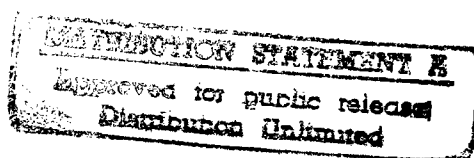


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15 JUNE 1989



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# ***JPRS Report***



## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-89-015

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15 June 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Anti-Inflation Measures Necessary to Improve Economy

18200247 Moscow *PLANOVOYE KHOZYAYSTVO*  
in Russian No 2, Feb 89 pp 64-76

[Article by S. Dzarasov, doctor of economic sciences, professor, under the rubric "And This Opinion Also Exists...": "On the Anti-inflation Orientation of Economic Development"]

[Text] In the fourth year of the restructuring one can no longer fail to see what a turning point it has been in all aspects of our life. The relaxation of international tensions has permitted all of us to breathe more freely. Confrontation has been replaced by cooperation among nations with different social systems. Perceptible changes have occurred also in domestic life. The first steps of glasnost and democracy have opened up the eyes of many people. We discovered flaws which had weakened our socioeconomic system, national discord and conflicts which have not just now come into being. We are all painfully feeling the inflationary consequences of a slowdown in rates of economic growth which took shape earlier, learned about a budget deficit which has existed for more than just a single year, critically assessed the disregard for the resolution of social problems, and a great deal more.

When the restructuring was begun, probably no one was aware of all the aspects and the complexity of the problems. Public thinking thrived on the praising of steps taken, regardless of their real significance. The disparity between theory and reality grew. This could not help affecting decisions adopted in the economic area. The experience of three and a half years has not demonstrated their flawlessness, and there has been no substantial progress in economic development. Certain writers therefore say that this is not enough time, that positive results should not be expected from the restructuring for several years and that in general the strategy of acceleration should be replaced with one of rejecting quantitative growth for the sake of quality reforms in the economy.

A position familiar from the past is clearly visible in this concept, which contains a certain assessment of what has occurred: What do you expect? The problems have proved to be so serious that it is impossible to overcome them in a short time. Be patient. We shall effect the structural restructuring, and in a few years we shall have results. It seems to me, however, that 3 years is perfectly adequate for achieving truly perceptible economic results. For example, NEP [New Economic Policy] produced results in a year, despite the devastation. Two years after the war the ration system was eliminated and the food situation improved drastically—and the 1946

harvest was a poor one. In our opinion, there has been no breakthrough in the economy not because too little time has passed, but for some other, more serious reason.

After neither World War I nor World War II did the nation have the scientific, technological and economic potential which it has today. And this is such a favorable circumstance in and of itself that the others pale by comparison, with one exception: a knowledge of our economy and an unbiased approach to the resolution of its problems. Nothing can take the place of the latter, because potential is just potential and is not activated automatically; it has to be effectively exploited.

How is it that the situation was changed rapidly and drastically following World War I, the civil war and the Great Patriotic War, but this cannot be accomplished today? If we answer that question in a spirit of glasnost and truth, it appears that it occurred then because we succeeded in actually incorporating policy in better substantiated economic decisions reinforced with organization on a broad economic front. At all times, inconspicuous experts have done more than the well-known managers, of course, but it is the latter, if they are not just officials but intelligent people, who are of crucial significance. The authorities are not obligated to accept everything proposed by the specialists, but they should have adequately acute vision to select that which is needed. And a theoretically and practically trained eye is essential for this. Sokolnikov, Krasin and others who headed up the NEP monetary and economic reform, as an example, had this. Professional revolutionaries with a broad theoretical and political perspective, they were quick to grasp matters and had the experience essential for implementing measures to improve the economy. The absence of practical know-how in the nation did not prevent them from coping successfully with the Herculean task which fell to their lot.

Despite the proclaimed revolutionary nature of the steps taken thus far, we feel that they have a significant shortcoming in that they have been of the inertial, traditional type. New decisions conceived were more radical, to be sure, but they were sought in the old way and were adopted by the previous methods. The Law on the Enterprise was passed 3 years after the Law on Labor Collectives. Just as before, it was the only plan, handed down from above, officially with some degree of national discussion and with amendments of little significance. As a result, it was equally unproductive in many ways. How was the new thinking manifested? The planning procedure was repeatedly changed. These changes were designed primarily to limit centrally assigned targets, but in fact there were few results. All of the changes resemble the combinations of cards in the same deck, whereas the new thinking calls for new means and rules....

The basis for resolving the specific problems—the theoretical assessment of the essence of our social and economic system: is it **planned** or **market-based**, unified

and integrated or divided and disintegrated? I can foresee loud objections to the effect that one cannot contrast, that one has to combine. One does, and the author of this article has been demonstrating the need to combine planned and market-based methods for conducting the economy for more than 3 decades.

Special emphasis on market conditions and adaptation are not equally acceptable to everyone, however. There was a time when we had to criticize the anti-commercial concept of socialism and demonstrate the need to make active use of money-exchange relations, prices, wages, profits, credit, payment for resources and other forms and mechanisms for organizing complete accountability. Today, we no longer see any special wisdom in merely repeating that which was stated 20-30 years ago. It is better to understand new things which life has demonstrated during this time. It has shown that the formula proclaimed in the past of combining market and plan was just as nonsubstantive in reality as a great many other things. We keep making a fetish of the plan, considering the economic center to be all-knowing and capable of foreseeing everything. In fact, this is not so, and unjustifiably broad rights for the center, we now know, turn into a priori and frequently, libertarian, planning with all its negative consequences.

We need to acknowledge the limitations of our knowledge and of the possibilities of a priori determination of economic development, and the orientation of the enterprises directly toward the consumer, which means that the consumer market is clearly the only form for their economic activities. The market has great possibilities for subordinating production to the satisfaction of social needs and the demands of the population. The dictate of the producer cannot be replaced merely with attention to the consumer's interests. The plan must not oppose the natural development of the economy, but must adapt to and influence it.

**Rejecting the attitude of making a fetish out of the plan does not mean that we need to take the route of idealizing the market. We need it as a means of overcoming bureaucracy in management and planning. From the standpoint of social justice, however, the market is not the ideal. An inevitable effect of the market mechanism is a growth of propertied status and social inequality. Even now many cooperatives and individual entrepreneurs working for the market receive unjustifiable incomes. And there will be other negative consequences of an unrestricted market. We need to prepare for this not just morally. We need to study and develop a mechanism for planned regulation and for leveling out the negative extremes without detriment to economic enterprise, using a broad range of means: prices, taxes, credits, bans on one thing, protection for another, and so forth.**

Does this not involve the danger, one asks, that the orientation of enterprises toward demand will turn the economy into a market entity? He who regards form and substance as one and the same thing will answer this

question in the affirmative. In that case, however, one has to believe also that the Earth does not revolve around the Sun, but vice versa. It is doubtful that anyone would see fit to return to such an idea. It is the same with economic theory. **Enterprises operate directly for demand, for specific consumers.** With skillful and planned regulation, higher meaning and content—subordination of their functioning **not to private gain, but to the interests of society as a whole**—can be retained even with this form of management. **Behind the individuality of each lies the integrity of the society.** It seems to us no less important to understand and take into account this invisible essence both theoretically and practically than to state that enterprises operate for the consumer, for the market.

**In our opinion, we should not go from the former underestimation of commodity relations to the other extreme and regard the socialist society as merely the sum total of its commodity producers.** This is another misconception, which is borne out by the fact that in recent years attention has focused on the individual enterprise as the main component, and it is declared to be capable of independently resolving all economic problems. Before treating a sick organ, knowledgeable doctors begin to treat the organism as a whole and make it capable of resisting the disease. Local treatment is successful when it is based on overall improvement of health. And this is the methodological approach of Marxist political economics. **It does not reduce the society or any system to the sum total of its parts, but regards it as some sort of higher quality.** The enterprise is the main component of management and at the same time an organic part of the whole. And the whole is not subordinate to the part. On the contrary, the laws governing the functioning of the whole determine the development of its individual parts. The need to improve the socioeconomic organism as a whole, is the starting premise for implementing the reform, and we should therefore begin with this.

There was a reason why postwar improvements of the economy began with monetary reforms. Their initiators and authors understood that without this precondition it would be impossible to activate economic growth factors. The war made this necessary, to be sure, which in either case resulted in the derangement of the money-exchange economy. The war was a disaster for all the people, however, and the way out of the crisis was found in distributing the hardships among all. This was the reason for replacing the old treasury notes with new ones at the proper rate.

The current situation in the USSR is similar to that of the past in some ways, while differing in others. The budget deficit, the fact that there is more money than goods and the deficit in the balance of payments in foreign economic relations reflect the derangement of the nation's money-exchange system. In this way it is similar to the past. All of this did not result from war or some other natural disaster, however, but is the fruit of nearsightedness on the part of those who authored the

former political course. This is a distinction from the past. The similarities and the distinctions create an extremely delicate situation, however. The consequences of mismanagement by the former leadership are great. The economy cannot develop until they have been eliminated. Neither complete economic accountability nor wholesale trade in the means of production nor any other kind of state orders or changes will produce results unless the economy as a whole is improved by eliminating the aforementioned deficits.

At the same time, there has been no war or other disasters which would have justified in the eyes of the population the shifting of the hardships involved in resolving the matter onto their shoulders. It is a fact that the people do not want reform involving an exchange of money disadvantageous to them. Something else is also true, however: the people will not begin working better if their wages only amount to paper money and are not backed with goods.

What do the economists propose for resolving this conflict and improving the economy? Some of them say that we need to reject quantitative growth and switch to qualitative economic reforms. Other believe that prices should be increased to eliminate the gap between available money and goods. But there is another approach: to work out and implement a broad system of anti-inflation measures aimed at increasing the purchasing power of the ruble by establishing rigid economy, rejecting ineffective programs and in many cases, long-range programs, and setting out on a path of systematic removal of money from circulation and thereby eliminating deficits and disproportions.

Adherents of the first point of view believe that the difficulties in the Soviet economy are caused by the chase after quantitative growth indices. They draw the conclusion that it is impossible to accelerate and restructure simultaneously, that increasing rates of growth in all sectors and restructuring the nation's entire economic system are conflicting concepts.

It is not surprising that this is not a new idea. Something else is surprising: the ease with which trendy ideas push aside correct ones! One only has to be tossed into a broad audience, and it is eagerly caught up and repeated by many, without any sort of critical thinking. No one has demanded scientific substantiation of the need to replace one strategy for developing the nation with another. It is as though the matter is of secondary importance.

But the idea is a fairly old one. It has been tested and has not been proved correct by experience. The reader will forgive me for a small digression. In 1975, when the party was preparing for the 25th congress, economists of the USSR Academy of Sciences submitted a document which demonstrated the need to lower planned rates of economic growth in order to effect structural reform and enhance quality and effectiveness. Even then, there were doubts and apprehensions that we would lose what we had and not gain anything new. As usual, however, the prestige of the Academy and the lofty titles of its scholars won out. The idea appealed to the leadership.

The congress was underway. Speaking of the tasks for the 10th Five-Year Plan (1976-1980), L.I. Brezhnev noted that the specified rates of growth for a number of items were lower than in the 9th Five-Year Plan and asked why. He answered that we were attempting to achieve greater balance and proportionality in national economic development during that five-year period and to establish better conditions for improving the quality of the work.

I can say that I never shared this idea. But let us honestly admit that the lowered rates which we criticize today as a result of the time of stagnation were actually openly planned with our approval in the past. It is perhaps unpleasant for some people that we did not foresee the consequences of planning low growth rates, but let us not pretend we did not know about it. But that is not the point. Something else is of interest. The lowering of growth rates 10-12 years ago was due to the same thing we have today: the need for qualitative reforms in the economy. This is why the 10th Five-Year Plan was proclaimed as a five-year plan of effectiveness and quality.

The data (Table 1) show what happened.

Table 1 (percentages)

| Indicator                                                | 1966-1970 | 1971-1975 | 1976-1980 | 1981-1985 | 1986-1987 |
|----------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Gross public product                                     | 7.4       | 6.3       | 4.2       | 3.5       | 3.6       |
| National income generated                                | 7.8       | 5.7       | 4.3       | 3.6       | 3.2       |
| Industrial output                                        | 8.5       | 7.4       | 4.4       | 3.7       | 4.4       |
| Gross agricultural output                                | 3.9       | 2.5       | 1.7       | 1.0       | 4.3       |
| Retail commodity turnover in state and cooperative trade | 8.2       | 6.3       | 4.4       | 3.1       | 4.5       |

We can see that the lowered growth rates during the 10th five-year period were not a temporary phenomenon but a manifestation of a stable trend, and they dropped even further during the 11th. And just where was the promised enhancement of effectiveness and

quality? There was and still is none. This means that the difficulties of the restructuring lie not in quantitative growth, but elsewhere. This conclusion is confirmed also by the fact that quantitative growth for the economy is becoming more and more doubtful.

According to official figures from the State Committee for Statistics, it is occurring (Table 2).

**Table 2. Main Indicators of Economic Development of the USSR (percentages of growth compared with previous year)**

| Years | Gross public product | National income | Industrial output | Agricultural output |
|-------|----------------------|-----------------|-------------------|---------------------|
| 1980  | 3.6                  | 3.9             | 3.6               | -2.0                |
| 1981  | 3.2                  | 3.3             | 3.4               | -1.1                |
| 1982  | 3.4                  | 4.0             | 2.9               | 5.4                 |
| 1983  | 4.2                  | 4.2             | 4.2               | 6.2                 |
| 1984  | 3.2                  | 2.9             | 4.1               | 0.1                 |
| 1985  | 3.6                  | 3.5             | 3.9               | 0.1                 |
| 1986  | 4.3                  | 4.1             | 4.9               | 5.3                 |
| 1987  | 2.9                  | 2.3             | 3.9               | -0.6                |

There is no denying the fact that the rates are low, but if they are real then at least growth is occurring. However, the unremitting shortage not just of consumer goods but also of the means of production disturbs one and evokes doubt that the addition indicated is real. Let us use the statistical data to confirm this.

In 1987 industrial output volume had increased by 131 percent in cost figures compared with 1980, but what about actual physical growth? We calculated the growth for 150 of the main kinds of manufactured goods and ended up with a fairly curious picture. During 6 years there had not been any growth; on the contrary, there was a drop for 46 items. Demand accounted for part of this, however. The quality did not measure up to the demands. This was true for combines, as an example. In part because of this, there was a drop in the production of machine tools, forges and presses. We have a shortage of a number of machines, but we were producing fewer of the following than we were turning out 6 years before: steel-making, rolling and many types of mining equipment, printing and carding machines, spinning and weaving looms, cranes, bulldozers, earth-moving machines, road graders, cameras, certain types of furniture, children's products, and a great deal more.

The 28 items with growth rates exceeding industry's average include robots, certain types of machinery and equipment and chemical products accounting for a meager portion of industrial output. Products accounting for a significant portion of the industrial output volume increased extremely insignificantly.

The resource branches, which account for a considerable portion of the industrial output volume, represent one positive element. During 7 years, for example, oil extraction increased by 3.5 percent, coal 6.2, steel 9.5, finished rolled metal products 10.7, and iron ore 2.5 percent. The materials-intensity of the products is being reduced slowly compared with the developed capitalist nations, however, and the targets for the five-year plans are not

being fully met. In the final analysis, all of this is retarding our rates of economic growth and hampering the reduction of capital invested in the raw materials branches.

