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KOMMUNIST AUTHORIZES FREE PRICES

In a lengthy article reviewing the present phase of the Soviet economic reform, a deputy chairman of Gosplan USSR, A. Bachurin, unequivocally gives his approval to the use of a proportion of freely-formed prices.

He recognizes that the introduction of new wholesale prices is a necessary prerequisite for the successful development of the new economic model, and suggests that they should provide for a profitability level of approximately 15 percent of the value of the production funds (i.e. capital) employed. This is believed to be the first disclosure by any senior official of the kind of profit margin which Kosygin is now seeking. Bachurin also stresses that it is high time for a scale of rental payments and for a method of levying them to be worked out.

At present highly productive or otherwise valuable land (for example, land near the large cities) is still made available to the farms at no cost to them, with the result that it is often used in a most uneconomical manner.

But the most important and novel part of Bachurin's article is his criticism of state-administered prices, which until now have been accepted unquestioned by all senior officials of the Government in their remarks on this subject.

"We have been accustomed to thinking," he writes, "that the only possible type of price is the fixed state-administered price. But the further development of trade and monetary relations presupposes the use of other ways and means of fixing prices as well. Thus it is possible to

have limit prices and to determine prices directly by agreement between the manufacturer and the client. Of course in individual socialist countries these forms and types of prices may appear in varying proportions, but it seems to us that all these forms have the right to exist in our economy as well."¹

Hence Bachurin is giving his full support to one of the main advances made by the Czechoslovak economic model, which also employs fixed prices, limit prices and free prices. In the USSR, the revisionist academicians such as V. Dyachenko (a corresponding member of the Academy of Sciences) since last November have been advocating limit prices and the use of some free prices (based on supply and demand) for goods which are produced and sold locally.² Bachurin now lends the full weight of Gosplan approval to the theory, and Kommunist is providing its highly authoritative party support. Moreover Bachurin says nothing about restricting the use of free prices to local goods, and to that extent his recommendation is more revisionist than the trail-blazing proposal made by Dyachenko nearly a year ago.

Another area in which Bachurin wishes to revise the present system is concerned with the interest rate on capital. At present this is paid at a flat rate of 6 percent by all industries on the value of their production funds, but Bachurin argues that it is worth considering a differentiated rate which would be lower for certain installations such as experimental plants, etc. In proposing a differentiated rate of interest Bachurin is being appreciably more forward-looking than, for example, Academician N.P. Fedorenko who in December 1965 defended the flat rate on the specious grounds that otherwise the "principle of maximum profitability" would appear again.³ But maximum profitability is in fact what the Liberman reforms are all about, and there is no good reason why a high risk, high-profit industry should not pay a higher interest rate on its capital than a plodding "red chip" operation like the manufacture of Soviet biscuits or blankets.

Bachurin reminds his readers that in a number of branches wholesale prices are to be raised in July 1967. This applies particularly to chemicals, metals, engineering and electric power. The object is to provide what he calls a "necessary level of profitability," but it may well seem to the communist consumers among his readers that a profitability ratio of 15 percent is altogether unnecessarily

- 1) Emphasis supplied.
- 2) Economic Gazette, No. 45, 1965 and C.A.A. paper "Debate on Price-Fixing Moves Ahead," 12 April 1965.
- 3) See C.A.A. paper "Price Formation Debate - II", 6 May 1966.

