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UNEMPLOYMENT IN THE SOVIET UNION

Appendices:

Unemployment in the Soviet Union?
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by Solomon M. Schwarz)

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More than two years ago, at a time when the output of job-hunters from the Soviet schools was still running at an extremely high level, attention was drawn in this series of papers to the serious unemployment problems, particularly among young people, reported in the Soviet press.¹ Since then the Soviet government has taken certain major steps which alleviate the difficulty; it has cut the working-week to well below the Western European average, thereby enabling more workers to be absorbed than would otherwise have been possible, and has increased the time spent at primary and secondary schools by large numbers of children.²

Moreover the Kremlin has been greatly assisted in its efforts by the current decline in numbers leaving the schools as a result of the demographic losses during the war. One useful measure of the latter factor is provided by the statistics for the 8th-11th grades of the secondary schools, which had 6,136,000 pupils in 1956/57 but only 4,285,000 in 1959/60.³ Despite this substantial support from an objective -- but temporary -- trend, which has now been working in the Kremlin's favor for 3 years (1958, 1959, 1960), the question of unemployment remains a real problem, as is demonstrated below (Appendix 1) by one of the best known American students of the Soviet economy, Solomon M. Schwarz.

¹ E.g. Background Information, March 31, 1958, July 11, 1958, etc.

² U.S. Office of Education, Report on 2nd Mission to USSR, Washington, D.C.

³ National Economy of the USSR in 1959, Moscow, 1960, p. 727.

Mr. Schwarz remarks:

"it is becoming increasingly clear that unemployment is once more a factor that cannot be disregarded,"

and notes the substantial impact that full automation of the automobile and tractor industries is likely to produce: the release of a million workers.

The same numerical effect, a million surplus workers, is expected by 1965 due to increasing mechanization in the constructional industry,⁴ and the pressure on available jobs is not eased by the massive excess of peasants on the kolkhozy reported in Voprosy Ekonomiki (No. 7, 1960, Background Information, 6 August 1960) by Academician S. Strumilin. The existing over-staffing in Soviet factories is such that V. V. Grishin, the chairman of the All-Union Central Trade Union Council, has demanded "an organized solution" (Plenum of the CC, CPSU, July 13-16, 1960, p. 3 below) but three years ago precisely the same plea was being made (e.g. Literaturnaya Gazeta, 3 July 1958). Yet no real answer, merely a number of palliatives, have emerged in the interim. In other words the whole problem must now be recognized as a structural rather than a temporary question, and it appears to be the case that no easy remedies are available.

One unusual facet of this situation is described in Appendix 2 below, which shows that in some small towns (of which Demidov is an example) private enterprise is filling the gap left by the dearth of state or collective employment, to such good effect that savings per capita in the area are almost double the national average. And it is admitted by Izvestia that there are "a great many communities" like Demidov. However in this case there is an unusually favorable factor -- the existence of a flourishing trade in locally grown cucumbers. But in other areas, such as the former logging settlements in the northern oblasts of the RSFSR (Lit. Gaz., 1 November 1960), where workers are being left unemployed by the exhaustion of the timber resources, their private plots can only provide at best a subsistence income. In one case of this type jobs could be found for the men on a neighboring kolkhoz which is located in Leningrad Oblast, but as one of the lumber-jacks says:

"Do you expect us to work for 10 rubles a day?
You're joking, comrade. No thank you. And you can't force us to do it."

In Vologda and Novgorod oblasts, as well as others which Literary Gazette does not identify, underemployment among the ex-lumber-jacks is a real problem. The régime's natural tendency to argue that there are always jobs to be found in agri-

⁴ Background Information, 27 October 1960; Pravda, 8 August 1960.

culture is a Pavlovian reaction to the existence of unemployment, but it does not alter the fact that the Kremlin's own plans provide for a rundown of 900,000 in the livestock-breeding labor force of one republic alone -- the Ukraine (Pravda, July 14, 1960).

Moreover even supposing that the imposing surplus of peasants reported by Strumilin in Voprosy Ekonomiki could be temporarily overlooked, as long as agricultural wages remain as low as at present former industrial workers whose jobs have become redundant due to mechanization will continue in many cases to refuse to make the radical change in their way of life necessitated by becoming a kolkhoz worker.

