of buildings, machinery and equipment, the proportion which they are responsible for is 87%.

The proportion of basic funds in the union republics under sovnarkhoz control is given as 60%, subdivided into:

Buildings.....	54%
Installations and Transmis-	
sion systems.....	74%
Machinery and Equipment.....	75%

Before the revaluation took place, the total basic funds of the country stood in the books at 1781 milliard rubles. The replacement cost (2,001 milliard) has been calculated at the prices prevailing on 1st July 1955, and the changed relationship between replacement and book costs, as a percentage of the latter, is as follows:

% Change in Replacement Cost  
cf. Original cost

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For all Types of Basic Funds..... +12

Including:

Buildings.....	+22
Installations and Transmission Equip-	
ment.....	+27
Power-driven Plant and Equipment.....	- 9
Manually-Operated Machines and Equip-	
ment.....	-10
Transport Equipment.....	- 8

The reason for the decline in value of the last three categories is that between 1949 and July 1955 there have been four major cuts in wholesale prices for these goods. The increase in the value of basic funds was greatest in transport, where it amounted to 33%, because previously railways and rail installations had been seriously undervalued. For industry as a whole the result of the revaluation was a decline of 2% in basic funds, whereas in agriculture (state farms and "other state enterprises" - presumably the RTS) there was an increase of 7%. Basic funds of the trade and communal food systems grew by 8%, but the value of buildings used in these two branches rose by 18%.

The importance of the magnitude of basic funds is due to the fact that they are used to calculate amortization expenses. It is therefore a sign of the times that the revaluation has reduced the book values of the non-ferrous metals industry and engineering by 4%, but has increased the values of the light industry by 14% and the food industry by 13%.

In general Belyakov believes that, using the present scales, amortization costs should be raised by 10% approximately throughout the economy. He leaves the logical deduction that unless



profit margins are cut, prices as a whole will have to be increased, to his readers, who will scarcely fail to see the point. He observes that total depreciation is estimated at about 25% of the replacement cost of the basic funds, which means that their real residual value can be expressed as:

2001 - 502 = 1499 milliard rubles.

As with much of the industrial accounting in the USSR, the revaluation has had to be recorded in three different ways:

- a. according to Sovnarkhozy, ministries and departments,
- b. according to branches of the economy and of industry,
- c. according to geographical divisions (oblasts, krais, republics and economic regions.)

One of the benefits which Gosplan hopes to derive from the whole operation is the establishment of a reliable system of indices showing the degree of efficient utilization of basic funds which can be used in the future planning of investments. Meanwhile it seems clear that in so far as amortization expenditure is raised as a result of the revaluation, there should be a return in the shape of increased productivity in the not too distant future.

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#### APPENDICES:

We will Accelerate Rates of Technical Progress  
(Pravda, July 2, 1960, Izvestia, July 3, 1960)

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Improvement Asked of Statutes on Gosplan, USSR  
(Sovetskoye Gosudarstvo i Pravo, No. 8, August 1960,  
by V.V. Laptev).

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WE WILL ACCELERATE RATES OF TECHNICAL PROGRESS!

Pravda, July 2, 1960  
Izvestia, July 3, 1960

The Party Central Committee and the U.S.S.R. Council of Ministers have adopted a decree on the economic stimulation of enterprises and on increasing the material interest of personnel in the creation and introduction of new machinery and technology and in the integrated mechanization and automation of production.

The decree notes that the accomplishment of the task set by the 21st Party Congress -- to make a decisive step in current seven-year period in creating the material and technical base of communism and in ensuring the victory of the U.S.S.R. in the peaceful competition with the capitalist countries -- requires further acceleration of the rates of technical progress.

Yet there are still major shortcomings in the practice of the economic stimulation of enterprises and the material encouragement of the personnel of industry, construction, transport and communications and of geological survey, research, drafting and design organizations in the creation and introduction of new machinery and new technological processes in the mechanization and automation of production; this is slowing down the rates of technical progress in the national economy. The existing system of formation of enterprise funds for improving the cultural and everyday conditions of personnel and for perfecting production does not provide advantages for enterprises that turn out new, technically improved products. All additional expenditures involved in mastering the production of new machines and equipment are added to the cost of such machines and equipment; under the price-setting practice, this frequently leads to a decline in the profits of enterprises that develop the production of new machinery, and the high prices set on this machinery can impede its introduction at client enterprises.