It is only natural to ask: **Why are costs increasing, if the physical volume for a considerable number of products has not grown, but has frequently even decreased?** To some degree this is shown by data on the production of metal-working equipment (Table 3).

**Table 3**

|                      | 1980  | 1987  | Correlation (percentage) |
|----------------------|-------|-------|--------------------------|
| Metal-cutting lathes |       |       |                          |
| —thousands           | 216   | 156   | 72.2                     |
| —millions of rubles  | 1,944 | 2,838 | 146.0                    |
| Forges and presses   |       |       |                          |
| —thousands           | 57.2  | 46.2  | 80.7                     |
| —millions of rubles  | 563   | 634   | 126.0                    |

The number of machine tools has dropped, while the total cost has grown. This is usually accompanied by a price increase. A decrease in numbers is no problem, of course, if the quality of the machines has improved and they have become more productive. Labor productivity would have shot up in this case, however, and we would have had truly high rates of growth. We did not, though, and the problem of quality is just as acute today as it was 10-15 years ago.

To the question posed above about sources of growth we are inclined to answer that it continued to occur as a result of duplicate accounting and cost increases. As a rule, the increasing portion of new products with a higher price artificially "inflates" volume indices.

It was pointed out at one of the sessions of the USSR Council of Ministers that many enterprises take advantage of the authority granted them to deliberately reduce output. Where and how will they obtain needed revenues? By increasing prices. The VL-10 8-axle electric locomotive cost 256,000 rubles in 1985, while the price of the new VL-15 12-axle locomotive has grown to 915,000 rubles, a 3.6-fold increase, with a 70 percent increase in capacity.

With the conversion to complete economic accountability and self-financing, the producer's attempts to pad his pocket at the consumer's expense has not lessened; it is increasing. Centralized control should therefore not be abandoned entirely. There is no single medicine for treating all diseases. We should not repeat the infamous case of the corn. **Complete economic accountability can resolve many problems**, but not all. In the situation of monopolistic dominance and the absence of competition, not the consumer but the manufacturer dictates prices.

And so, a significant portion of our growth has been achieved by producing more expensive items. Thus there has long been no real growth of the economy. I would therefore like to ask those who propose rejecting quantity for the sake of quality how one can reject that which does not exist.

This brings up the matter of evaluating the current stage of development. It has already been stated that it is critical or near-critical. A near-critical period ordinarily involves improvement, however, after which there is a drop and crisis. We had a slow creep into lowered production, however, which was followed by a prolonged period of stagnation. Stagnation occurs not prior to but following a crisis. Some interpretations confuse the picture and can produce the absurd idea that the restructuring has taken us from a near-crisis to a crisis state.

In reality, the restructuring is designed to find a way out of the situation. We should carry out structural reforms in the economy. This certainly does not require rejecting the line of acceleration, however, as certain people believe, assuming that the orientation toward large rates of growth is hampering the structural restructuring. If growth is taken to mean the inflation of cost volumes, though, we do not need this sort of "growth," since it actually indicates a decrease. If we have in mind an increase in the volume of necessary products, of those kinds of equipment and consumer items which are needed, this kind of growth is vitally important—and the more, the better.

The attitude that a slow-down of growth rates will make the structural restructuring easier appears to be erroneous. In our opinion, it makes the latter impossible, as was the case in the past. We need to persistently implement the line of acceleration. The experience of Japan and other nations, recently China, has also shown that qualitative reform of the economy is impossible without accelerated growth. This refers to one type of growth, of course.

Naturally, a mechanical increase in output, while retaining the old production structure based on the traditional branches, cannot provide either rapid rates or quality reforms. In the past the theory was that the more tractors and grain combines we had, the greater would be the agricultural output. We make 16 times as many combines as the USA, however, but produce far less grain. I could cite numerous data on the production of metal, oil, machinery and machine tools which would show that with mechanical growth of the basic industrial branches we can achieve neither rapid rates nor structural reforms providing improved effectiveness and quality.

One can agree that in a number of metallurgical branches, as an example, and a number of branches of the machine-building, textile, footwear and other industries, we need to focus attention on the renewal of the technical plant and accept a growth reduction for a year or two (but no longer). There is another group of

branches, however, in which a rapid rate of growth should cover the losses from the former group. The first one is agriculture, which is producing far below its capabilities—and no longer due to a technological lag, but because of incompetent work and the prevalence of backward economic relations, which are hampering production growth. We should then mention the service area, in which the growth of volume can be viewed as a source of economic growth. Finally, there is the production of household and educational electronics, which, in the opinion of the specialists, our industry is perfectly capable of enlarging. We need to outfit every classroom in the schools immediately with a computer.

The resolution of these and a number of other problems cannot be put off until that indefinite time when the structural reforms which are altering the quality of our economy have been effected. This sort of recommendation could result in the same thing we had in the past. We have already lost 12 years. In order not to lose valuable time, however, we need to ascertain the real cause of the lag. In our opinion, it lies not merely in the inflation of production volumes but in the bureaucratic nature of the leadership, in the low level of responsibility and interest on the part of the labor collectives in the results of their labor. A system of social protection for the individual has been established in the nation, in which the individual can live perfectly tolerably without particularly putting himself out. Work is guaranteed for almost everyone. While not working the same, we frequently earn the same. The earnings are not large, but then the work is not performed well. Additional income from the underground economy pours in for many. Not everyone is provided with housing, but no one sleeps under a bridge here, and we do not have that perturbed polarization, glaring forms of which are typical of many capitalist nations. Some of us have it better, some worse, but we have all adapted, and few would want to risk their situation, perhaps not wonderful but at least fairly stable.

This kind of adaptation suits many people. Verbal condemnations of the stagnant ways can therefore not be taken at face value. Everyone is dissatisfied with something and talks about it. The real accomplishment of the restructuring depends upon our readiness to make our situation dependent upon the publicly acknowledged quality of our labor.

The more we have, of course, the less inclined we are to take the risk, and the well-off are therefore always more conservative. In our situation the rank and file workers have acquired a lot, which they certainly do not want to risk. According to the logic of things, however, our acquisitions have now become fetters restraining creative thinking and action. Let us go to the collectives of enterprises producing inferior items, as an example, and say: "Comrades, your products are no good, and we will no longer buy them. Think about how you are going to earn a living." They will be unhappy, and the possibility is not ruled out that a hitch with wages could lead them to strike. This would be a graphic indication, however, of

the fact that the people do not at all feel like the masters of production. Masters do not go on strike.<sup>1</sup> The enterprise collectives are in precisely this situation. Paternalistic relations of reciprocal amnesty have almost become established between the collectives and the administrative elements: We forgive you one thing, and you forgive us something else.

**The cause of causes of our lag lies in the bureaucracy** (the system of management by decrees and orders stems from it) **and inferior work in the shop.** Both of these are a legacy of our difficult historical past, of our age-old belief that someone will fix everything for us. The era of repression and stagnation did not root out, but actually preserved the attitude of passive anticipation of manna from heaven. Once again, we are waiting for the restructuring decisions to bring us success. It is time for us to rid ourselves of such attitudes once and for all. Only with our own hands are we to create that better world in which we want to live. We need standards of management, however, which encourage initiative and enterprise in people.

The vicious circle of reciprocal all-forgiveness can be broken by establishing new economic and political relations (glasnost, democracy, elections, complete economic accountability, leasing, cooperation, individual labor initiative, and so forth).

This is the equivalent of entering a new and unfamiliar world of economic relations for the enterprise collectives, in which they themselves bear responsibility for decisions, actions and inaction. Are they prepared for this? No. Many hope that complete economic accountability will rid them of their deficiencies. Few are prepared for the fact that it will impose a burden of increased responsibility upon the enterprise collectives. The conversion to complete economic accountability and wholesale trade in the means of production radically alters their operating circumstances. Economic relations which have developed over the years and which the workers of ministries and agencies for material and technical supply worked to establish will be broken and the enterprises will be forced to decide on issues of supply and demand themselves. Many of them are confused, since they have no experience in independent commercial activities, do not know marketing methods and do not know how to seek and find suppliers and consumers, to adapt themselves to the demands of the latter, to take a risk and assume responsibility, including responsibility for possible losses. The enterprises will need a different basis and different principles of interrelations between the center and the peripheral management elements for creating these conditions. What are they? Only actual economic experience can provide the answer. It will suggest also the methods for planned regulation of the economy in a situation in which market mechanisms are used.

In our opinion, the development and implementation of an extensive system of anti-inflation measures is the basic prerequisite for improving the economy, enhancing production effectiveness and the people's welfare. In

the capitalist nations these ordinarily have the objective of improving the functioning of individual companies or the national economy as a whole. We have not carried out such measures. We should now recognize the necessity, however, placing at the center of attention that problem which, unresolved, is the main retardant to economic growth: lack of a **full-value monetary unit**. We know that during the period 1971-1985 the amount of money in circulation increased 3.1-fold, with a doubling of consumer goods production. Taking a longer period, we can say that the purchasing power of the ruble (price scale) has been reduced by more than half since the beginning of the '60s. And this process has spread to all areas of the economy and caused a chain reaction unscrewing the nuts in all components of the national economy. And the establishment of a stable monetary unit, on the contrary, is a therapeutic elixir, a life-giving liquid which fills the blood vessels of the economy and gives stability to its growth. As already mentioned, all nations have at all times proceeded from this basic fact of economic science.

It is a pity only that the task of increasing the purchasing power of money was not placed at the center of attention at the beginning of the restructuring. We got the cart before the horse. We began by introducing self-financing and economic accountability, which will not haul the load of effectiveness up the hill in the absence of a full-value monetary unit. The condition of self-payment, particularly one which carries the allure of increased prices without the appropriate preconditions, does not lead to the needed goal. The kolkhozes have always operated with complete economic accountability and self-financing, but lacked the conditions for expanded reproduction. And corresponding results were achieved. The existence of a sound monetary unit, which creates stable material interest in the results of the work in each worker and each collective, as already noted, is the crucial prerequisite for converting the enterprises to complete economic accountability and self-financing.

Unfortunately, we did not begin with this at the right time. We now have to admit that we need large-scale anti-inflation (deflation) measures as much as the others do. We obviously need to give the development of the socialist economy an **anti-inflation** orientation not just today, but also for the future. The measures stemming from this must become a component of national economic planning.

Many errors and omissions in the current situation are a result of incompetent decisions by the former leadership. Current circumstances need to be distinguished from the underlying situation, however, and today's difficulties also make something else clear. We can see that one of the features of the Soviet economy is that it lacks a mechanism for rejecting outgrowths of negative developments or even for counteracting them. The capitalist system has such a capacity, at least in part. In the

situation of a planned economy, however, effective economic regulators are not skillfully utilized. The distribution of labor and funds, and structural changes both in prices and in many other areas are frequently effected only tentatively and far too late, and are frequently not linked to public needs. Other developments also occur, which are now called the underground, or second, economy.

Negative processes, particularly inflation, destabilize the economy as a result. It has no less a broad gamut of negative consequences in our situation. Even price stability misses the objective which it is designed to achieve by a long way and is used for speculation in the situation of shortages. We no longer say that **prices for scarce goods have to be increased by one means or another**. A **shortage of goods** is the main consequence of socialist inflation, which gives rise to theft, speculation, bribery and other antisocial developments. The elimination of inexpensive items from production and trade, like the deterioration of product quality, with the price level unchanged should be regarded as a consequence of inflation.

As noted before, an economy, particularly a planned economy, should under any policy possess an internal capacity for counteracting negative processes, at least through the democratic decision-making mechanism. Even when things are going well it should be regarded as a living organism, constantly in need of purification from various kinds of alien phenomena inevitably occurring in the course of development.

The improvement measures, however, when such were developed, extremely rarely or never became an integral part of the plans and programs. And this was despite the fact that inflation and other disproportions were a frequent companion to the Soviet economy's development. We are now in the grips of **three deficits**, which are interlinked: budget, commodity and payment. It is impossible to have normal functioning of the economy while they exist. Surplus money in the hands of the population and the enterprises not matched with goods is creating frenzied demand, which makes it impossible to provide a normal supply of goods for the population and resources for the enterprises or to force people to conserve them. Extravagance is a direct consequence of the circulation of money not matched [with goods], which essentially constrains the use of resources. The existence of many billions in surplus money in the enterprise accounts is a barrier to the adoption of complete economic accountability.

For many years now we have been talking about eliminating the funded provision of enterprises with material and technical resources and switching to free wholesale trade in the means of production. Nothing has come of it, however. The main cause is the large amount of spare

cash in the hands of the enterprises. The result is that we do not know how the resources are being distributed. Some [enterprises] acquire too many, while others receive nothing.

Everyone admits that the situation is abnormal and needs to be changed. But how? An influential group of economists has proposed **increasing prices**. They support this suggestion from mutually exclusive points of view. On the one hand, they say that raising prices will withdraw excess money from circulation and restore balance between supply and demand. On the other hand, they propose that subsidies from the state budget (around 60 billion [rubles] for meat, and for other goods) be distributed among the population in the form of increased wages, pensions, benefits, stipends, and so forth. Then, they allege, the state will be rid of an extra burden, and the population will spend its money more conservatively on products.

But all of this makes the very undertaking meaningless. If the amount of products does not increase but the population has more money in its hands, this will certainly not reduce demand for scarce goods.

The first argument about raising prices without any compensation would appear to be more valid. Its implementation would introduce a certain balance in the correlation of supply and demand. It cannot be just a temporary thing, however, because in the situation of scarce goods, the ratio will break down once again after a certain time. This is borne out by experience. If, given all of the circumstances, however, a direct reduction of national consumption is inevitable, it is difficult to say what the consequences would be.

The vigorous debate which has developed around price-setting demonstrates the tenacity of the old truisms. All of the society's economic and political problems intersect in prices. No one has remained indifferent, and this is perfectly natural. What is more interesting is the fact that objections have been advanced from various sides based on serious considerations of a political and economic nature. These can be evaluated in the following way.

In the first place, the time is past when people worked mainly for the sake of a better future. A new generation of people has grown up who believe that we need not only to till, but also to reap the harvest. They are therefore against attempts to shift to them the consequences of inadequately far-sighted management and leadership.

In the second place, the majority of the population believe that all of the problems cannot be resolved with price manipulations. A repeated raising of wholesale, procurement and retail prices has returned the situation to its former state after a certain time. In this sense the present round does not differ from previous ones.

Today's tense situation should be regarded as a result of many years of searching in which the most important domestic and foreign political actions were carried out without considering the nation's real capabilities. Libertarianism in policy has led to extravagance in the economy. Expensive programs (the Nonchernozem, reclamation and others) were worked out without considering their real return. The same was true of domestic policy. Expenses grew in geometric progression as a result, while incomes increased in arithmetical progression at best. Part of the national economic outlays went down a rat hole, while another part lodged in our pockets and demanded a corresponding supply of goods. Since the latter was limited, the state's revenues were also limited, and it resorted to the printing-press. More and more unbacked money came into circulation, and increased prices and shortages resulted. Today, all of us—both the enterprises and the citizens—are suffering from unrestrained inflation in our planned economy.

Some people, strangely, propose combatting inflation by raising prices.<sup>2</sup> Until now, however, this path has been considered the most glaring manifestation of inflation. Incidentally, the inflation rates are determined by the level of price increases.