Izvestia's proposed solution, in the depressed areas surrounding the small towns (see p. 12 below), is that state farms should be founded to absorb the surplus labor. The "unused land and manpower" are already available. But this type of farming requires heavy investment, and it seems most improbable that sufficient capital resources are now available to absorb fully the substantial numbers of underemployed men and women reported by Izvestia.

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UNEMPLOYMENT IN THE SOVIET UNION?

By Solomon M. Schwarz
Current History
November, 1960

For many years the Soviet Union claimed to have solved the problem of unemployment and to have achieved full employment. Essentially this was true for the urban segment of the economy, although not for its rural part. Universal planning and the possibility of making up losses in some parts of the economy through profits in others provided the opportunity for the development of the Soviet economy to allow it to absorb practically all the available labor force. Indeed, the lack of necessary checks and balances in the Soviet model of planned economy led to many deficiencies and unwarranted losses, but the fact of full employment was there.

In more recent times the situation began to change. It may sound paradoxical, but in a rapidly expanding economy, just when a great birth deficit caused by war placed a strain on the labor market (the term "labor market" is taboo in the Soviet Union but the phenomenon remains), it is becoming increasingly clear that unemployment is once more a factor that cannot be disregarded. Newspapers and economic journals avoid mentioning unemployment, but the question was first raised, in a way typical of the Soviet Union, in a novel by Fedor Panferov, In the Name of Youth, in the July issue of the literary magazine October (Oktiabr'). A writer of limited, and apparently declining, talent, Panferov has shown in the past an acute perception of the changes in the fluctuating line of the Communist leadership.¹ In his novel he employs his principal hero, Morev, the First Secretary of the Provincial Committee of the Communist party in Privolzhsk Province, to touch upon the problem of unemployment in several situations throughout this work. According to the novel, several years ago oil was discovered in Privolzhsksh Province. Well drilling activity proceeded at a feverish pace, but insufficient provisions were

¹ It was in October (October, 1957) that Panferov as its editor-in-chief broached the question of the practical liquidation of machine and tractor stations (MTS), i.e., three months before Khrushchev openly advanced the same measure. It was also Panferov who in his preceding novel, Meditation (to which In the Name of Youth is a sequel), published just after the reform of industrial decentralization and of the creation of sovnarkhozy (councils of national economy), presented, under the fictitious name of G. G. Korkin the new chairman of the Gosplan, I. I. Kuz'min, and allowed him to praise the advantages of the new economic reforms advanced by Khrushchev (Znamia, October, 1958).

made for the storage or transportation of extracted oil. In result the exploitation of wells suddenly had to be drastically curtailed, and an alarming number of oil workers lost their jobs. "Imagine," says Morev to his wife, "that you came from a village or a city high school to the oil fields and learned a trade, of which you could be justly proud, and then all at once you are classified as 'unemployed.' How would you feel?"

The above situation, however, was relatively mild in comparison with others that followed. A large automobile plant was partially converted to automation, leading to the reduction of 900 workers; at once fulfillment of the program lagged behind. The workers tacitly decided, "By automation you deprive us of work. Well, then, take that: we will not fulfill the program. If your automation continues to be introduced in the same way, we will say to you a mighty word."

In the novel, the following week the Provincial Committee meets to make the final decision on full automation of the plant. The principal speaker is a corresponding member of the Academy of Sciences, Elanskii, newly arrived from Moscow, who unfolds a compelling perspective before his listeners:

If the machinery at the plant were such that it required no repairs, maintenance or replacement, we could reduce the 13,000 workers at the plant to just 32 people with higher education who could control production from their desks without any workers. Under the existing technical conditions we have to retain 283 workers, the majority of whom are maintenance and repair specialists.
...

With the introduction of full automation in the entire automobile and tractor industry of the country, about one million workers will be freed. Such is the brilliancy that automation is bringing to the Soviet Union.