In order to establish economic stimuli for enterprises and to increase the material interest of personnel in the development of new machinery, the Party Central Committee and the U.S.S.R. Council of Ministers have considered it necessary to introduce changes in the system of formation and use of the enterprise funds for improving the cultural and everyday conditions of personnel and for perfecting production, to establish a new system of reimbursing expenditures for the development of new machines and of setting the prices for them, and to introduce the payment to the personnel of industrial, construction, transport and communications enterprises and of geological survey, research, drafting and design organizations of bonuses for the fulfillment of work on new machinery.



Beginning with the results of economic activity in 1960, new and higher deductions from above-plan profits into enterprise funds formed in accordance with the U.S.S.R. Council of Ministers' Decree No. 1430 of Aug. 9, 1955, are being established for all branches of industry.

For enterprises of the machine-building and metal-working industrial, deductions into the enterprise funds from plan profits obtained as the result of the production of new machines (or savings from reducing the cost of these machines) are being increased to 10% during the first year of series production.

The total annual amount of deductions into an enterprise fund should not exceed 5.5% of the annual wage fund for the industrial-production personnel, recalculated into the actual volume of commodity output. At enterprises of the machine-building and metalworking industries, the maximum deductions into the enterprise fund increase given the following share of new machines in the total volume of production: from 10% to 15% -- up to 6% of the annual wage fund for the industrial-production personnel; from 15% to 25% -- to to 6.5% of the wage fund; and more than 25% -- up to 7% of the wage fund.

The enterprise fund shall be used as follows: at least 20% for carrying out measures involved in producing new machinery, for modernizing equipment and for expanding production; at least 40% for the construction of housing and cultural service facilities, and also for the repair of enterprise housing; up to 40% for individual bonuses, improvement of cultural and everyday services for personnel, purchase of passes to rest homes and sanatoriums, and lump-sum grants to workers.

Economic councils and ministries and agencies of the U.S.S.R. that have jurisdiction over enterprises manufacturing machine-building and metalworking products are authorized to form a fund for the development of new machinery out of deductions by enterprises from the value of these products. The planned expenditures of enterprises under the jurisdiction of economic councils and ministries and agencies of the U.S.S.R. for design, experimental and other work in mastering the manufacture of new products of the machine-building and metalworking industries carried out before the beginning of series production of the products (including the manufacture of an initial set of special tools and devices, as well as of the first experimental model or first experimental series or set of items) shall not be added to the cost of these products but shall be paid for out of the new-machinery development fund.

It is also provided that temporary wholesale prices for newly developed products of the machine-building and metal-working industries are to be fixed at the current level of wholesale prices of earlier developed products of the same

type or similar in design or function, with corrections for the higher productivity and other technical and economic advantages for the user (reduced production outlays, better quality of output, and improved working conditions) of the new products.

The new system of reimbursing expenditures for the production of new machines and of setting wholesale prices for these machines, as well as the system of forming the funds for the development of new machinery, will go into effect on Jan. 1, 1961.

The U.S.S.R. State Planning Committee, jointly with the U.S.S.R. Ministry of Finance, has been granted the right to extend, when necessary and upon the recommendations of the Union-republic Councils of Ministers and U.S.S.R. ministries and agencies as stipulated by the decree, the system of reimbursing expenditures for the development of new products of the machine-building and metalworking industries and the system of determining the prices of these products to individual enterprises of other branches of industry in which the manufacture of new products involves considerable expenditures on their development.

The decree calls for the introduction as of Oct. 1, 1960, of bonuses to the personnel of industrial, construction, transport and communications enterprises and of geological survey, research, drafting and design organizations for fulfillment of work on new machinery, with account taken of the economic effectiveness obtained in the national economy as a result of this work.

Bonuses shall be given for:

the creation and introduction of new, technically improved and economically effective machines, mechanisms, apparatuses, devices and other products and new types of raw and other materials, as well as for the development and introduction of highly productive technological processes and progressive methods of production work;

the development and introduction of integrated mechanization and automation of production, for the electrification of production and for the modernization of existing equipment;

the development and introduction of mechanized belt-line processes of assembly and installation of buildings and structures and of new, economically effective building structurals and materials, and also for the creation of designs for new construction and technical reconstruction, provided high economic effectiveness of capital investments is ensured here;

the development and introduction of new, progressive, highly productive methods of surveying mineral deposits;



the introduction of new technically improved and economically effective means of transportation and communication, and also for the development and introduction of highly efficient methods of organization of shipments and communication;

other work in the creation and introduction of new machinery, as well as for the successful fulfillment of theoretical, research and prospecting work.

The decree specifies the amounts of the lump-sum bonuses for the creation and introduction of new machinery depending on the annual economic effectiveness obtained in the national economy as a result of the work on the new machinery.