Raising prices will not reduce, but will increase, inflation, particularly since this will entail an inevitable increase in wages. It has long been considered an elementary fact of economic science that prices increases indicate a change in the measure of cost (the price scale) and each monetary unit begins to reflect a smaller magnitude of cost. This is the equivalent of a direct lowering of wages, if they are not made up for with something else, and this is impossible in our situation. Increased prices therefore produce a chain reaction of other increases, and after a time we will be back where we started.

What do we propose for combatting inflation, for overcoming it? We need to do the opposite of what was done in the past. Paper money not backed with goods was placed into circulation, and we now need to remove it. It is far more difficult to remove it than to put it into circulation, to be sure, but, in our opinion, this is the only painless way to improve the economy.

It should be pointed out that the national budget deficit is essentially increasing because, in addition to an official shortfall of 36.3 billion, budget revenues are being supplemented with 63.4 billion rubles out of the state loan fund. This means that the budget deficit exceeds 7 percent. It is impossible to determine the amount of surplus money in circulation but not backed with goods. The total amount deposited in savings banks in 1987 was 266.9 billion rubles, but no one knows how much the population held onto. We do know, however, that, despite the steady increase in deposits, the population purchased goods worth 350.7 billion rubles (retail trade turnover) that same year and paid 53.6 billion rubles for services (paid services). And the retail commodity turnover plan fell short by 10-12 billion rubles each year.

We can assume from these comparisons that the total amount of money not backed with goods far exceeds 100 billion rubles. Consequently, at least that amount should be taken out of circulation. A figure of 10-12 billion would be set as the annual amount to be removed.

How do we find spare funds for removal at a time when the budget deficit is so perceptible and the demand for goods is also not being satisfied by an even greater degree? By imposing the most stringent economy and drastically reducing nonproductive outlays to the level of actual capabilities.

In our opinion, in order to achieve this we must do the following:

- drastically reduce state outlays (overall), but primarily those requiring payment in cash; reduce excess management components and inflated staffs, particularly for unneeded protection of establishments and similar services, rejecting expensive commemorative construction, and so forth;
- reject expensive but little-productive national economic programs;
- implement on the basis of the "adequate security" formula political decisions which will make it possible to reduce military outlays;
- turn over for leasing, assign or respecialize enterprises with unprofitable plans, thereby turning them into profitable enterprises;
- enlist the population's spare cash for developing leasing and cooperative production, as well as for individual construction;
- reassess the fixed and circulating capital of enterprises with a view to reducing it;
- enlarge internal production and buy on the world market goods sold at higher prices, the income from which would be removed from circulation;
- replace cash with book-entry funds by introducing electronic equipment in accounting;
- finally, replace the current banknotes with others at a specific rate.

Naturally, these steps can be supplemented and more specifically defined so as to reach the amount of money indicated for removal from circulation each year, along with the sources of their receipt into the state treasury. There is nothing extraordinary about this system of anti-inflation (deflation) steps. It is used by all nations which are working to improve their economies.

It would be impossible to overstate the positive effect of such a program with respect to improving the economy. Instead of increasing the purchasing power of the Soviet ruble, the price scale would change and the monetary unit would begin to reflect the increased cost and carry more weight in the pocket, and this would raise the prestige of honest and involved labor. Finally, the pressure of the monetary mass upon the commodity mass would be reduced, and supply would gradually move into line with demand. A thoroughly conceived and firmly implemented anti-inflation (deflation) policy would be the equivalent with respect to its consequences and its effect upon the economy of a monetary reform carried out in the interest of and to the direct benefit of the population.

There is no question that it will take a great deal of effort on the part of the state to implement such measures. The effort will pay for itself, however, since it is designed to accomplish a dual task simultaneously: to enhance the people's welfare and to improve the economy. We see the main merit of these measures in the fact that they not only do not create anxiety in the people but, on the contrary, strengthen their faith that the restructuring is being effected in the interest of and for the sake of the people.

#### Footnotes:

1. V. Karatayev, dock worker at the Leningrad Maritime Port, writes about this (his letter is published on pages 122-124).

2. *Izvestiya*, 14 November 1987

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#### Problems of Measuring Nonproductive Sphere in GNP Discussed

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[Article by Yu.V. Stepanov and A. Yu. Dobychin: "Problems in Measuring the Production of the Nonproductive Sphere in the System of General Economic Indicators Under the Conditions of the Strengthening of the Social Direction of Planning"]

[Text] The article substantiates the necessity of an integral presentation of the nonproductive sphere in the balance of the national economy on the basis of the development of the balance of nonmaterial services. It proposes a modification of the scheme of the latter, making possible, in contrast to the draft scheme formulated by the USSR State Committee for Statistics, the organic inclusion of nonmaterial goods both in the calculation of the traditional indicators of the balance of the national economy as well as in the calculation of the gross national product. Recommendations were worked

out for the inclusion of the indicators of intermediate and final consumption of services in the interbranch balance, which make possible the more adequate reflection of the "output" of the nonproductive sphere in the models for the rate and proportions of economic growth.

The restructuring of the planning system is the most important component of the program for the radical reform of the management of the economy worked out by the June (1987) Plenum of the CPSU Central Committee. Its realization is aimed at accelerating the social and economic development of the country and at the achievement of a new quality of economic growth and well-being of people.

It should be noted that the course of acceleration is not in itself the goal. As was noted at the 19th All-Union CPSU Conference, the main emphasis is being placed not on the rate of growth of production of individual types of output or on the development of individual branches, national economy complexes and the economy as a whole but on the achievement of socially significant results and the effective satisfaction of the needs of the people.

Precisely such an approach was utilized in the development of the state plan for the economic and social development of the USSR in 1989, the main feature of which is the social reorientation of the economy relying on major structural changes.

This primarily involves the fundamental proportion between consumption and saving. Thus, under the 1989 plan, the share of the consumption fund in the structure of usable national income will be 74.8 percent as opposed to 72.9 percent under the five-year plan, the relative share of resources for consumption and nonproductive construction 81.6 and 78.5 percent, respectively, and the share of capital investments in the nonproductive sphere in the total volume for the national economy will be 28.2 percent compared with 23.6 percent in the five-year plan. Substantially higher targets than in the five-year plan are foreseen for 1989 for the rate of growth of output of the second subheading, Group "B" of industry, etc.

The restructuring of the system and methods of planning and the strengthening of the social orientation of the national economic plans suggest the necessity of the further improvement of the scheme and system of indicators of the balance of the national economy (BNKh).

At the same time, the strengthening of the influence of the nonproductive sphere on the social and economic development of the country also presupposes the search for new approaches to the evaluation of the role and place of the sphere in the system of the BNKh. Accordingly, it is essential to continue to improve the scheme and system of the BNKh indicators in the interests of active social policy. In the opinion of most Soviet and foreign economists, the branches of the nonproductive

sphere were transformed from major consumers of the output of material production to direct participants not only in the preparation but also in the realization of different stages of the reproduction cycle. Because, for example, of the extension of the processes in the integration of the two spheres of reproduction, nonmaterial services began to be included in the production process not only indirectly (raising the quality of manpower) but also directly as an element of current expenditures of enterprises and associations for social and cultural development and as a direct productive force, such as science. The transformation of the nonproductive sphere into an integral part of the entire system of reproduction functionally aimed at a significant increase in the yield of the country's economic potential and at expanding its participation in the public division of labor also has a positive reciprocal effect. There is an acceleration of the processes of the qualitative restructuring of nonmaterial production, which are manifested in the transformation of the material and technical base of service sectors and in the increased efficiency of "technical" processes and the quality of services.[1, pp 3-11]

The scheme and system of BNKh indicators now in effect do not reflect these important changes in the status of the nonproductive sphere, because they are based on the existing theoretical concepts, in accordance with which the nonproductive sphere does not create value and does not participate directly in the formation of social product. The emphasis in the BNKh is on the volume and structure of the consumption of resources in the nonproductive sphere (balance of production, consumption and saving of social product, balance of production, distribution, redistribution and utilization of social product and national income and others) and on the redistribution process (through the consolidated financial balance, balance of monetary income and expenditures). The fragmentary nature of the representation of data, the clearly secondary nature of the nonproductive sphere relative to physical production, and the utility of this sphere as the final consumer and financial "intermediary" was, in our view, the reason for the underestimation of the value measures and the extensive utilization of natural indicators in planning: square meters of total (useful) living space, bed-days and man-visits to out-patient polyclinics, etc. The incomparability of the latter are a serious hindrance to the determination of the composite characteristics of the consumption of paid and unpaid services by the population, the aggregate consumption of material and nonmaterial goods, the analysis of the structural changes in the output of the nonproductive sphere, etc.

At the present time, the detailed reporting interbranch balance (MOB) is the only division of the BNKh where the most important value indicators of the development of the nonproductive sphere are reflected in more detail. Thus, a number of analogous columns of the second and fourth quadrants of the MOB give an extensive characterization of the elements of expenditures for the production of services (not counting saving in the branches

of unpaid or partially paid nonproductive services). Despite these merits, the existing scheme and system of MOB indicators is seriously in need of additional work. In the first place, the detailed reporting MOB is developed by the USSR State Committee for Statistics once every 5 years and is available to specialists only at the end of the second year of each five-year plan, which greatly complicates its utilization in preplanning analytical calculations of the BNKh. Secondly, the classification of branches of the social and cultural complex of the nonproductive sphere made in the predicate of the MOB is, in our view, unsatisfactory.<sup>1</sup> The heterogeneity of functions requires a differentiated approach to the analysis and planning of each branch of the nonproductive sphere. Thirdly, the scheme of the first quadrant of the MOB accentuates the attention on the description of the technological peculiarities of the internal turnover of physical production only. With the appropriate modification, the given scheme could become the basis for the description of the special features of the technological (branch) structure of intermediate consumption in the nonproductive sphere, etc.

In addition, the BNKh and MOB did not reflect the foreign economic turnover of nonmaterial goods (international tourism, sale of licenses, work of joint ventures and joint-stock companies, and others) or the structure of the output of the nonproductive sphere according to forms of ownership (services of state and cooperative enterprises and organizations involved with individual labor activity), with the exception of some types of paid services provided by state enterprises and institutions and reflected in the financial balance of the state (means of customers for the payment of research work) and in the consolidated financial balance (payment of services by enterprises of the branches of physical production and the nonproductive sphere and by the population). All of this seriously complicates the calculation of a new indicator for our planning practice—gross national product (GNP),<sup>2</sup> which is the most general indicator of the final results of economic activity as a whole in the national economy and covers the results of the work of all economic units, including the services sphere, cooperatives, persons performing individual labor activity, and others. Its utilization along with the indicators of national income and social product make it possible to give a more complete characterization of different aspects of socialist expanded reproduction, to make direct comparisons of the levels and rates of economic development of the USSR and foreign countries, and to improve the reliability and accuracy of international comparisons.

A basic merit of the methods for the calculation of the GNP (methods involving production, distribution and final use) is the possibility of their application to evaluate the final and intermediate consumption of the output of both spheres of social reproduction and to distinguish its value and material and physical components as well as those that are linked to the greatest degree with the

personal and social direction of reproduction processes and their direct orientation toward the increase in the well-being of people.

And in March 1988, in the preparation and practical utilization of GNP in economic calculations, a Methodology for the Measurement of the Gross National Product of the USSR was worked out and affirmed by the USSR State Committee for Statistics.[2] The magnitude of the GNP has now been determined for 1980, 1985, 1986 and 1987. The expected magnitude for 1988 and the planned magnitude for 1989 have been calculated. But these calculations were made using a simplified scheme with the extensive utilization of estimates by experts.

The absence of a series of extremely important indicators for the nonproductive sphere in national statistics did not permit the performance of a complete calculation of the GNP. Thus, in accordance with the affirmed methodology, all three schemes for the calculation of the GNP presuppose, in particular, the adequate reflection in them of the final results of individual labor, cooperative and lease forms of activity in the area of the production of nonmaterial services. Reporting is just now appearing in the given sectors of the economy. The most informative reporting document is the declaration that enterprises fill out every quarter. Its basic sections show the structure of their income and expenditures. The first section of the declaration reflects the gross income of the enterprise, including from the sale of goods and services directly to the population. The second shows the expenditures of the cooperative for the acquisition of raw materials and other materials, depreciation allowances, payment for the services of other organizations, contributions for social insurance, and a number of others. The third shows the amount of income tax paid and the distribution of income remaining after its deduction, including allocations to the fund for labor remuneration, for the social development of the cooperative, etc. The information contained in the report on the results of the calculation of citizens with income from individual labor as well as in the above-mentioned declaration is sufficient to reflect the output of the individual-cooperative sector of the economy in summarizing indicators of the economic and social development of the country.

Home ownership is a relatively new form of commercial activity for our planning practice that has not been reflected in statistical reporting. According to the methods for the calculation of the GNP, such ownership is evaluated as a housing service that the owner of the home "sells" to himself. Depending upon the phase in which the GNP is viewed, services of conventionally rented dwellings are considered as conventionally calculated net rent in the phase of production and distribution and as conventional rent (the sum of net rent and expenditures by the owner for current repairs and maintenance of the home) in the phase of final use. Let us examine the problems in their economic assessment.

The rent must meet the requirement of cost recovery. This means that its level must be adequate to compensate the owner of the home for the expenditures for its construction, repair and operation. The existing rent rates for living in state apartments do not meet the requirement of cost recovery and therefore cannot be utilized for the assessment of conventionally calculated rent without the appropriate supplement. What is the way out? It is well known that besides centralized receipts (rent, income from the leasing of premises other than dwellings to enterprises, institutions and organizations) the housing business receives centralized subsidies from the state budget to cover losses from the operation of the available housing, which must be considered in our calculations. In addition, the now widespread practice of setting rates for housing services per square meter of housing space must also be reviewed. The transition to new improved housing projects (greater comfort, more stories, etc.) in the 13th Five-Year Plan and in the long term through the year 2005 will bring about progressive changes in the structure of the country's available housing and will have a significant effect on the level of expenditures for the maintenance and development of the housing business and consequently on the average rent rate. To take the quality of used housing more fully into account, to eliminate the unwarranted leveling of its rent, to bring about the consistent realization of the principle of social fairness as soon as possible, and to ensure the cost recovery of the housing business and its transfer to cost accounting, it is essential, in our view, to utilize the rent rate not per square meter but per ruble of value of housing.

According to our calculations, the conventionally calculated rent was more than 2 billion rubles in 1987. This estimate was obtained as a result of the derivation of rent for state housing (expenditures of the population and state budget per ruble of value of the housing stock of local soviets) per [unit of] value of housing belonging to citizens. Results of a similar level can be obtained by utilizing the rates of operating expenditures per ruble of value of cooperative housing.

A special survey of the branches of the national economy is required to assess the expenditures of enterprises, institutions and organizations for representative purposes, which in the schemes for the calculation of the GNP relate to intermediate consumption and must be excluded from the final consumption of goods and services. Moreover, because of the lack of the foreseen data on income received from the foreign economic activities of enterprises, institutions, organizations and the population (including remuneration of the labor of citizens of the USSR temporarily working for enterprises of other countries) and on analogous income transferred abroad (including the remuneration of the labor of foreigners temporarily working for enterprises of the USSR) as well as data on the results of the work of mixed and joint-stock enterprises and other indicators distinguishing the GNP from gross domestic product, these

schemes allow only an estimate of gross domestic product. In the calculations of GNP, the magnitude of the above-indicated income was also determined by experts.