Only two conferees at this meeting had some misgivings about the promises of this "brilliancy": Morev, who remained silent, and the secretary for industrial affairs of the Provincial Committee, Nikolai Korablev, until recently himself a director of the automobile plant. With some alarm the latter inquired of the speaker, "And what do you propose to do with the freed workers?" Brushing off the question, Elanskii replied, "This is your concern -- yours, the politicians. If we have to think about human beings, automation will never be accomplished." Elanskii was shouting, as he completed his remark, in a somewhat threatening tone. The audience enthusiastically gave its approval to these words.

The problems of automation and, more generally, of technical reconstruction are presently coming into the focus of concern of Soviet industrial leaders, and were the subject of discussion at the recent enlarged Plenum of the Central Committee, convened July 13-16, 1960. Eight reports were read at the Plenum, including one from the State Committee of the

Council of Ministers of the USSR for Automation and Machine Building. All reporters apparently concurred with Panferov's Elanskii that "to think about human beings" is outside the scope of their business. Their example was followed by all the participants in the discussions, with the sole exception of the Chairman of the All-Union Central Trade Union Council (VTsSPS), V. V. Grishin, who cautiously approached the problem of unemployment resulting from technological innovations as follows:

It is known that as a result of the introduction of new technology, mechanization, and automation into production, labor requirements are diminished. Already today many enterprises have labor surpluses. In our view this problem requires an organized solution. It is imperative that the sovnarkhozy, the planning organs in the union republics, and the Gosplan of the USSR elaborate measures for the better utilization of labor resources. The consideration of questions of labor utilization and organized placement of freed workers should be included in the compilation of annual production plans.

This appeal seemed to have fallen on deaf ears, and in the protracted resolution of the Plenum, "On the Development of Industry and Transportation and the Utilization of Advanced Achievements of Technology and Science" which took up more than two pages of Pravda (July 17), not a single line was devoted to the problem of "organized placement of freed workers." And when at the end of July the Plenum of the VTsSPS met to discuss the tasks of the trade unions in conjunction with the decisions of the Plenum of the Central Committee, no one, not even Grishin, brought up the question again (Trud, July 29-30) nor did it appear in the long resolution of the Plenum (Trud, August 3).

Technical Reconstruction

In the field of labor policy, technical reconstruction primarily raises two sets of questions: that of vocational training and retraining, and that of "organized placement of labor." The former is widely and openly discussed in the Soviet Union, and much work undertaken in this direction has met with a degree of remarkable success.² On the other hand, the problem of "organized placement" has been treated with a certain degree of bashfulness and side stepping, and until recent times a discussion on this subject was simply under a tacit prohibition.

In the early stages of the Soviet system, employment agencies (called "labor exchanges" at first) played an important role in Soviet labor policy. In 1933 they were abolished, together with the People's Commissariat of Labor. In contrast

² See my article, "Education for Russian Industry," in Current History, July, 1958. For the purpose of this article, further treatment of this matter is of little consequence and can be dispensed with.

to labor security and social insurance, the administration of which was transferred to trade unions, employment agencies simply ceased to exist; employers became completely free to hire labor as they pleased, and the employees had to look for work in the conventional manner of knocking at the doors of enterprises. Only the so-called "organized recruitment of labor in kolkhozy" retained some semblance of order in this system of chaos.

In the quarter of a century that followed the debacle of 1933, time and time again timid attempts were made to revive employment agencies in some rudimentary form. The fear that the creation of such organs could be interpreted as a kind of capitulation before the concept of "labor market" fardoomed all these attempts.

The ostrich policy, evident even in the recent plenums of the Communist Central Committee and the VTsSPS, can hardly be sustained much longer. The idea of employment offices began to infiltrate Soviet specialized literature, and recently the question was posed in a book by a Soviet expert on labor resources, M. Ia. Sonin,³ who recommended the establishment of a system of employment offices in every relatively large town. In reviewing this book, the Planovoe Khoziaistvo (May, 1960) reproached the author for his "timidity" in suggesting a local system of employment agencies, and stressed the idea that such a system must be organized on a larger scale not limited to local conditions. Perhaps these are signs that some concrete measures are about to be undertaken in this area.