A system of bonuses has also been established for work in the creation and introduction of new machinery, and also for the successful fulfillment of theoretical, research, design and survey work, when it is not possible to calculate the economic effectiveness of this work.

The decree establishes the amounts of deductions for bonuses to personnel for work in the creation and introduction of new machinery, which are to be provided for in the plans for the costs of production (work) of industrial, construction, transport and communications enterprises and of geological survey organizations.

For the payment of bonuses for work in the creation and introduction of new machinery at an enterprise (organization), at least 75% of the above-mentioned funds will be transferred to the economic councils, ministries, agencies and territory and province executive committees for the formation of a centralized fund, and up to 25% of these funds will remain at the disposal of the enterprises.

The centralized fund for the payment of bonuses for work in the creation and introduction of new machinery will be used for incentives to personnel for work called for in the national economic plan and in the annual new-machinery plans of the economic councils, ministries, agencies and territory and province executive committees, while the funds of the enterprise (organization) will be used for incentives to personnel for work called for in the annual new-machinery plans of enterprises (organizations) regardless of the economic effectiveness resulting from fulfillment of this work at the given enterprise (organization).

In accordance with the decree, funds for the payment of bonuses to personnel of research, drafting and design organizations shall be provided for in the budgets of these organizations in the amount of 4% to 8% of the annual wage fund.

Research, drafting and design organizations will transfer up to 50% of the above-mentioned funds to higher organizations for the formation of a centralized fund for the pay-

ment of bonuses for work in the creation and introduction of new machinery, while the rest of these funds will remain at their disposal for incentives to workers for fulfilling thematic plans for research and experimental-design work; for ensuring high quality of design and other work, successfully working out standard designs and completing design and survey work ahead of schedule; and for fulfilling the thematic plans for design and survey work.

Bonuses for work in the creation and introduction of new machinery will be paid to workers, executive personnel, engineers, technicians, scientific personnel and other specialists of industrial, construction, transport and communications enterprises and geological survey and research organizations (including research organizations of higher education institutions) and drafting and design organizations taking direct part in the creation and introduction of new machinery. Other personnel of the above-mentioned enterprises and organizations who contribute actively to the fulfillment on schedule and ahead of schedule of assignments in the creation and introduction of new machinery may be awarded bonuses by the directors of the enterprises and organizations within the amounts of the bonuses established for the creation and introduction of new machinery; not more than 10% of the total amount of bonuses may be used for the payment of bonuses to these personnel.

Bonuses for the creation and introduction of new machinery should be paid over and above the established bonuses for lowering costs, overfulfilling production plans and improving the quality of output.

The amounts of the bonuses for the creation and introduction of new machinery are to be coordinated with the corresponding trade union agencies.

The U.S.S.R. Council of Ministers' State Labor and Wages Committee, jointly with the U.S.S.R. State Planning Committee, the U.S.S.R. Ministry of Finance, the U.S.S.R. Council of Ministers' State Scientific and Technical Committee, the U.S.S.R. State Construction Committee, the U.S.S.R. Council of Ministers' State Automation and Machine-Building Committee and the Central Council of Trade Unions, is instructed within two months to work out with the participation of the Union-republic Councils of Ministers and approve regulations on the awarding of bonuses to personnel of industrial construction, transport and communications enterprises and of geological survey, research, drafting and design organizations in accordance with the adopted decree.

The decree also provides that the amounts of bonuses for lowering production costs and overfulfilling production plans paid to executive personnel, engineers and technicians of enterprises (shops, sectors) of the machine-building and metal-working industries mastering the production of new machinery



may be increased as much as 50%, depending on the share of the new production in the total volume of production in the period stipulated by the plan for its development, but these bonuses must not exceed the maximum bonuses established by the existing regulations.

The decree stipulates that funds for bonuses for work on the creation and introduction of new machinery and funds for new-machine development not used in the current year may be used by enterprises and organizations, as well as by economic councils, ministries, agencies, and territory and province executive committees, in the subsequent years.

The Party Central Committee and the U.S.S.R. Council of Ministers call the attention of Party, Soviet, economic and trade union organizations to the necessity for increasing in every way the interest of workers, engineers, technicians and employees in the creation and rapid introduction of new machinery for ensuring high rates of growth of production and labor productivity, in order on this basis to raise the working people's standard of living.

The Party Central Committee and the U.S.S.R. Council of Ministers call on workers, engineers, technicians and employees to intensify their labor activity and creative initiative even more for the successful implementation of the decisions of the 21st Party Congress on accelerating the rates of technical progress and thereby ensuring preschedule fulfillment of the seven-year plan for development of our country's national economy.