Overall it should be noted that the absence of the necessary statistic information was one of the reasons for the extensive utilization of simplified schemes for the calculation of GNP on the basis of the transition from produced national income. The transformation of GNP into the most important reporting and planning indicator of the level of the social and economic development of the country requires a serious improvement of the underlying information base—reporting BNKh.

The systematic inclusion of the results of the activities of the nonproductive sphere in the summarizing indicators of the development of the national economy requires a change in the content of the basic sections of the BNKh. In addition, its system of indicators is being expanded through the introduction of new summarizing characteristics of economic development that include the "output" of the nonproductive sphere and appear as the basis for comparisons between countries. In our view, the new scheme of the BNKh must reflect, in the first place, the contribution of nonmaterial services to the creation of social wealth (balance of national wealth); secondly, resources and the utilization of the output of the nonproductive sphere (balance of nonmaterial services) and the possibility of obtaining indicators of the balance of services on the basis of the information of other sections of the BNKh, that is, the correspondence of the pertinent elements of the balance; thirdly, the inclusion of services in the interbranch turnover of resources (interbranch balance of the production and distribution of social product).

The new "quality" of the nonproductive sphere changes the scheme of the balance of national income. It is being expanded by including in the concept of national wealth individual elements of its nonmaterial form (scientific and educational potentials, for example) created in the nonproductive sphere. To reflect in the subject of the scheme of the balance those elements of national wealth that are consumed productively during several cycles of reproduction, it is expedient to separate its productive and nonproductive capital. In the scope of the former, it makes sense to distinguish production capital in its traditional sense (that is, fixed and working capital accumulated in the material sphere) and the accumulated part of resources utilized in the branches of the nonproductive sphere (in a narrow sense).

The balance of nonmaterial services (BNU) shows the resources and utilization of the "output" of the nonproductive sphere. The task of the balance is to reflect in an aggregate form the economic turnover of nonproductive services in the process of social reproduction and to show the intermediate consumption of nonmaterial goods in both spheres and the final consumption of services by the population in paid and unpaid forms. It is expedient for all of the above-indicated characteristics of

the movement of the results of nonmaterial production to be broken down in the products list of the branches of nonproductive services and by forms of ownership.

At the present time, the USSR State Committee for Statistics is working out methodological recommendations for the formulation of a balance of nonproductive services and they have prepared and issued its draft, which on the whole is being written into the existing system of indicators of the BNKh and is resolving a number of the mentioned tasks. But the work to improve the scheme of the BNU must not be considered finished. In the first place, because it did not reflect indicators characterizing the structure of production and the utilization of nonproductive services by forms of ownership. Such a manner of specifying the composition of the output of each type of nonproductive activity makes it possible to analyze nonmaterial production by sectors of the economy, to determine their role and place in raising the standard of living of the population and in the formation of an active social policy, and, with the help of economic levers, to monitor the realization of the decrees of the party and government on questions of individual labor and cooperative activities, the lease contract, etc. In addition, the structure of the production and consumption of nonmaterial goods by form of ownership is also very important for the calculation of the GNP (or gross domestic product), because output whose source is individual labor activity must reflect a conventional estimate of rent received by owners of dwellings, the value of the hiring of help, the services of persons in free professions, etc. In the second place, in the first stage in the restructuring of balance work, when a number of old schemes of BNKh sections will still be in effect, it is essential in the scope of the BNU to reexamine the separation from final consumption of nonproductive services by the population that unpaid part of them that enterprises, organizations and institutions offer to their own workers and employees, including the nonmaterial part of expenditures for business trips (transport and hotel services). In accordance with the above-indicated methods for the calculation of the GNP (gross domestic product), services of this type belong to intermediate consumption. This important aspect was also not reflected in the draft BNU presented by the USSR State Committee for Statistics. In the future, this form of consumption should be considered in the intermediate expenditures of both spheres. Thirdly, it is recommended that the output of branches providing primarily unpaid or partially paid services be assessed in the plan in the quantity of operating expenditures, that is, without considering saving, which leads to different quantities of economic measurements of paid and unpaid services. This means that the value of nonmaterial services depends upon the system for their financing. For example, in the transition from paid to unpaid service, the estimate of the volume of services is reduced by the amount of profit. In addition, the consumption of unpaid services is actually evaluated in wholesale prices and paid services are evaluated in retail prices. Consequently, the given method of estimating output distorts

the real conditions for the reproduction of a significant part of nonmaterial goods, leads to a lowering of the overall level (volume) of work in the nonproductive sphere, is in conflict with the requirement for the efficient expenditure of resources and, in this sense, does not correspond to contemporary management conditions.[3, pp 116-117]

In the economic literature, different methods have been proposed for the "full evaluation" of unpaid and preferential services to the level of paid services.[4-6] For example, the method based on the measurement of the annual volume of production of services directly through the sum of current and capital expenditures for this same year, or methods of "full evaluation" that realize the principles of "adduced expenditures," "value," "cost of production," "cost recovery," etc. Each of them has its shortcomings. In the case of the application of the first of the named methods,[4, p 13] the estimates of the volume of output of the corresponding branches of the nonproductive sphere will be determined largely by their investment activity, which can change significantly even in the scope of one five-year plan.

The evaluation of unpaid and preferential services on the basis of the method of adduced expenditures is based on the proposition that the price for these services, just as the rate for paid services, includes all factor incomes. A unit of a resource must yield the same effect in any sphere of the economy. At the present time, it is still too early to speak of unanimity with respect to the size of the standards for the efficiency of resources. But the fact that the total requirements for resources exceeds the possibility for their satisfaction is evidence of the reduced level of the standards in question. Methods of evaluating unpaid and preferential services under the principle of "value" and under the principle of "cost of production" are based in the first case on the proposition of the existence of a single standard of surplus product (the relationship of profit to the wage fund), in the second case on a single standard for profit (relation of profit to the value of fixed and working capital). But the level of the operative rates for paid services significantly exceeds the expenditure estimates for these services, calculated on the basis of the last two approaches, which indicates their imperfection.[5, pp 110-111]

Still another general shortcoming of all methods of "full evaluation" of unpaid services should be pointed out: the estimates of the volumes of services obtained with the help of these methods are not being written into the general methods for the calculation of synthetic indicators of the national economic balance. All methods for evaluation and "full evaluation" of unpaid services result in rather arbitrary magnitudes of the value of these services not related to the conditions of their realization or to the real cost for them. To a lesser degree, this relates to the method based on the measurement of the annual volume of production (consumption) of unpaid and

partially paid nonproductive services directly through the sum of current and capital expenditures. In our opinion, it should be considered more preferable.

Taking into account the comments made above, it is proposed that the scheme of the balance of nonmaterial services be modified. In its subject are services of a social-cultural and everyday nature (including by forms of ownership): housing and municipal services; health, physical culture and social security; education; culture and art; nonproductive transport; nonproductive communications; science and scientific services; extension of credit and state insurance; administration and other branches of the nonproductive sphere; in all. There is reference to unpaid nonmaterial services that enterprises provide for their workers and employees.

The predicate of the table reflects the resources of nonmaterial services, including the value of services provided, exports and imports, all resources; the utilization of nonmaterial services, including in physical production and in the nonproductive sphere (from it—paid services and unpaid services, including those provided to own workers and employees; services provided to the society as a whole).

Such a balance characterizes the production and utilization of the gross output of nonproductive services; in this sense, it is analogous to the balance of the production, consumption and accumulation of social product. In addition, the combining of these balances into one on the basis of the homogeneity of their predicates makes it possible to evaluate not only the total volume of aggregate and final production and consumption of material and nonmaterial goods but their structure as well.

The change in the role and place of the nonproductive sphere in the reproduction process dictates the necessity of modifying the schemes and systems of indicators of all sections of the MOB. In accordance with the new concept of productive labor, the first quadrant of the MOB must reflect the internal turnover of the two spheres of social reproduction. For this purpose, it is necessary to make the following transformations of the scheme and system of indicators of the first quadrant: it is necessary, in the first place, to expand the products list of the branches of the subject (predicate), adding nonproductive forms of activity to the branches of physical production; secondly, to supplement the system of indicators of the first quadrant with characteristics reflecting the intermediate consumption of goods and services in both spheres of social reproduction. These transformations can be made on the basis of the data of the second quadrant of the reporting MOB. Its predicate distinguishes the following branches of the nonproductive sphere: housing and municipal services (including everyday services to the population); passenger transportation; communications in services to the population and in the nonproductive sphere; education, public health, culture and art; science; administration.

In our view, as was already noted, the classification of the branches of nonproductive kinds of activity carried out in the reporting MOB is unsatisfactory. But the transition to a less aggregate nomenclature gives rise to a number of problems with respect to data and methods, which are quite surmountable. One of them is the evaluation of interbranch "deliveries" of services, that is, the filling in of new subject lines. In the case at hand, it is a matter of the interpretation for individual branches of the national economy of nonproductive services of a social and cultural nature provided through the means of enterprises of both spheres to their workers and employees, including expenditures for business trips in their nonmaterial area (transportation, services of the hotel industry), as well as through the expenditures of enterprises and organizations for research, which, in accordance with the methodology for the calculation of the GNP, belong not to final but to intermediate consumption. For the adequate depiction of the intermediate consumption of material goods in the first section of the MOB in its new understanding, it is essential to exclude from the final consumption (personal and public consumption) shown in the second quadrant of the reporting MOB the corresponding purchases by the population of goods in the part financed through the means for business trips and material expenditures in the branches of the nonproductive sphere that must be reflected in the corresponding indicators of the first quadrant. In the final analysis, the first and second sections of the MOB must give a branch characterization of production, consumption and accumulation of material and nonmaterial goods. Their overall total must equal the gross output of goods and services and the total of the second quadrant must be the GNP (gross domestic product). In the case at hand, the scheme of the second quadrant evaluates GNP through the method of final utilization.

The transformations of the scheme of the third quadrant amount to the transfer of the incomes of the nonproductive sphere (wages accrued to wages, profit, bonuses, etc.) of the same type as the primary incomes of physical production from the fourth section. In our view, there are no serious information problems for the expansion of the scheme of the third section, because, on the one hand, the third and fourth quadrants of the MOB have the same subject and, on the other hand, the material part of expenditures for services transferred from the second to the first section has the same predicate with the indicators of the fourth section of the reporting MOB. The expenditures for the gross output of goods and services must become the overall total of the transformed first and third sections of the MOB and the expenditures for GNP (gross domestic product) must be the overall total of the third section. In the case at hand, the basis for the calculation of the latter is the production method.

The interbranch balance constitutes the basis for contemporary models for the forecasting of the rates and proportions of economic growth. For this reason, the

work to improve the scheme and system of its indicators is of paramount importance. At the present time, the direct inclusion of the nonproductive sphere in the system of models is achieved on the basis of the development of a special block of calculations of the output of individual branches of the sphere of nonmaterial production. The prospective volumes of the GNP (gross domestic product) are estimated on the basis of the transitional schemes set forth above, the basis of which is traditional calculations of national income and the development of the nonproductive sphere in the long term. The final consumption of nonmaterial services is forecast on the basis of the utilization of the production function with autonomous scientific-technical progress. The estimates in the block modeling the nonproductive sphere are coordinated with the estimates of national income obtained from calculations under models of material production on the basis of the exogenous assignment of limitations on the total volume of factors (number of employed and fixed capital in the nonproductive sphere) as well as on individual elements (expenditures on materials, depreciation, capital investments, share of expenditures by the population for the payment of services, etc.) of the gross output of services. The given methodology was utilized in forecasting calculations of the indicator of the GNP, which were carried out in the course of the elaboration of the Concept for the Economic and Social Development of the Country for the Period Through the Year 2005. It should be noted that the system of models is intermediate. At the present time, a system of models is being elaborated for the balance of the national economy, the basis of which is a modified MOB scheme that fully formalizes the above-indicated requirements for the reflection of the nonproductive sphere. This also makes it possible to estimate the GNP (gross domestic product) in the long term. It is proposed that precisely such an approach be taken in the development of the Basic Directions for the Economic and Social Development of the USSR in the Period Through the Year 2005 and also the five-year plan for 1991-1995.

#### Footnotes

1. By way of example, one can present the following complexes of branches: housing and municipal services and everyday services; education, culture and art, public health, physical culture and sports, social insurance.
2. Put into practice of economic calculations in January 1988.

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### Market-Oriented Commodity Production Satisfies Socialist Economy

18200216a Moscow *LITERATURNAYA GAZETA* in Russian 22 Feb 89 p 10

[Article by S. Alekseyev: "A Formula For Change"]

[Text] The subject of market principles in the economics of socialism is not a new one for *LITERATURNAYA GAZETA*—we have concerned ourselves over an extended period of time with a discussion of cost accounting, orientation towards the consumer and inclusion in the international system of management. Recently published articles by A. Levikov entitled "Price and the Market" and "Hungarian Actions" (*LITERATURNAYA GAZETA* dated 14 December 1988 and 18 January 1989), which serve to generalize and develop new views concerning commodity-money relationships and economic methods for administering the national economy, have aroused many comments. Recently the question of the relationship between the planning and market administrative mechanisms in the Soviet economy has in essence become the principal question of perestroika. At the "roundtable" in the Department of Economics and in articles published on our pages by journalists and scientists, similar to columns in other newspapers, the concept of a "socialist market" is appearing more often and in a more confident manner. But what is this exactly? Are these concepts compatible today—socialism and the market, which only recently were considered to be mutually exclusive? Are we waiving our principles here or, on the contrary, are we strengthening and enriching socialism?

It is believed that the time is at hand for including in these disputes not only economists but also philosophers and political figures. Today we will hear from Corresponding Member of the USSR Academy of Sciences Sergey Sergeyevich Alekseyev.

The economic reform is proceeding with difficulty. This admission sounds almost "commonplace." What are the reasons for this? There are many apparent reasons and they too have become "commonplace." But they are not the subject of our discussion.

Let us peer into the essence of the changes that have been carried out. Here we find a unified policy and a single plan. But exactly what kind of policy and what type of plan? Alas, our science has not provided us with a direct and honest answer. Indeed, references to "complete cost accounting" cannot be referred to as a theoretical concept. This concept was used during the most stagnant times, under the all-encompassing action of authoritarian methods (and at that time, many discussed cost accounting generally and even the "cost accounting of ministries"). True, the addition to this usual formula of the words "self-financing and self-recoupment" served to further define the handling of the problem. These were by no means purposeless additions, as thought by many from time to time. Nevertheless, the instructions provide no substitutes for the "four S's" of the concept (self-dependency, self-financing, self-recoupment and self-government). Indeed, any one of these "S's" represents no more than a form for economic or even political relationships, but not the relationships themselves. And it is they that define the essence of the reform which, in my opinion, has not been validated from a theoretical standpoint. It is our opinion that the chief role is played by imperative practical requirements and a great amount of difficult experience, which up until now has brought our economic life out of a difficult situation, notwithstanding considerable expenses and losses.