This is the more probable, since the absence of employment agencies visibly handicaps not only employees but employers as well, a factor that is of considerable weight in the Soviet Union. In an interesting article in a leading literary magazine, Novyi Mir (July, 1960), a known Soviet newspaperman and journalist on socio-economic questions, A. Khavin, reports his observations of a plant conference:

The chief of a mechanical shop, an old experienced worker, was speaking about the work of his collective when he was abruptly interrupted by a remark from the chief engineer, "But all the same you failed to fulfill your quota towards labor productivity increase."

The shop chief answered immediately, "Yes, we did. But why? Simply because 15 workers, no longer needed in my shop, were not removed. What does this mean? Although we even over-fulfilled the plan for automation,

³ In a book entitled Reproduction of Labor Force in the USSR and the Balance of Labor, Moscow, Institute of Economics, Academy of Sciences, 1959 -- Vosproizvodstvo rabochei sily v SSSR i balans truda, Institut ekonomiki, Akademiia Nauk, 1959.

productivity per worker has not increased and the cost of production has not decreased. Is this unnatural? Not at all: look, we have as many turners as we had before, though only half of them are needed now."

Then the author continues:

Today such phenomenon can be observed here and there due to the sharp acceleration of technical development. It occurs, more often than not, because the problem was not thought through in due time as to how the automation of this or that industrial sector will affect the labor balance of the plant, and how labor could be redistributed most efficiently and painlessly.

Indeed, organized placement is only a part of labor redistribution. The latter demands considerably more before "painless" transfers of workers from plant to plant, from one locality to another or between trades can become a reality. Here the trade unions have a vast amount of work cut out for them. However, judging from the reports of the last Plenum of the VTsSPS it seems that they are not even remotely prepared for this task.

Farm Labor Surplus

In principle, the problem of rising unemployment as a result of technical reconstruction in the agricultural segment of the economy is not dissimilar to that in the industry. However, even now in agriculture this question is masqueraded under the garb of unsatisfactory organization of labor, and in spite of extensive investments and mechanization, Soviet agriculture still takes up at least 40 percent of the labor force, yet fails sufficiently to provide the country with the necessary agricultural products for the population and raw materials for industry. Prior to the last war the countryside sent annually great labor "surpluses" to the cities which were taken up by the expanding urban industries. The decline in the rural male population through the war weakened this process, but until recently the exodus of rural surpluses was a generally accepted phenomenon.

After the reconstruction of Soviet agriculture, which began in the fall of 1953 and which led to great increases in agricultural production, the rural exodus conspicuously declined and this led many to doubt the existence of rural surplus population. There are some indications not only that there is no longer any surplus population in the villages, but also that Soviet agriculture might even be suffering from a shortage of labor. Thus there is a sharp decline in the "organized recruitment of labor in kolkhozy" and in the practice of directing urban youth to agricultural colonization in the eastern areas. Mobilizing workers and employees in the cities for temporary farm work during the harvests is widely practiced. All these, however, are temporary phenomena, and it is not by chance that the latest Soviet agricultural policy is aspiring to return the countryside, in new forms of course,

to a situation where once again growing industry could rely on villages to provide for increases in the labor force. The growing pressure on the private economies of kolkhozniki and the attempts to introduce money remuneration for work in kolkhozy are among the more important manifestations of this policy.

It would be impossible to continue here any detailed analysis of these developments, but a few figures might indicate the orientation of the thinking of Soviet official circles towards agricultural progress. The vice-chairman of the Council of Ministers of the Ukrainian SSR, Senin, reported in the last Plenum of the Central Committee of the CPSU that the "complex" (i.e., full) mechanization of livestock breeding in the kolkhozy of the Ukraine will reduce the cost of producing one quintal of meat from 38 "work days" in 1958 to approximately 3 or 4 work days; correspondingly, in the production of pork, labor expenditures will be reduced to one-twentieth, and in milk production to one-seventh. According to the reporter, the complex mechanization of livestock breeding in the kolkhozy of the republic will decrease labor requirements by 900,000 workers (Pravda, July 14, 1960).

