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HIGHER PRICES FOR NEW PRODUCTS

One of the major changes in the price structure suggested by the Soviet economic revisionists of the Liberman camp has already been introduced. This is revealed in Izvestia (February 2, 1963) which reports that the Councils of Ministers of the Union Republics have "recently" been given the right to fix "temporary retail prices" for certain new products, "taking into account the additional expenditure on putting them into production, expanding output and paying bonuses to the factory design and production staffs".

The new products concerned include fabrics, shoes, furniture, clothing and woollen goods "which are original in design, of better quality or variety and which meet with increased demand". It is evident that the "temporary" prices now authorized will be appreciably higher than in the past, because their purpose is to overcome the present self-defeating situation in which a product of obsolescent design is more profitable to its manufacturer than an up-to-date version of the same basic article. Although the reform will be helpful in the long run to Soviet industry, the immediate reaction of the consumer is likely to be largely hostile, since the blow to his pocket as a result of the price increases for meat and milk last June is still fresh in his memory.

On the other hand, the same Izvestia article suggests price reductions for low-quality furniture, the national stocks of which have risen by a factor of 2.5 in the last two years. In November 1962 furniture stocks were worth 28.5 million rubles, compared with 12.8 million rubles in January 1961. Just how low the quality is may be judged from the fact that in 1962 the State Inspectorate of the Ministry of Trade RSFSR returned for scrapping or repair 40% of all the furniture examined.

These facts lend urgency to Izvestia's plea that it is now necessary to reduce both prices and the profit margin on obsolete goods -- in other words to apply the law of supply and demand. But Izvestia goes further than this by recommending that factories in future should only be paid for their output once it has been sold, instead of when it is delivered to the

retail organizations as under the present system. "The existing practice of making a peculiar kind of advance to the factory is one of the main reasons for the increase in un-marketable goods".

These proposals cover a much broader range of consumer goods than furniture, because the pressure of inadequate demand is also felt in clothing, shoes, and fabrics of which between 1959 and 1961 stocks rose by 3½ billion rubles.

Izvestia's correspondent proposes that to soften the blow to the factories of full transition to the new market-oriented system which he suggests, a preliminary compromise could be introduced. This would mean that the retail trade would pay in the first stage just enough to the factories to keep them operating and in the second stage, after final sale to the consumer, would pay the remainder of the price on which the bonuses for the factory management would be based.

#### Failure of Earlier Price Cuts

It appears that earlier exercises in price-cutting have not been a great success. They were intended to increase the responsibility of wholesale organizations for the quality and variety of their goods. At the same time there was talk of making individual officials responsible for imposing unwanted goods on the commercial network. But Izvestia reports that all these good intentions remained purely on paper, and that none of those to blame for the losses was ever punished.

Like so many earlier writers on the rising stock levels in the USSR's consumer trades, the author ends with a ringing appeal for better market research. He<sup>1</sup> has even found a Lenin quotation to justify both market analysis and Khrushchev's consumer-oriented revisions of Soviet economics:-

"We must produce hair-oil as well: in trade we have to take demand into account. If hair-oil is wanted, we should supply it."

What is needed, Izvestia says, is a sensitive and flexible system for bringing rapid and accurate reports on changes in demand to the knowledge of the planning organs. It is proposed that a special agency should be set up to do the job under the State Trade Committee. If this suggestion is adopted, under the

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spur of the present dangerously high level of stocks, it will lead to the establishment of the first official nation-wide market research organization in the USSR. As the dogma of centralized distribution dies away, the rational solution begins slowly to emerge.

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