Legislative documents have "highlighted" the trend towards reform, which to a large extent is still concealed from the glare of research work. Legal documents, if we follow the traditional system for evaluations, should "defend" and not "conform to" the new conceptual arrangements. But this still has not happened and the Law Governing a State Enterprise (Association) has already referred to enterprises—attention!—as "socialist producers of goods." And this is not an accidental slip of the tongue. The entire system of management, instituted by law (and cost accounting income as a chief economic factor and economic competition as a principle for interrelationships between enterprises and wholesale trade as the basis for such interrelationships in the sphere of marketing and supply and the possibility of enterprises going bankrupt and so forth), testifies to the fact that commodity principles of management are being introduced into operations. Similarly, the Law Governing Cooperation in the USSR referred to a production cooperative as a "collective socialist producer of goods" and it further indicated that the work of cooperatives "must stimulate the development of economic competition, a competition for goods and services in the market."

In the documents of the 19th Party Conference, mention is made of organically combining "the role played by the center in resolving structural problems with the broad

independence of production units, as producers of goods which operate on a cost accounting and self-financing basis and which carry out transactions in the market. Even earlier, during the 27th CPSU Congress, it was stated rather definitely: "It is time to overcome the bias concerning commodity-money relationships and the failure to properly evaluate them." Nevertheless, our social sciences, if not directly, just as in the past stubbornly identify commodity production with capitalist production. They prove that it is inseparable from exploitation, which in principle is alien to socialism and thus commodity-money relationships at best can only "be used" as a coercive measure prior to the onset of better times. In the process, reference is usually made to very definite statements made against commodity production as found in the classics of Marxism-Leninism. This is all very true. But one detail is somehow overlooked. Each and every statement containing such an evaluation refers to commodity production which functions on an exploitative basis, that is, a private ownership model for disorganized commodity production and market. With regard to the statements found in the classics of Marxism-Leninism on the future prospects for commodity production and its replacement in the future by a direct product exchange, these are on the order of forecasts the single-variant of which K. Marx, F. Engels and V.I. Lenin never insisted upon. In the works of K. Marx and F. Engels, the variant concerned with the use of commodity forms in the socialist economy was not a subject for special analysis. Marxism has always been based upon specific experience and practice and such analysis was prepared by history for V.I. Lenin, who validated the idea of cost accounting—an organizational-economic form for commodity-money relationships under socialism.

However, the problem under study has a more extensive general philosophical aspect. There is a good basis for considering commodity production as a value of civilization. Similar to all values of civilization, it is contrary in nature and yet it is still a value! We will not forget that the fundamental social institutes and formations—democracy, law, culture and others—which arose in a private ownership society, reflecting and expressing its exploitative features, also appeared at the same time and from the very beginning as phenomena of civilization and its achievements. Actually, what is civilization? Actually, it is a stage in the development of human society which has become a special sphere of the universe having its own reality and development. And how is this expressed? First of all—in the existence within society of self-regulating systems and mechanisms.

We are astonished by the works of nature, which have supplied live organisms and their communities with delicate self-regulating systems. But indeed human society is the most complicated organism known to the world. And this organism, according to the logic of things, can only possess effective and optimum, delicate and reliable self-regulating mechanized systems. They are on the order of ordinary achievements and are typical of civilization.

Commodity production is just such a system in the field of economics. It may include genuine inventions just as great, natural and developed by mankind as fire and the wheel. A producer who is held captive by this astonishing mechanism can only work in an intensive manner and produce high quality things in keeping with the demand. For under the conditions imposed by competition, nobody will buy other things. And the customer cannot avoid high quality labor, in the absence of a payment for which he risks becoming a beggar in an overcrowded market. The economic structure functions automatically, based upon interest and the satisfaction of requirements. Commodity production is on the order of continuously operating "heart" for an efficient economy. And the time is at hand for recognizing the obvious economic, technological and technical successes of capitalism—not only the result of robbing "from the south and east" and not just the result of intensified exploitation, but rather the result of the effect produced by commodity production. It is precisely this positive potential that must be interpreted by us as the value of civilization.

Commodity production—and this is another fact we must frankly recognize—as a self-regulating efficient economic structure, does not have worthy alternatives. Honestly speaking, attempts to introduce a direct product exchange ended in failure and under modern conditions nothing with the exception of "card socialism" and "barracks-like communism" will ensue. A system of centralized administrative-economic control cannot appear as a worthy alternative, since it encourages parasitism and wage-leveling. A need exists for a system that will be effective during the extraordinary situations of a war, during a crisis situation and during extreme historical circumstances, one which owing to its organically inherent laws and under the conditions of normal economic life, will inevitably degenerate into a bureaucratic-centralized stagnant system which will become a cancerous tumor on society's economy.

In essence, there is no selection and yet we must find answers for two questions having to do with the possibility of designing such a specific phenomenon as socialist commodity production.

The first: is it really not in union with private ownership of the means of production? Is it not assumed that private ownership has its own mandatory basis?

The second: is it possible that commodity production does not have negative aspects that are associated with elements of the market, with the enrichment of individual persons or other negative phenomena?

Under the conditions of capitalism—yes it is inseparable and yes it is assumed. But in principle, private ownership is not required for commodity production. It requires a producer—enterprise, cooperative, group of persons—to have property individualization expressed in so-called

estate laws, which would include the right of disposition. The extreme maximum form of such estate laws—truly the law of ownership. But this is not the only possible form.

In socialist construction practice, a specific form of state laws for enterprises has crystallized, one which is fully adequate for commodity production—the law of “operational administration of a portion of state property” (a term which in my opinion is not very good. For example, a better term might be the “law of management” or something else on this same order). A lease contract, which retains all of the pluses of commodity production but does not make the lessee an owner, also provides a special form of an estate law, one which is adequate for commodity production. Since in a planned economy the solving of strategic problems remains in the “center”—the socialist state and its higher organs—the negative aspects of a market can be avoided. By means of state investments, economically privileged state orders, through the regulation of maximum price ceilings, bank percentage for credits, lease payments, tax policy—all of these factors can attach a sufficiently organized character to socialist commodity production and prevent many of its expenses, considered to be inevitable in a spontaneously developing economy.

For example, a tax is fully capable of coping with the role of a powerful means for asserting social fairness. A year passes, another and a third and we collect a tax (as happened with the tax on cooperation specialists, introduced in March 1988), but undoubtedly we learn calmly and intelligently, on a firm normative basis, to take advantage of this effective financial instrument.

And finally—there is the law. At the present time, tens of thousands of departmental instructions are being abolished. And what is being established in their place? What controls are to be maintained over a lease, the sale of goods at the market, credit and so forth? These questions are being asked by everyone, almost as though they have forgotten that our country has a rather good system of civil legislation containing mechanisms especially adapted for controlling commodity property interrelationships. It was introduced upon the initiative of V.I. Lenin (and with his corrections aimed at confirming the socialist principles) precisely for providing legislative support for commodity-money relationships under socialism. Let us add to civil legislation the labor law, the right to social security—on this normative basis, commodity production is fully compatible with the system of socialist social relationships.

In other words, socialism is capable of eliminating the negative features characteristic of the private ownership model for commodity production and the market—and massive chronic unemployment and exploitation of alien labor and classic stratification of society, intensified inequality and increasing alienation of man from society and people one from the other (although some temporary and partial phenomena are possible for us). I can further

state that it is obviously socialism, in the new understanding of it, that is capable of truly uncovering the positive potential of commodity production as a value of civilization.

Could it be that all of this wisdom is superfluous? Enterprises and production cooperatives are recognized as being socialist producers of goods and this is adequate. But how should we refer to our economy—“commodity,” “planned-commodity” or simply “socialistic”—or is this important?

It is very important! A clear theoretical concept of the economic reform—similar to any theoretical concept—attaches a degree of consistency and completeness to the measures carried out, makes them non-alternative in nature and excludes the possibility of their being postponed or delayed and also a “departmental” or “staff” interpretation of them.

It is possible—as was done in a splendid manner in connection with agriculture by VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] Academician V. Tikhonov (LITERATURNAYA GAZETA, No. 31, 1988)—to show, using specific factual material, how narrow-branch economic departments parasitize in the departmental depths colossal amounts of national money and so forth. But it is possible to provide a complete conceptual interpretation of the problem as a whole. An economy structured upon commodity principles (when only structural questions are resolved at the center) will basically not accept narrow-branch administrative control over producers of goods. It tolerates only control over large national economic complexes, power engineering, machine building, construction and other facilities. And the fact that such committees and bureaus are being organized attached to the USSR Council of Ministers is a good sign and underscores those positive trends which express the requirements of a planned-commodity economy.

Let us take still another problem: withholdings from the profits of enterprises in behalf of departments. They do not have a sound economic basis and quite often are truly predatory in nature. But here criticism of this practice will not suffice. The problem requires a solution in principle at the conceptual level. Otherwise it will simply be transformed into an evil equivalent to state orders of the 1988 type. And from a conceptual standpoint, there is only one approach for finding the solution and only one solution. The norms for withholdings from profit, established by the departments, “with a ceiling” and individually for each enterprise, amount to nothing more than a terminologically approved surplus-appropriation system. At an establishment which operates on a commodity basis, only a tax can serve as the instrument for dividing up profit! It is by no means an accident that a tax (tax in kind) became a symbol of the cost accounting economy of the NEP [New Economic Policy (1921-1936)] period.

There is still one other consideration—wholesale trade. It must not be renamed or changed slightly by a card system for distribution. If we base our position upon the proposed concept, then wholesale trade can only be of the market type. In this regard, one of the principal problems of economic development under modern conditions is that of organization of the socialist market. It is precisely the socialist market that has a planned-organizational basis, a market which assumes the deployment of fairs, trade exchanges, warehouses, wholesale trade stores and others. Under socialist conditions, a need exists for normative support for market relationships. It appears feasible to develop and adopt, in conformity with civil legislation, a special law governing the market.

But this question is not being handled in this same manner in all areas. Any problem concerned with the economic reform is being resolved in a consistent and efficient manner specifically in connection with a theoretical definition of the concept. Once again it is not out of place to recall the well known words of V.I. Lenin: "Those who undertake to resolve particular problems without first solving the general ones will inevitable and unconsciously stumble upon these general problems with each step taken."

#### **Reorganization, Management of Production Hierarchy Discussed**

*18200210 Moscow EKONOMICHESKAYA GAZETA in Russian No 6, Feb 89 pp 8-9*

[Article by V. Shcherbakov and Ye. Yasin, doctors of economic sciences, conclusion of two-part series that began in EKONOMICHESKAYA GAZETA, No 5, 1989: "The Country's National Economic Complex: The Algorithm and Structure of Management"]

[Text] One of the first steps in revamping the management structure was the decision to eliminate the intermediate middle tiers. Subbranch management entities, indispensable in the old system, have ceased to be necessary in the new one. What is more, they are not compatible with the new principles of economic activity. Abolishing them makes it possible to remove the artificial administrative partitions within the branch, to expand the economic independence of enterprises realistically, to make economic methods more effective, to simplify the structure of management and to make the transition to the principles of management by function.

#### **What Is To Replace the Main Administrations and All-Union Production Associations?**

In 1987 and 1988, an unprecedentedly large and difficult effort was made in this direction. Some 2,200 entities were eliminated in the middle tier, including the VPO's.

But the idea of getting away from the subbranch principle of management is being implemented in rather contradictory fashion. Certain ministries and departments have undertaken an "evasive maneuver" out of the fear of losing the management levers they are accustomed to and because economic forms and methods of solving major problems have not been sufficiently assimilated.

For instance, in many cases the VPO's and main administrations have been replaced by associations with the same makeup as the middle link that existed previously. For example, in Minneftekhimprom the NPO [scientific-production association] "Asbotekhnika" that was formed entirely replicates the makeup of the VPO "Soyuzasbotekhnika." In Minstroydormash, the VPO "Soyuzstroyinstrument" was replaced by a scientific-production association that is its twin. Assessments of this phenomenon vary. Some specialists say that there has been a simple "changing of nameplates," while others believe that the transition to the new principles of management consists of precisely that.

It does not seem that this is a process that can be assessed in simple terms today. The complex and profound contradictions of the transitional period, its dialectics, are reflected in it, and much depends on how it develops in future.

On the one hand, the transformation of subbranch main administrations into associations that operate on full cost accounting (khozraschet) and self-financing reflects the process of the introduction of economic methods. This kind of association differs qualitatively from the state management entity and the VPO if only because it is an entity actually carrying on economic activity. Its management functions arise out of the inner needs of the system and are indispensable in order to guarantee the continuity and balance of production.

But one also cannot fail to see that the transformation of main administrations into associations is quite often a pure formality, and the association includes enterprises which do not have real ties with one another and common interests. That kind of association continues to be the middle tier of management, albeit concealed. Unfortunately, cases of this kind are not isolated. Ministries sometimes create absolutely inconceivable pyramidal structures. For instance, in Minstankoprom the Glavdrevstankoprom was replaced by the NPO "Drevmash," whose components included 8 production associations, 16 plants, 2 design offices, and 1 institute—in all, 27 independent units which previously were subordinate to the main administration. Glavstankoliniya was replaced in the same ministry by the NPO "Stankoliniya," which has eight subordinate production associations and one plant, but its makeup does not include a single scientific design and mechanical engineering organization that would give it even formal justification for the "name" NPO.

Processes like this are strategically dangerous from many points of view.

First, by creating horizontal associations whose makeup includes all the basic producers of the particular commodity, the ministries are intensifying monopolization of the market and thereby directly undermining all the measures of the state to increase the effect of the market on the economy. This is moreover a manifold increase, since on the one hand they are increasing the concentration of narrowly specialized production within a single level of the economy, while on the other they are transforming independent enterprises into production units, depriving them of economic independence and the rights granted them by the Law on the Enterprise.

For instance, the number of independent enterprises has decreased by a factor of 9.7 in MPS, 3.5 in Minneftprom, 3.3 in Minsvyaz, 2.8 in Mingazprom, and 2.6 in Minenergo.

Second, the principle of setting up associations narrowly confined to the branch, which has again become predominant, is increasing the threat of a further distortion of the development of the production structure and relations in industrial cooperation.

Third, the gap is widening between branch management and regional management.

One can easily see that this turn of events not only does not improve conditions for increasing the efficiency of the economy, it in fact is creating a real material basis for absolutely undermining the radical economic reform.

For instance, related functions have begun to be unified and subdivisions have been consolidated in the ministry's central headquarters, but in the great majority of cases there has been no integration.

In many ministries and departments, the consolidated administrations represent a mechanical assemblage of departments and administrations that were previously independent. That is why they have turned out to be too cumbersome. For example, in Minpribor, Minelektrotekhprom, Mintyazhmash, Minkhimprom, and indeed in many other ministries the main economic administrations consist of 18-20 departments, the main scientific-technical administrations consist of 15-20 of them, and the main production administrations of 20-25 departments. In every department, there are sectors, numerous deputy department chiefs, not to mention the fact that the main administrations themselves have 8-10 deputy chiefs. In fact, the proportion of personnel actually involved directly in supervising the performance of current tasks at enterprises remains rather high and ranges from 25 percent in machinebuilding to 45 percent in construction, metallurgy, the chemical industry, and transportation.

One might give quite a few other examples that demonstrate that the idea of eradicating the administrative style of management solely by reducing the number of management personnel and purely organizational levels of subordination has not been very productive. On the one hand, quite a few loopholes have been preserved for intervention of ministries in the affairs of work collectives. On the other, the ministries are sometimes unable to fit organically into the new economic conditions.