An even more extreme view is taken by S. G. Strumilin, member of the Academy of Sciences and an authority on Soviet economics, who states that the technical reconstruction of agriculture will "free" up to 12 million workers by 1965, 20 million by 1970 and 30 million by 1975.⁴ Even if these calculations border on fantasy, a sharp rise of labor productivity in Soviet agriculture is not only necessary and possible, but in some respects is inevitable; this means that in the coming decade a great number of agricultural workers will face the possibility of unemployment.

The Threat of Unemployment

Leading Soviet circles seem hardly to begin to realize how seriously these developments endanger the moral authority of the regime. The absence of unemployment was for over a quarter of a century one of the principal arguments of Communist propaganda, especially useful abroad. The appearance of mass unemployment would be a serious blow to the whole system of Communist dictatorship.

Planned economy, even in its grotesque Soviet form, opens great opportunities for the alleviation of unemployment. Under certain conditions the appearance on the labor market of masses of "freed" labor, with wide experience in industrial work, might well become a source for a renewed upsurge and further growth of Soviet economy. Technically and economically speaking, this is entirely feasible, but it is rather questionable whether in the Soviet Union today such a course is

⁴ I have not yet been able to consult the article of Strumilin myself and have to refer to its coverage by Harry Schwartz in The New York Times, August 15, 1960.

workable socially. When the social degeneration of the Communist bureaucracy has advanced so far that even the thought of providing social guarantees to accompany automation appears naive, it is not too probable that the Communist leadership will be able to disentangle the complicated web of socio-economic questions. It is much more probably that the forthcoming developments will be accompanied by social tensions.

An instructive illustration of the above is the case described by Panferov where the workers of an automobile plant, after the dismissal of 900 of their co-workers as a result of partial automation, silently practice a form of veiled strike: "By automation you deprive us of work. Well then, take that: we will not fulfill the program," and if this continues "we will say to you a mighty word." In the phrases "Well then, take that..." and "We will say to you," there is perceptible contraposition between we and you which in this particular form is new in the Soviet Union, and is a sign that the relations between the working masses and the Communist leadership are beginning to develop towards a breaking point.

This case could not have been invented; Panferov would not have dared to go so far, all the more since he himself has no sympathies for workers who grumble about the regime. Undoubtedly he took the incident from real life. But this is the adverse side of the characteristic phenomenon when many at the top reject with a certain air of superiority the idea that in elaboration of ambitious plans for technical reconstruction, it is necessary "to think about human beings."

THE FUTURE OF SMALL CITIES

By M. Garin and K. Sevrikov

Izvestia

October 28, 1960

(Condensed Text)

...Not long ago we visited the ancient city of Demidov. It was given this name during the Soviet period in honor of Ya. Ye. Demidov, an outstanding local Bolshevik and a hero of the Civil War. Formerly the city was called Porechye....

Demidov is still a small town without any new industrial construction in it; one does not sense here the seething rhythm we are used to. But it is no longer the notorious wilderness of pre-revolutionary times where stagnation and backwardness reigned.

Demidov has elementary and secondary schools, a technicum, a training school for agricultural mechanization, two libraries and a house of culture. About 2000 of the 7000 inhabitants are engaged in study. Many are studying in institutes and secondary educational institutions without leaving their jobs in production. A movie theater and children's institutions are under construction.

In the spring a two-story department store opened in Demidov. It is simply magnificent for these parts. It should be said that the merchandise is as good as the building. One can buy everything from a shaving brush to the latest type of television set. There is only one thing missing -- goods of local manufacture. There is also an abundance of goods in the food stores, but everything except bread and rolls is brought in from outside. Local industry does not even provide the city with soda water. During the hot summer days, soda was sold only from a single cart, and not even every day from that. Only 50 to 60 kg. of ice cream was sold each day, and it was not available at all on some days.

But Demidov does have its own food combine. What does it do? The combine has its own supply of oats, potatoes and cucumbers. It has a livestock farm with 120 pigs. This is what might be called its own raw materials base. The oats and the potatoes are used to feed the pigs, but there is no equipment for dressing pork. What it all comes down to is that the food combine processed cucumbers, mushrooms and berries bought from local inhabitants but in small quantities and very poorly.