## IMPROVEMENT ASKED OF STATUTES ON GOSPLAN USSR

Sovetskoye Gosudarstvo i Pravo  
No. 8, August 1960  
by V.V. Laptev

...Three years of work under new conditions testify that Soviet legislation correctly solves organizational and legal questions of the administration of industry. In addition, it is quite evident that a new system of administration of industry cannot be created in a finished form all at once. Therefore, in the normative acts regulating industry, there are also statutes which require further improvement. We will stress some of these questions in this article...

The statute on the State Planning Committee of the Council of Ministers USSR (Gosplan USSR), confirmed by decree of the Council of Ministers USSR on 30 December 1959, states that Gosplan is a state-wide scientific agency which plans the development of the USSR national economy and checks on fulfillment of national economic plans. In addition to this, a number of decrees also point out some tasks of Gosplan in effective leadership of the economy; carrying out these tasks presupposes the presence of definite independent legal powers in this field...

### Gosplan Concentrates on Current Planning

The decree of the Central Committee CPSU and the Council of Ministers USSR "Concerning Further Improvement of Planning and Leadership of the National Economy", adopted on 7 April 1960, is important to the development of the operative functions of Gosplan. According to this decree, Gosplan USSR should center its attention on working out questions of current national economic planning, coordinating the activities of union republics in the field of economic and cultural construction, and ensuring effective solution of problems which arise in fulfilling the national economic plan. All work on long-range planning has been entrusted to the State Scientific and Economic Council (Gosekonomsovet) of the Council of Ministers USSR. In accordance with this division of the functions of long-range and current planning, the decree has determined the tasks of Gosplan and the State Scientific and Economic Council in new conditions. This demarcation of the functions of planning agencies should be taken as a basis for new statutes on Gosplan and the State Scientific and Economic Council.

Now, in addition to the functions stated above, Gosplan USSR should coordinate the activities of the union republics in ensuring fulfillment of yearly plans for development of the national economy of the USSR and in fulfilling plans for interrepublic deliveries and deliveries of complete sets of equipment. Gosplan should further improve economic ties among republics and rayons and also ensure effective solutions of problems of interrepublic economic ties arising in fulfilling plans.

### Gosekonomsovet Assigned Long Range Planning Function

The State Scientific and Economic Council is entrusted, in particular, with working out (with the participation of the union republics, ministries, and USSR departments) and presenting



for confirmation by the government long-range plans for development of the USSR national economy for 20 years and also long-range plans and material balances for 5-7 years. This council should work out problems of the development of the economy of the Soviet Union and compile scientific reports, prognoses, and suggestions on these problems.

To further develop and strengthen the economic ties among sovnarkhozes and ensure expansion of specialization and cooperation of production, it was considered necessary to organize, in the major economic regions of the country, economic councils to coordinate and plan the work of the sovnarkhozes comprising these regions...

In connection with the formation of republic sovnarkhozes in republics which have several sovnarkhozes, the Gosplans of these republics have been relieved of deciding operative questions concerning the economic activities of the sovnarkhozes. They can now devote more attention to working out annual and long-range plans for development of the republic's national economy.

#### Republic Gosplans Retain Long- and Short-Range Planning Functions.

Thus, while the functions of long-range and current planning on a nationwide scale have been divided and entrusted to different agencies (Gosplan USSR and the State Scientific and Economic Council of the Council of Ministers USSR), in the union republics the functions of long-range current planning remain united and are carried out by the republic Gosplans.

In connection with working out the new Statute on Gosplan USSR all the legal powers which have been given to Gosplan by various normative acts should be reduced to a strict system and consolidated in this statute. In addition, the legal form of executing the legal powers of Gosplan in the field of normative activities must be precisely regulated.

#### Gosplan USSR Needs Right to Issue Decree and Regulations

The present Statute on Gosplan USSR does not determine by what legal form it confirms prices and tariffs or by what form the methodological regulations, indicators, and forms for compiling state national economic plans, worked out by Gosplan, acquire legal force. Meanwhile, decisions on such important questions should be adopted in the form of precise legal acts. Therefore, in our opinion, Gosplan should be given the right to issue decree and regulations, in the same way that the State Committee on Labor and Wages of the Council of Ministers USSR issues decree and explanations. It becomes evident that Gosplan USSR must be given the right to issue decrees and regulations when one considers that the sovnarkhozes enjoy such a right, although the sphere of activity of each sovnarkhoz is limited to one economic administrative region. Then this right should especially be given to Gosplan...