The very conception of the way the ministry apparatus is supposed to function under the new conditions still suffers from vagueness and ambiguity. Practice is gravitating toward the old methods, which is why it quite often runs into contradiction with the Law on the Enterprise. The essence of the reform of management of the economy lies in radical transformation of relations between the machinery of state administration and entities carrying on economic activity. It is toward that goal that the relations of administrative-command ordering must be authentically replaced by the relations of economic regulation of the processes of reproduction.

As part of that task, there has to be not simply a reduction, but a change in the role and the place of the "apparatus" in the system of management, a change in the functions and methods with which it operates, a guarantee that it is subject to monitoring by representative bodies, by the working masses, and its staffing with competent and authoritative specialists. An apparatus of a new type is needed.

What we need is not simply to refine the paradigms that have traditionally existed, but to shape a qualitatively new organizational structure of sector and branches that most fully corresponds to the new economic principles. In this effort, a significant reorganization of the basic level must be taken for granted.

#### Reorganization of the Basic Level

Only economically stable formations capable of carrying on expanded reproduction on the basis of full cost accounting, self-financing, and self-management, covering all their expenses, including capital outlays, with their income from current activity, can function successfully under the new economic conditions.

In our view, large production-economic complexes formed predominantly according to the regional-branch principle are the most promising in the heavy branches of industry and construction. It is evident that by contrast with the traditional production associations, they must usually include in their makeup technologically related participants in the process of production of the end product, from scientific and design organizations to sales organizations. But diversified complexes in which diverse production operations that are not technologically related will be brought together by common economic interests and a common infrastructure may also become widespread in the future.

These two types of complexes must consist mainly of legally independent enterprises and organizations which also operate on full cost accounting and enjoy the rights granted by the Law on the Enterprise and the Law on the Cooperative. It is not necessary at all that they be hierarchically organized administrative structures. Voluntary associations and alliances of producers and cooperators, bringing together small and medium-sized enterprises to deal with development problems jointly, can perform that role fully.

It is extremely important under the new conditions to maintain the optimum mix of large, medium-sized, and small enterprises; only in this case will the production structure take on the necessary flexibility along with economic efficiency and lay the foundation for competition. We have to get used to the idea that multiple approaches are needed under the new conditions. Organizational structures must develop under the influence of economic interests, not pressure from the superior level of management. It is the dialectical approach that is needed here, not the mechanical approach. "The matter needs to be decided," V.I. Lenin remarked, "depending only on where the proper turnover and large profit are better guaranteed, and on nothing else." (PSS, Vol 54, pp 207-208)

As flexible and efficient structures are created, it is worth taking another look at the makeup and functions of existing associations.

It is extremely important that the organizational structure of management in the new stage not be shaped in any way by the previous "apparatus" methods. This process must take its natural course, taking into account the interests of work collectives, along a democratic road. No rigid bureaucratic stereotypes are permissible here. Success can come, and this should be emphasized once again, only from organizational diversity, from the use of various models of economic activity depending on the requirements of the socialist market and the peculiarities of the technology.

The specific recommendations for reorganization can be prepared only by enterprises themselves on the basis of recommendations of scientific institutions. The experience in developing the general organizational schemes in 1973 and the 1987-1988 period, which is highly instructive, should be taken into account here.

The decree of the CPSU CC and the USSR Council of Ministers dated 2 March 1973 provided that the association would become the basic entity of the economy, and ministries were ordered to work out general schemes for management of branches on that basis. Whereas in 1970 the industrial sector had a total of 608 associations of various types, comprising 2,564 previously independent enterprises, in 1980 the country already had 4,083 associations. They embraced 18,000 of the 44,200 enterprises. They employed more than half of the entire industrial production work force, as against 6.2 percent.

But whereas in 1970 labor productivity in associations was somewhat higher than at individual enterprises, in 1980 it proved to be lower. Incidentally, whatever indicator we take, the pattern is the same: the effort to set up associations on the basis of the general schemes devised in the seventies has not produced a qualitative leap in the economy. Yet that effort was initiated precisely in order to increase efficiency. What is the matter?

In our opinion, it is the existing system of ministries and the "narrow departmentality" of regional entities that have made it impossible to solve this problem. Branch authorities held back the process of setting up the associations from the outset, since quite often it proved to be economically warranted to include in them enterprises from various departments, offending the interests of the latter, while regional authorities vigilantly guarded "citizens" who came under their own administrative jurisdiction. Then a way out was found. First, the associations were formed within the narrowly departmental limits of branch ministries, and second, in the still narrower regional boundaries of oblasts and krais. In essence, it all came down to attempts to optimize the organizational structure exclusively within each branch, and here the actual criterion proved not to be economic efficiency at all, but reinforcement of the influence and convenience of management for the apparatus of the higher levels.

Creation of associations on such principles, when unified production-technological systems do not come into being as a result, does not signify a real concentration of production at all. By and large we can speak of purely organizational centralization. Put more simply, economic power in the lower portion of the organizational pyramid has been differently distributed. What is more, even if there is no technological monopoly in the full sense of the word, an organizational monopoly does arise: the enterprises which are part of the association can no longer be real competitors on the market, nor indeed within the association.

The evidence of this is particularly clear if we look at those VPO's formed right after 1973 within the framework of the general schemes to replace the subbranch main administrations. As a rule, the VPO's brought together all or almost all the producers of the given product in the particular ministry in question—bearings, wire and cable, transformers, guaranteeing maximum monopolization of the market. Horizontal integration has been rejected throughout the world because it results in stagnation. We have made it a rule. There is no reason for surprise, then, that this kind of optimization, carried out in accordance with all the bureaucratic canons, has not yielded the anticipated benefit. The result could not in fact have been otherwise.

We have already noted that in 1987 and 1988 the process of shaping new general schemes has been rather problematical and contradictory. We should not run the risk again, since this question has fundamental importance to

revealing the potential of the radical reform and affects its foundation. If we manage to create flexible and efficient structures at the basic level, then a vital new thrust will be given toward deepening and broadening the reform.

### What Kind of Ministry Should We Have (If Any)?

In a discussion of the strategies for revamping the organizational structure of management, it is worthwhile to examine the alternatives being discussed today in the press:

I—elimination of branch ministries;

II—preservation by and large of the existing structures of branch management, possibly combined with consolidation of ministries and reduction of the size of the apparatus;

III—transformation of the ministries into entities rendering services to enterprises and financed by virtue of payment for these services and the voluntary contributions of enterprises (this conception was advanced in essence at the 19th party conference by V.P. Kabaidze);

IV—transformation of the ministries into state entities of a new type relying mainly, if not exclusively, on economic methods of management and endowed with qualitatively new functions.

A poll of enterprise managers conducted by the Central Mathematical Economics Institute of the USSR Academy of Sciences included the question of their attitude toward these alternatives. The results of the survey evoke serious reflections. Alternative I was favored by 24.8 percent of the respondents, II by 2.8 percent, preservation of ministries provided their operation is restructured on an economic basis, that is, alternatives III and IV, were preferred by 65.1 percent, other opinions amounted to 4.3 percent, and 2.9 percent did not express an opinion.

One might simply join the majority. But there would seem to be a point in analyzing the essence of the proposals.

As we examine the various alternatives for solving the problems of restructuring branch management, we need to bear in mind that we live in an altogether concrete world, and all our actions in this area must lead toward a deepening of the radical economic reform, not toward anarchy in the national economy. It is a judicious approach that is needed, not abstract theorizing. A judicious approach signifies at the same time that the measures to be taken on many planes have been thought through. A balance has to be achieved between the weakening of administrative connections and the real strength of the economic mechanism, organizational

relations must be in balance with economic relations, and reduction of the vertical interaction must be balanced with the development of horizontal ties.

So, let us look at Variant I. The idea of eliminating branch ministries is being vigorously advanced by many scientists, economic practitioners, and the broad public as the most important step in dismantling the administrative-command system. One easily sees that emotions are predominant in this proposal. Following the many years of the bureaucracy's predominance, resentment of its activity has spilled over and taken the shape of the proposal to eliminate ministries. Yet after all, until economic incentives have taken on strength, until finances and prices have been restored to health, until the socialist market is shaped, and until a number of other complicated problems are solved, abolishing the ministries would in practice signify elimination of the organizational forms of state management of production and distribution (at least with that degree of concreteness in the sense of the specific nature of production and consumption of various product groups and the knowledge of the market which are indispensable today and will, it is evident, be necessary in the future as well).

In a number of branches where market mechanisms will in time be able to maintain stable and dynamic development and saturation of effective demand, where competition will be fairly strong and effective, direct state intervention will evidently be unnecessary. But in this stage of the reform, elimination of the authorities for state management of branches cannot be seen as a timely and economically warranted step. What is more, the examples of Japan, the United States, and other industrially advanced countries indicate that even in a market economy government control (kontrol) of markets for certain goods and services is indispensable.

It should be noted that it is specifically the ministries that are needed as entities for management of branches. The proposal advanced by certain specialists for replacing them by strengthening regional management entities, which allegedly would make it possible to avoid the adverse consequences of departmentalism, is also unacceptable. It was hoped of that kind that at one time figured as the reason for the transition to the sovnarkhozes, which, however, proved to be only another version of the same administrative-command system: the old problems arose, simply in a different form.

The principles of combining the regional and sector approaches and the economic and administrative methods of management, which were advanced to the foreground at that time, never actually got implemented. Regional departmentalism, localism, is probably still worse than sectoral departmentalism. That is why the first alternative, with all its modifications, should in this stage of our development be eliminated from those which might be carried out under the new conditions.

Variant II. The skeptical attitude as to the advisability of preserving most of the existing structures and the prospects for development of the reform are fully justified. As entities for administrative management that have formed departmental monopolies and have been interacting with other such monopolies, the branch ministries will not in our view be able to restructure themselves unless their role, place, functions, and status are most fundamentally reassessed. Today, responsibility is placed on them for all aspects of the activity of enterprises which have remained under their administrative jurisdiction. And so long as that situation is preserved we cannot anticipate any essential and authentic progress in carrying out the Law on the Enterprise and the Law on the Cooperative or in development of the market.

And something else that is extremely important is that it will not be possible to overcome the departmentalism and "extritoriality" of the ministries and to manage branches on the basis of a policy that is authentically the policy of the state and is in the interests of the entire society. This variant does not square with the principles of the radical economic reform and must ultimately be rejected.

Variants III and IV are among those which are based on economic relations and methods and are therefore compatible with the new economic system; they effectively make it possible to get away from the existing administrative-command system. But these approaches largely stand in opposition to one another.

Variant III actually calls for economic relations of equality between enterprises and the administrative entity of the government. This means that the ministry must be transformed into a participant in economic activity, that it also operates on full cost accounting, and consequently, it pursues in its activity not the interests of the entire state, but its own cost-accounting interests. That kind of reorganization would have the result that ministries would give up their role of entities carrying out the policy of the state. Replacement of ministries by bodies which enterprises support with their own voluntary contributions, thereby also determining their policy, seems unacceptable.

But in and of itself the idea of forming bodies of this kind as alliances and associations of producers deserves attention; it should be given every kind of support, since this is the normal organizational form of the market that is recognized everywhere and makes it possible to organize study of market conditions, to organize joint scientific research projects, to settle issues of standardization, and so on.

It would seem that in the future councils at the branch level might become the basis for branchwide alliances of producers. But in order to avoid the preponderance of branch interests and the domination of producers, there has to be a "counterweight," on the one hand in the form of associations of consumers of the branch's product,

and on the other government entities that figure as the coordinator of the branch's development. The latter are necessary as exponents of the policy of the state at the branch level. In their interaction, all these bodies would figure as units in the structure of public management of the market capable of offsetting its inherent deficiencies without violating the laws of the market.

At the same time, a number of functions of ministries, above all coordination of technology, the setting of standards, the supply of materials and equipment, sales, exporting and importing, might quite possibly and even necessarily be transferred to a cost-accounting basis. It would be advisable to set up within ministries associations that would perform these functions for enterprises on the basis of an economic contract.

Ministries themselves might enter into the same kind of relations with them. It is important that these associations not be financed with deductions from enterprises, but that they earn their own means of support by virtue of the payment for specific jobs and services.

Variant IV is based on the need to have entities of the state for management of branches even in the new system, but provided their operating methods are compatible with the principles of the economic reform and differ radically in this regard from the present ministries. The whole question, however, lies in the specific form given to these principles.

#### **Responsibility, Functions, and Powers**

A number of specialists have for a long time already been treating this concretization as transition of the ministry's apparatus to full cost accounting and self-support. This version of a solution to the problem is tempting at first glance. But we have to remember that ministerial cost accounting was tried out in the experiment with Minpribor, and its lessons are instructive.

First of all, while it did relieve the work of central economic authorities, as it turned out it essentially strengthened departmentalism, the ministry altogether relinquished its role as a body carrying out the policy of the state, and it was transformed into a typical supermonopoly imposing its own interests on society. It turned out that the broader the list of products and the higher the rate of their renewal, the more favorable the conditions were for this; moreover, it was easy to increase the volume of commodity output and profit through a concealed hiking up of prices and by juggling the product mix.

It is significant that ministry cost accounting in Minselfkhoz mash, where the conditions were somewhat different, confronted the branch with substantial difficulties. In the end, it became clear that the cost accounting of the branch, of the main administration, and of the VPO by definition stands in opposition to the cost accounting of the enterprise. It is not possible to build a

cost-accounting hierarchy. It is indivisible in the sense that some one entity must possess the full breadth of the rights and responsibility in the sphere of economic activity. Those priorities have already been set. The conception of the radical economic reform, as is well-known, calls for making the entity directly involved in economic activity—the enterprise, the association, the organization—not the management entity, the center of economic relations. This solution is the foundation of the reform and its main content. But at the same time, it signifies that the transition of the ministries to full cost accounting cannot be implemented, since that version contradicts the conception of the reform being carried out and not only does not eliminate a number of adverse tendencies, it actually aggravates them.

In our view, the key point in the problem of overcoming departmentalism and other major defects in the way the present ministries operate is not the actual fact of their existence, but the character of their relations with enterprises and regions, the way the functions of a government body and of a departmental monopoly are merged in their operation. This fusion is determined by the role of the ministries in the structure of the administrative system, by the full subordination, not only administrative, but also economic, of enterprises to them, and by their responsibility to superior authorities for all aspects of the activity of enterprises.

In order to change the situation, ministries have to be turned into government bodies of a new type that are oriented toward guaranteeing a new quality of economic growth by regulating the market and management toward the goals of acceleration of scientific-technical progress, a rise of product quality, higher production efficiency, and the conduct of a progressive scientific-technical policy, investment policy, economic policy, and social welfare policy. The first thing that is needed for this is a clear delineation and separation of the functions of government administration on the one hand and actual conduct of economic activity on the other. The Law on the Enterprise assigns it full economic responsibility for the results of its own activity. And no one else is to share that responsibility with it.

Here, we are not dealing merely with the ambiguity of the situation. The matter is more serious. Responsibility determines an entity's place and role in the system of management. If the ministry retains responsibility for the results of the activity of enterprises, it is forced to encroach on the rights of the latter and strengthen its role in regulating their operation.