Several years ago a starch combine was built here; it processed 15,000 tons of potatoes. But the plant has been standing still for two years because there are no raw materials for it.

During the summer the combine produces a cooling drink with the portentous name "Summer." It is made in an ordinary

village hut. All work is done by hand. As in the old days, bottles are cleaned with brushes. There is no demand at all for the sickly-sweet drink in any weather.

Demidov also has a manufacturing combine. In addition to small workshops including a shoe repair shop, a tailor shop and a photographic laboratory, the combine has a carpentry shop and a brickyard. Brick production is in such a sorry state that it might be better to close the yard. Suffice it to say that 1,000 very bad bricks cost 460 rubles to produce.

Only the Repair and Technical Station and the linen plant could be considered industrial enterprises in the true sense of the word, and they are small. All the rest are shabby little workshops doing crude work. In addition, production is going downhill. In 1959 the value of the gross output of Demidov enterprises was 4,375,000 rubles. For the first nine months of 1960 the figure was 2,483,000 rubles. Thin pickings!

Could it be that all this is inevitable? No, it is rather a reproach to the Demidov District Executive Committee, the district Party committee, the province planning commission and the province local industry administration. Incidentally, the trouble with local officials is that their outlook on the city's future is hopeless.

"We don't have any particular prospects," they often say. "If they discovered some deposit here or if the economic council decided to build a big plant, things would be different. Then things would hum in Demidov."

Lulled by their castles in the air, the local officials fail to notice either the permanent mud puddle in the center of town or the pressing matters that must be settled without delay.

"Do you have any plans for building up or improving the city?" we asked Comrade Chugunov, Chairman of the Demidov District Executive Committee.

"No, we don't."

"What about industry?"

"Nothing there either."

There was no businesslike concern nor serious alarm about the future of the city in Comrade Chugunov's tone. It is a matter not only of the town's ungainly appearance or the slow development of its economy, but also of the psychology of some of its inhabitants, which is affected by the economy of the city as a whole and by the nature of the population's occupations.

What do the people of Demidov do?

According to the last census, there are 6,901 people in Demidov. It is of interest that there were 7,916 in 1939, 1,000 more! This is not simply because of the war.

We generally consider a person ready for work at the age of 16. In Demidov 1,900 people are below this age (1,276 of them are studying in general education schools). There are 998 people who have reached pension age. Therefore, there are 4,003 employable people. There are 1,383 people in the administrative apparatus and in cultural, educational and medical institutions. No more than 200 are in material production. About 300 boys and girls are students in the technicals.

Consequently, there are about 2,300 persons in Demidov who work neither in administration nor in communal material production. These people, who amount to more than one-half of the entire employable population, are by no means unemployed.

Who are they, exactly?

Many of the men are "time-serving" on collective farms and in the city itself. They build private houses on a contract basis. Others work as artisans, making sleighs, pitchforks, pots and clothing. However, the great majority work at truck farming.

Demidov is called a city of cucumber raisers. It is true that the local people have for a long time raised good cucumbers and have sent them to Smolensk, Vitebsk, the Baltic area, Moscow and even Archangel. From an auxiliary private enterprise, truck farming has been transformed into an industry and a source of considerable profit, thus giving rise to speculative passions and a private property psychology. Here are some examples.

Ye. Kozlov has 150 hothouse units. Belov has 120, N. Belov has 100, etc. Each unit provides an income of 150 to 200 rubles per season. During the first days of May these entrepreneurs sell their cucumbers at 20 to 30 rubles a kilogram. They sell both at markets and to restaurants in Smolensk. Fyodor Belov has been clever enough to ship his cucumbers there by air. When the vegetables mature, a good half of Demidov's population goes through a long spell of "cucumber fever." At this season it is the foul survivals of the past -- speculation and self-aggrandizement -- that call the tune. The buses to Smolensk are full of sacks of cucumbers. The cucumber raisers get dozens of trucks from both Demidov and nearby cities. The freight rate of ten rubles per sack has been established spontaneously.

The chairman of the district executive committee told us that in 1959 cucumbers provided the inhabitants with 4,500,000 rubles. You may judge for yourself how great this sum is.