It is indispensable to separate the functions of the state from the functions of the economy. This would also be the decisive step toward dismantling the administrative-command system and departmental monopolism, toward creating the conditions for a socialist market. This step would make it possible for the branch entities themselves to take positions in their work which are truly those of the state. Some enterprises might at the same

time be removed from administrative jurisdiction of ministries, and experience could be gained in applying economic forms of regulating their activity.

We are referring above all to large production-economic complexes capable of existing in the form of independent intersector state associations, of enterprises being turned over to cooperatives, being leased, of consumer-service enterprises, light industry, and tourism.

Second, there has to be juridical reinforcement of the delineation of the powers of the entities of the state on the one hand and enterprises on the other. The powers of ministries in the domain of management must be defined by legislation and structured on the functional principle. In other words, the law defines the functions and powers of the state administrative agency and requires that it operate strictly within the established limits. Every enterprise has a right to go to court if they exceed their powers. Only those functions which enterprises cannot perform independently should fall in the sphere of the ministry's competence.

Third, beyond the limits of the powers established in law, relations of all bodies of the state, including those for management of branches, must be structured as relations among equal partners, on the principles of financial accountability to one another.

Among the variants examined, IV is the most preferable. It affords the possibility of not only preserving, but qualitatively transforming and strengthening the levers of state management of the economy as an integral and interconnected system. It is indispensable, however, to spell out clearly exactly what the entities of the state for management of branches are to do and how they are to do it, or, in other words, what specifically should their functions and methods of operation be.

These questions must in our view be dealt with on the premise that enterprises independently plan their production, supply, sales, technical, and socioeconomic development and that administrative intervention of the bodies of the state is required only where cost accounting and economic mechanisms are not having the effect they should.

It is advisable to structure management based on economic methods according to product. The main task is to guarantee satisfaction of the needs of the economy and the public for the products in question. Under present-day conditions, this is not a task that can be performed with command methods. The ministry must be responsible for drafting and carrying out branchwide programs guaranteeing balance on the market for the products in question. Relying on centralized capital investments and the cost-accounting resources of enterprises pooled on a voluntary basis, the branchwide programs must improve saturation of the market with the most effective and competitive products.

At the same time, responsibility for satisfying the need for specific products must be placed entirely on the manufacturing enterprises. Elimination of the narrowly departmental economic interest of ministries in this connection makes it possible to combine some of these interrelated functions which previously had to be divided up among various government entities, thereby compounding the difficulties of coordination.

#### What To Strive For

Many attempts to restructure the activity of ministries and to alter their role and place in the system of management have ended in failure, and one reason is that success has never been achieved in spelling out clearly exactly what their activity consists of and what means they have in performing the new functions.

On the basis of what we have said, we will attempt to formulate the basic functions of the new ministries along the main lines of their activity.

First. The working out of balances of the branch's particular products, the placement of state orders, and distribution of limit-allowances for the list of centrally planned products. That list must consist of a limited number of items that have especially great importance to the state or a product whose production has been monopolized. The criterion used in evaluation of performance might be reduction of the list of centrally planned products.

Second. Planning the branch's development so that its functions in good balance within the economy, investment policy, organization of new enterprises, and elimination of inefficient production operations. The tasks of reducing or preventing shortages must at the same time be performed. This function is closely bound up with the first, since its point of departure is data on the market shortage and monopolization of the market, and its objective is to eliminate the shortage and the monopoly, to create conditions for healthy competition.

Third. Scientific-technical policy, development of a strategy for the succession of generations of products and radical transformations in their production technology and their application in the economy. This function must be most closely linked to the previous one so that not a single design of centralized state or major cost-accounting investment projects can fail to be a plan for realizing the most up-to-date scientific-technical achievements. The main task here is to advance those innovations which are as yet beyond the capacity of the individual enterprises and the production of products for which the demand has yet to be formed.

Fourth. Economic stimulation of production, of higher production efficiency, and of progressive structural changes. Promotion of application in the branch of progressive forms and methods of conducting economic

activity—the second model of cost accounting, leasing, industrial cooperation, and stockholding forms. Refinement of economic levers, including the planning of prices.

There will probably be objections to placing responsibility for this last function on ministries. However, assuming the new status of ministries, if they have been relieved of responsibility for the activity of enterprises and if they are truly engaged in regulating the market, their interest in higher prices will disappear or will in any case be greatly weakened.

Price agreements would be a natural element of the set of instruments for economic management, along with understandings about tax benefits, credits, state investments, and so on.

Planned prices would in that context become an instrument for regulating production and consumption and for conducting investment policy and scientific-technical policy. There would be little justification for taking them away from the jurisdiction of the branch entities of the new type if only because Goskomtsen, as a special department, is unable to plan prices in a linkage with the functions that had been enumerated, but it can monitor and coordinate the work of branch pricing bodies.

At the same time, in our view, economic standards (normativity) must be taken away from branch authorities. Even in the 13th FYP, the transition should be made to a single tax system. The forms and rates of taxes as well as special-purpose tax benefits (which in no case should pertain to particular economic entities) must be regulated by the USSR Supreme Soviet or by the government (pravitelstvo). This is the right way to prevent indirect redistribution of funds through the differentiated standard rates and to close an important channel through which cost accounting is being undermined.

The restructuring of branch management requires a simultaneous reorganization of the structures and the staff sizes of the central apparatus of ministries. They have to be brought into full conformity with the new functions and tasks of these bodies. It would be advisable, to be specific, to abolish subdivisions engaged in current supervision of enterprises: administrations and departments for production, for technology, for supply and sales, for transportation, and other similar entities.

The cumbersome vertical hierarchy, in which there are 6-8 levels between the minister and the enterprise director, should also be eliminated.

Analysis shows that even taking into account the present state of our market, 400-500 persons are quite sufficient to manage such large branches as automotive and agricultural machinebuilding and metallurgy. Moreover, the apparatus must rely on development of sector science and basic science and must interact with it closely.

Specific steps must, of course, be taken to democratize management and to substantially enhance the role of the ministry's collegium and the branch's council.

Revamping the organizational structure on the basis of Variant IV will objectively eliminate the necessity of the ramified makeup of existing ministries and will give relevance to the decision of the 19th All-Union CPSU Conference on the need to consolidate the guidance of related branches.

In the light of the actual and prospective development of the productive forces, the level of industrial cooperation, and the geographic location of related and interrelated enterprises, it would seem advisable to reorganize the structure of management in the machinebuilding, metallurgical, fuel and energy, chemical, construction, and defense complexes.

That kind of reorganization would, of course, require thorough substantiation.

#### **Lease Holding Offers Hope For New Attitude Toward Property**

*18200266 Tallinn SOVETSKAYA ESTONIYA in Russian 4 Feb 89 p 3*

[Article by A. Tretyakov: "A Lease—An Archimedean Lever?"]

[Text] On 26-27 January, a conference was held in Tallinn on the subject of lease relationships in industry and construction. The conference was organized by the management of the republic's OSTK. In addition to workers from Tallinn enterprises, representatives of labor collectives from Narva, Kokhtla-Yarve and Silamyae participated in the work of the conference.

A report on the peculiarities of a lease as the "third form of cost accounting" and on the problems associated with the practical conversion of any enterprise over to a lease contract was delivered by Candidate of Economic Sciences and head of a sector at the Institute of Economics of the USSR Academy of Sciences A. Sigenevich.

All of the participants in the conference received instructional materials and those desiring so—skilled consultation on the practical aspects of a lease.

Today we are offering for the attention of our readers a brief review of the speech delivered by A. Sigenevich, including his responses to specific questions by interested listeners.

Today a lease is being referred to as an "archimedean lever" of the radical economic reform being carried out in our country. In the opinion of many scientists and specialists, it is a known means of support that will enable us to finally create a more improved economic mechanism for our socialist state. Attempts to reorganize this mechanism "from above," undertaken over the

course of recent decades, have not produced the desired effect since unfortunately we have not gone beyond the traditional administrative-command methods.

It would appear that a solution has been found in the two forms of cost accounting recommended in the Law Governing a State Enterprise (Association). However, a random interrogation carried out by workers attached to the Institute of Economics of the USSR Academy of Sciences among labor collectives, where cost accounting has already been in operation for at least a year, has shown that 60-70 percent of those interrogated have not noted any substantial changes for the better, approximately 20 percent single out only a few positive improvements and considerable results were mentioned for the most part by that 10 percent of the workers who were concerned directly with organizing a conversion over to the new managerial methods.

Certainly, this interrogation did not furnish a decisive evaluation. But one was obtained from the initial operational results of cost accounting enterprises. These results confirmed that despite the well known successes, the needed changes of a revolutionary nature in the economy truly did not take place and they can scarcely be expected, since both of the cost accounting models that have been introduced tend to limit in one way or another the independence of the labor collectives and fail to adequately stimulate interest in radically increasing labor productivity.

And thus, having uncovered the mentioned defects in the operational process for the second model of cost accounting, the director of the Butovo Construction Materials Combine (Moscow Oblast), M. Bocharov, was the first in the country to propose the leasing of a state enterprise by his production collective (from 1988 to 1995).

Obviously, the novelty of this proposal was relative. The very word "lease" is of Polish origin and implies an agreement for a transfer of property for temporary use and for a definite payment. Lease arrangements have been in use for a long period of time and are used extensively in the business practice of the capitalist world. They have been used somewhat in socialist countries (leasing of land), they existed in pre-revolutionary Russia and yet they were abolished in the USSR in 1930. At the dawn of Soviet rule, there were instances of former owners of nationalized enterprises becoming their leaseholders, but very little profit was realized owing to the fact that the agreements were dissolved by state departments, despite the policies and personal instructions of V.I. Lenin. According to Lenin, no lease agreement could be dissolved in a unilateral manner, but rather only through a court (arbitration), a point which is important to remember now, a period in which legislative documents are being developed that must strengthen the lease relationships which are being revived in our socialist economy.

The pioneers of the late 1880's were not protected by appropriate legislation, nor were they well armed with theory. On the other hand however, their practical achievements were impressive. Today roughly 60 industrial enterprises have converted over to lease conditions and the average labor productivity at these installations is 30 percent annually! With all of the attendant consequences as the saying goes, that is, with a sharp increase in profit and naturally in earnings.

What is the explanation for this effectiveness? How are the lease conditions able to produce such wonderful results? Indeed, it is easy to establish the fact that these conditions differ only slightly from the second model of cost accounting and there is a justifiable basis for referring to a lease as the third cost accounting model.

But let us return to the questions raised. The answer is obviously found in a comparison of all three of the models (the two have already been compared in SOVETSKAYA ESTONIA—see the 3 August 1988 issue).

Thus, the first variant is extremely simple, with the wage fund here being included in the material expenditures for the production of goods—hence there is a guarantee that makes it possible in principle to pay unearned income to someone, while the enterprise on the whole manages without profit.

The second variant: the wage fund is not guaranteed, but rather it depends upon the profit, which to a considerable degree is already stimulating the collective into lowering production costs, raising productivity and improving other economic indicators. Permit me to cite those factors contained in this model which are restraining efficiency. First of all, there is the impossibility of independently, at one's own discretion, forming the funds for production development, social development and wages (the norms for withholdings for all three funds are determined by a higher organization for a five-year plan and cannot be changed depending upon the circumstances). In other words, the possessor of cost accounting income is deprived of the right of handling his own money, even for temporary maneuvering in the interests of the work. In addition, the bonus amounts added on to salaries and the bonuses for leading workers are limited by governmental decree.

Thus the initiators of the lease, that is, the third working variant of cost accounting, immediately abolished all of the mentioned limitations, while retaining the plan for the second model in all other respects. The amounts for the least payments generally conform to the total amount of withholdings for use of the fixed capital and for withholdings for the higher organization. However, the difference lies in the fact that accurate payment figures (fixed amounts) are pointed out in a lease agreement by

years (in the case of Butovo residents, for example, right up to the year 1995), whereas it is rather difficult to predict the possible future changes in the appropriate ministerial norms.

Does this then complete the distinctive properties of a lease compared to the cost accounting model number two—a thoughtful reader might ask. Indeed, is this sufficient for arousing such a burst of productivity?

And certainly a thoughtful reader is correct: the essence of a lease does not involve a higher degree of independence compared to a conventional state enterprise, although this is important. The chief aspect is associated with the right of ownership. We still do not have complete clarity here, but a definite trend is being examined. For example, whereas earlier appeals were heard calling for the development among workers of a sense of being masters of production, today lease agreements are providing workers with real opportunities, with the passage of time, to become such masters. Let us reflect further upon this fact.

Understandably, roughly 10-20 years from now or perhaps even earlier, the productive capital leased from the state will be revived and increased beyond recognition—this is a legal process. But to whom will all of this fixed capital belong? According to the logic of things, it would be absurd to increase the lease payment, let us assume, for equipment which was procured using the funds of the leaseholder. Moreover, successful management invariably leads leaseholders to a point where they will be fully capable of purchasing the enterprise and simply becoming its owner, as usually happens in capitalist business practice.

Does this then mean that up ahead there are various forms of ownership of the means of production in a unified socialist mechanism? Many scientists are inclined to think that here nothing is impossible. However, a solution must be found in the near future in the form of additional "dividends," that is, a definite amount accumulated in the individual accounts of leaseholders as they become owners of newly acquired equipment, transport and so forth. Nor do we exclude the possibility of stock being issued or the assignment of a definite machine tool to a member of a leaseholder's collective (upon leaving the enterprise, the individual takes with him not the machine tool but rather monetary compensation). In short, we have in mind here a real proportion for individual ownership of the overall volume of collective ownership. This then explains the raised interest in achieving prosperous conditions for a leased enterprise. Here then is the "secret" for an effective lease.

How it will develop in the future—only time will tell.

We are now attempting to shed light upon certain specific questions which inevitably arise among those who are interested in this new and, to be more precise, reborn form of cost accounting.

For example, questions are often asked regarding the rights and obligations of leaseholders and lessors. We would emphasize that, distinct from the second model, the relationships of leaseholders with a higher administrative organization are equal, including mutual responsibility for the managerial results. The latter condition must be mentioned in particular in a lease agreement, since the appropriate legislative documents, we repeat, still do not exist.

On the other hand, a leaseholder-collective in any case is nevertheless obligated to carry out a state order and this in particular distinguishes a lease from the a cooperative form. In second place following a state order are the orders of a leaseholder, that is, they must necessarily be given the advantage over all other orders received by a labor collective based upon its own initiative.

The chief obligation of a higher organization—is the same as that for the first two cost accounting models: ensure the limits and funds for resources, raw materials and other materials. But what happens if an unforeseen situation suddenly occurs, something on the order of an earthquake and material shortages are conditioned by objective factors? Here there will be valid fears and there will be a greater degree of economic risk associated with lease arrangements. As the saying goes, the main administration can only hope that no mistakes will be made and that enterprise in the carrying out of supply operations will be encouraged.

Many are interested in learning if provision is made in lease type arrangements for centralized capital investments? Yes, such provision is made, but only in those instances where they are planned in advance, prior to the formation of the lease agreement.

And what will the situation be for the structural subunits of a leased enterprise—will each one of them be converted over to the new conditions? In principle, this would be best, but it is not necessary for it to be done immediately or simultaneously. Just the opposite situation is possible: initially the most important production elements are converted over to a lease agreement and subsequently the entire collective of an enterprise. This was the procedure followed at the Moscow "Dinamo" Plant—two departments on a lease basis, with the general period for converting over to commence in September 1989.