The entire district budget was then 8,000,000 rubles. It is thus no accident that the average per capita savings account in Demidov is almost double the national average.

Accumulation fever is also expressed in a desire to get as much land as possible. Many people here own from .2 to .3 hectares, and the Stepantsov family has as much as .56 hectares.

Large private plots make it possible to maintain a large amount of livestock. According to data from the district executive committee, there are 560 head of "private" dairy cattle, 1,500 pigs and several goats, chickens, ducks and other animals.

It cannot be said that local Party and Soviet agencies are not disturbed by this private-property excrescence on the city's economy or that they are not making an attempt to fight it. But the fight is waged mainly through administrative means.

It is true that the local authorities sometimes run into "legal" difficulties. For example, it is impossible to reduce the size of a private plot established before the war when there has been no rezoning. And there is a tax of only seven rubles on each .01 hectares above the legal norm. The intent of our legislation is that this land be used for personal needs, but in this case the gardens have assumed the aspect of a highly profitable undertaking. A truck farmer gets up to 30,000 rubles per season and is not required to pay income tax or any other tax.

We have a great many communities like Demidov. Therefore, its problem is the same problem faced by many other small, nonindustrial cities. Their future cannot fail to be a matter of concern for the Soviet public.

We do not have in mind only the occupations of people in small cities but rather -- and this is most important -- the course and nature of their development. Various ideas have been expressed and various methods for solving the problem have been suggested. All of them come down to one thing: The organization and development of social production will solve all the problems of small cities and will also put an end to the private entrepreneur fever.

All this is certainly correct, but here is the problem: At what point should the development of communal production in small cities be started and what raw materials base should be used?

Some people have suggested a very simple method: Stop the construction of industrial enterprises in large cities and build plants in small cities. For example, A. Prazdnikov, Secretary of the Balashov City Party Committee, has written in Sovetskaya Rossia:

"The time has come to extend the list of large cities in which the construction of new enterprises is prohibited, thus creating conditions for a more rapid development of medium and small cities. However, the Russian Republic State Planning Commission holds the opposite view, i.e., that it is better to 'tie' a new construction project to an industrial center that already exists than to go to the trouble of setting up production bases in small centers."

Perhaps the Russian Republic State Planning Commission really is acting incorrectly, since it fails to solve many of the problems of the development of industrial production in Balashov. The truth may lie anywhere. But one cannot simply make the demand that a plant be built in a city no matter what the cost. After all, it is possible to do this only if one takes account of existing raw materials, manpower and the degree of transportation development. The demand that industrial enterprises be built in small cities without taking these and other important factors into account is an ignorant demand.

Others think that the problems of small cities can be solved by reviewing the present administrative and territorial divisions. They say that to create the conditions for increasing the prosperity of small cities, it would suffice to make them centers of large administrative and territorial districts. Then, they say, all the problems would solve themselves, because the centers of large regions cannot remain without major industries. So there's an end to the difficulty. The small cities will become large ones.

No, industrial construction in small cities can and must be developed chiefly on the basis of local raw materials. After all this is one of the most important factors in making production pay.

But let us return to Demidov....

There used to be a collective farm in the city, but for some reason it was not revived after the war. We think the best thing to do there now would be to set up a state farm. Everything necessary for this is present. The city has unused land, manpower and experienced vegetable farmers. There is already an RTS and a training school for agricultural mechanization. It would be possible to set up a good food-processing industry on the base of dairy and truck farming....

We must help cities like Demidov. When the food combine asked for 100,000 rubles of credit to set up hothouses, the province branch of the State Bank refused to grant it. But the 3,000 hothouse units that it planned to build would have enabled it to return the investment with interest in the first year. The Belovs, the Kozlovs and other speculators then would have had a serious competitor. Perhaps it then would have been more profitable for many of the cucumber raisers to go to work at the food combine....

The development of local industry would solve many of the city's problems. The entire population would be occupied in social labor. Only idle dreamers could imagine that cities like Demidov, far from railroads and raw materials sources, could be the sites for large industrial enterprises. The organization of production on the basis of local raw materials and, specifically, on the basis of agricultural raw materials is the chief course for the economic development of such urban settlements....