There is still one more question: will the leaseholders not be "in bondage" owing to a change in the wholesale prices planned for 1981? Such a probability is minimal and it obviously threatens low-profitability enterprises. However, the "victims" may temporarily, for a period of

2 years, be released from having to make a lease payment. But they must provide maximum assistance during arbitration and to the financial organs. It bears mentioning that even given the unprofitability today of a particular enterprise, the possibility still exists for it to convert over to a lease arrangement with the mentioned benefits. There is a need merely for thoroughly taking into account the collective's potential and weighing its strengths.

Generally speaking, we have in mind the fact that there are entire branches for which, for various reasons, the conditions of the "third form" of cost accounting (the most obvious examples—the defense and food industries) are not suitable. Leases are also not recommended for large enterprises and associations in which thousands of people are employed. Such collectives will continue operations in accordance with the first two cost accounting models, which also will not remain unchanged. The agenda also calls for improvements in them.

In conclusion, I would like to emphasize that the editorial board's section for industry considers the carrying out of such measures to be extremely useful. As already reported, commencing in October 1988, several enterprises subordinate to the republic's Gosstroy, the entire Promkomplekt Trust and the Tallinnstroy Association were immediately converted over to lease agreements. This idea is now being discussed by the collectives of the Tallinn associations Prompribor, Elektrotehnika, RET, the Volta Plant, the Narva Chrome Leather Plant and others.

But one must not overlook the fact that a lease is a creative and especially voluntary instrument. Administrative pressure and a desire to "introduce" it on a mass basis would be absolutely counter-productive. Otherwise, as was stated during the conference and as has happened in the past, we may obtain excellent reporting with zero effect.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Issues, Implications of Price Reform Reviewed

#### Shortages Not Solved by Higher Prices

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[Article by A.A. Deryabin, doctor of economic sciences, Economics Institute of the USSR Academy of Sciences, Moscow: "First Let Us Correct Pricing"]

[Text] The June (1987) Plenum of the CPSU Central Committee advanced the requirement of carrying out a radical reform of pricing. This has also been dealt with in the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On the Basic Directions for Restructuring the Pricing System in the Context of

the New Economic Mechanism." However, in the overwhelming majority of publications the discussion so far has not been of a radical reform of pricing, but on which commodity groups prices should be raised.

Yet specific prices are the product of the pricing system. Unless it is reformed, even the most thorough substantiation of any new price will not yield a benefit. After all, at any given moment prices must accurately reflect the economic situation that has taken shape.

At present, most prices are set in Moscow. In the context of the maximally centralized system of planning and management, this kind of organization of pricing was the only one possible. But with the transition to economic methods of management, it becomes a thorn in the side of the new economic organism.

But conduct of the price reform is again being conceived in the same way as before. Again, the drafts of price lists are being compiled in Moscow, analyzed, and discussed. Which is exactly the way it was in 1967 and 1982. Those prices were discussed and analyzed with just as much seriousness before they took effect. But they became outdated in an instant, ceasing to reflect the real economic situation. **Nor is there the slightest confidence that the prices being worked out in USSR Goskomtsen will not age just as quickly.**

After splendid words on the need to put an end to cost-plus pricing, A.N. Komin, first deputy chairman of USSR Goskomtsen, writes: "Unfortunately, for entire decades we have not linked the price system to product costs in the particular branches.... We will never get away from costs. This is how it is put even in Marx: costs are the basis of value.... In every review of prices, planning authorities and financial authorities demand first of all minimization of the number of enterprises operating at a loss and of the share of products produced at a loss. At the same time, flaws in the performance of ministries and mistakes in the plan are covered up."<sup>1</sup>

All arguments to the effect that we need to give up the "oversimplified view of the price as the money form of value" turn out to be pointless. The "oversimplified view" lies in the unconditional subordination to the requirements of financial and planning authorities. It is this same thing that creates the "law" of rising prices. Critical objections to cost-plus pricing are also meaningless.

The assertion repeated in everything published by the top officials of Goskomtsen that present prices do not reflect the socially necessary expenditures of labor and the value literally sounds like an incantation. Socially necessary expenditures are after all an abstract category of political economy. In actuality, many specialists in the pricing field have been trying all the while to use the actual costs in the product's production instead of the socially necessary expenditures.

Let us suppose that Goskomtsen somehow managed to obtain the content without the form. This is a question of calculations of production cost per unit output as of a particular date. It is to those costs that the specific prices will apply.

This effort, which involves an immense amount of work, can be looked on favorably only from traditional positions. From the positions of the economic reform, however, it is not only inadequate, but it is largely even contrary to what is expected of a radical reform of pricing.

**The first and most complicated task of a radical reform of pricing is to eliminate the imbalance between physical and value proportions in the economy. And that means that the shortage of means of production and consumer goods, which is all but universal, has to be eliminated.**

I would especially like to emphasize that from the standpoint of effective demand we have an acute shortage of all commodities, not just certain ones, say, meat and dairy products. The surplus of certain makes of metal-cutting machine tools, tractors, and combines, as well as unsalable footwear, sewn garments, and so on, is negligibly small compared to the unsatisfied effective demand. For instance, in 1986 goods with a total value of 3.8 billion rubles were marked down. At the outset of 1987, remainders of unsold goods amounted to 1.2 billion rubles.<sup>2</sup> Yet goods worth tens of billions of rubles are needed to fully satisfy current effective demand. In 1988, the shortage of goods exceeded 30 billion rubles in retail prices raised in covert and overt ways. **The myth of supposedly immense stocks of stale goods while there is a shortage of salable goods is, in my view, unsound. In reality, I repeat, the shortage is universal.** Shortages preserve the outdated production structure of the economy and stand as an obstacle to the rise of quality and introduction of the most recent advances of scientific-technical progress.

**Shortages are growing against the background of rising inflation.** According to expert estimates, wholesale prices of machines and equipment are rising at an annual rate of 3.5 percent, retail prices of consumer goods at a rate of 3-4 percent. The rise of average retail prices over the period 1971-1975 accounted for about 30 percent of the growth of retail sales, in the period 1976-1980 about 46 percent, in the period 1981-1985 it was 57 percent, and in the period 1986-1987 more than 60 percent. An appreciable share of the growth of production of machines and equipment is also formed through the rise of average prices that is not controlled and not taken into account in the official indexes. Real economic growth has been slower than value figures indicate. For instance, in 1987 the per capita physical (real) volume of sales rose only 0.7 percent, a magnitude that is on the margin of the accuracy of the computation.<sup>3</sup>

What is proposed to bring about balance between effective demand and the supply of goods? To raise prices. To justify the need for and inevitability of this action, top Goskomtsen officials sometimes use arguments which you would not call scientific. For instance, V.S. Pavlov, chairman of USSR Goskomtsen, explains the drop in retail prices in the 1st half of the fifties in terms of the immense gap between the growth rates of labor productivity and those of wages. "Over the period 1950-1955, the productivity of labor rose 48 percent in industry, 49 percent in construction, 39 percent in transportation, while wages rose only 12 percent."<sup>4</sup> The drop in retail prices occurred "because of what amounted to a wage freeze." One gets the impression that at that time the rise of labor productivity was being poorly stimulated, while now it is being stimulated so well that wages are rising faster than productivity. For some reason, prices even have to be raised. Is this convincing? And we can only dream about those growth rates of labor productivity which occurred in the fifties.

**A rise of prices, even when the population is fully compensated for losses, will not eliminate the overall shortage.** I will explain this assertion with a simple example. Suppose there is commodity coverage of 370 billion rubles for a consumer demand of 400 billion rubles. Prices are raised by the 30 billion rubles which are lacking, and the population receives that same amount in the form of compensation. Thus, the supply of goods in physical terms remains the same, but in value terms it has jumped to 400 billion rubles. At the same time, demand has risen to 430 billion. As a consequence, you have the same shortage, but at a new price level.

Raising food prices is acutely sociopolitical in its nature and is justified only in a case when overall balance on the market for consumer goods will be achieved as a result. What sense does it make to transfer the shortage from meat and dairy products to the less expensive vegetables, potatoes, fish, vegetable oil, and bread, if they are in short supply even now? Or to footwear, knitwear, and durable consumer goods at a time when there is a shortage of practically every commodity item? So far, no one has even attempted to answer these questions.

Who but Goskomtsen knows what size of price rises are being proposed? **And this committee has not always been furnishing us reliable information, not by any means.** Everyone remembers its assurances that the prices of gasoline would not be raised just a few days before they doubled. Proposals for price rises may vary greatly. In the case of coffee—"coffee plantations froze in Brazil." These plantations have been rebuilt long ago, but the price of coffee got stuck at the high level. In the spring of 1987, A.N. Komin explained that the 2.5-fold jump in potato prices in Moscow resulted from potato purchases at the corresponding price in the Baltic republics. In actuality, as PRAVDA explained thereafter, those potatoes were purchased in Poland at 13 kopecks per kilogram.<sup>5</sup> Scientists of the Scientific Research Prices

Institute of USSR Goskomtsen have written that pantyhose cost 3.15 rubles in the United States, almost the same as in our country.<sup>6</sup> But they did not spell out the details—over there that is the price of a dozen pairs.

**Goskomtsen is an organization that knows what it wants.** Gosplan picks things to pieces and discusses them a thousand times before changing the rate of reduction of the production cost by even 0.1 percent. I cannot remember a case when Minfin cut tax rates in half. Only rarely does Gosbank change the interest rate on loans by 1 percent or 0.5 percent. Yet prices in our country can jump 20, 30, and 40 percent all at once, and this may occur 2, 3, or 5 times. They are lowered considerably less frequently, but again by 20 percent all at once, and this may happen twice. I would have trouble citing a case when prices changed by 1, 2, 3, or 5 percent. In other countries, that is exactly the way they change. And if they rise several times, that is in the course of a year, not in a single day. **Bearing this experience of ours in mind, we can expect of Goskomtsen equally decisive actions in the very near future, actions which will not make the economy healthier, but will only compound the situation.**

Some economists say that the balance between commodity supply and demand will be achieved by means of **moderate and manageable overt inflation**, which is in any case better than covert inflation. As a matter of fact, overt inflation is better than covert inflation. But moderation and manageability of overt inflation are highly doubtful. It is not possible to manage inflation without having an effect on its causes. Yet it is precisely the causes that are unknown. That is why the path of moderate and manageable inflation will most likely become a highway of spontaneous and unmanageable galloping inflation.

A vivid example is the case of Yugoslavia, which was the first among the socialist countries to declare that inflation was possible even in a socialist economy. Years have passed, it is now possible to evaluate the results of recognizing inflation as a driving force of economic progress. In Yugoslavia, they call it "public enemy No 1." In 1987, double-digit hyperinflation grew into triple-digit super-hyperinflation—prices rose 168 percent. It hits the less well-off strata of the population the worst—pensioners, university students, unskilled workers, and employees. But some people lose and some people gain. Social stratification is proceeding rapidly in Yugoslavia, the "privates" are getting rich.

Experience in combating inflation has led to an important conclusion: **the key component in the anti-inflation program is to make economic development dynamic. From the outset, inflation has been set forth mainly as a stimulus for economic growth. But the result turned out to be the opposite; inflation caused stagnation and aggravated the economic, social, and political problems in Yugoslavia.** The situation is similar in Hungary. It should not be forgotten that price rises accompanied by compensation were carried out in those countries under

more favorable economic conditions than those that now prevail in the USSR. It is not precluded that the consequences of this policy in our country would be still more serious.

One of the main causes of the general imbalance in economic development is seen in the **disruption of value proportions**. They are disrupted when the output of Subdivision 1 in value terms grows without an appropriate increase in the volume of production in physical terms, but retail prices of consumer goods and remuneration of labor remain at the previous level. That is precisely the pattern of change of wholesale prices of machines and equipment in the Soviet economy beginning in 1957.

When there is a rise in the prices of machines and equipment (the output of Subdivision 1), and there is no simultaneous rise in remuneration of labor (in the price per unit of work done), then the growth rate of prices of machines and equipment will be lower than the growth rate of net income. And this means that the sum total of financial resources which can be channeled into accumulation is growing faster than the value in new prices of those machines and equipment which can actually be committed to accumulation. A disproportion occurs between the accumulation fund and its physical coverage at the new and higher prices. This is all the more profound the lower the growth rate of prices of end products by comparison with the rise of prices of products of the extractive industry and in part the branches producing materials and intermediate products.

One can hardly point to any other period in the country's history when the shortage of machines and equipment was greater than now. Yet, once again, just as in 1967 and 1982, Goskomtsen is gambling on a sharp rise of wholesale prices, above all those of raw materials and intermediate products. It intends to raise coal prices almost twofold, petroleum 2.3-fold, gas twofold, motor, diesel, and boiler fuel 2.2-2.4-fold, the products of coke chemistry 1.8-fold, refractories 1.5-fold, ferrous and nonferrous metals 1.5-1.8-fold, timber and lumber 1.6-fold, and cement 1.3-fold.

Such an unprecedentedly sharp and sudden jump of wholesale prices will aggravate the general shortage rather quickly. As a matter of fact, a rise of wholesale prices in most branches of industry of 1.5-2.3-fold will result in a 2-5-fold growth of their profit. For what purposes will that profit be spent? First of all, to develop production and for social welfare purposes (housing construction, for example). Prices of equipment will rise an average of only 2 percent. But there will not be more machine tools, machines, and instruments solely thanks to the rise of wholesale prices. Consequently, the demand for them will also increase 2-5-fold without an adequate increase of the supply.

It is disturbing that Goskomtsen has developed the effort to publish price lists of wholesale prices which have already been prepared and which in essence predetermine measures in the pricing of consumer goods without more or less serious discussion (What happened to glasnost?). A rise of wholesale prices immediately requires a sizable increase of retail prices.

A great deal is now being said, and rightly so, to the effect that we need to work out and make public several alternative proposals of the pricing reform, including recommendations for changing prices. At the same time, it is being proposed that the highest authorities of the party and state not express approval for any of the proposals in advance, so as to preserve the freedom of choice.

What kind of freedom of choice is there when the raising of wholesale prices leaves only one possibility—raising retail prices by proportions given in advance?! The situation is like that of a speeding train with no devices to change speed and no brakes. Political management of economic processes is being lost.

The sharp rise in retail prices of foodstuffs (2-2.5-fold) with compensation payments to the public not only will not eliminate the shortage and inflation, it will even intensify them. This measure outlined by Goskomtsen will have **fatal consequences for restructuring**.

First, when compensation payments are entirely or partially distributed depending on per capita income, the rise of prices will deal a painful blow to those strata of workers who serve as the social base of restructuring (educated people and highly skilled workers). As a rule, they have higher earnings and relatively small families in which both people work.

Second, the compensation payments will greatly aggravate interethnic relations (even assuming their regional differentiation), since income will be redistributed to the advantage of Central Asia, the Transcaucasus, and Moldavia at the expense of Russia, the Ukraine, Belorussia, and the Baltic republics.

Third, compensation payments to the advantage of low-income groups of the population will strengthen leveling in distribution, will violate the recently established proportions in the system of remuneration (the spread in the wage rate schedule of 1:1.8 will actually be transformed to 1:1.5), which detracts from incentives for the rise of labor productivity.

Fourth, the sharp rise in food prices will cause a violent rupture in the customary diet (which will intensify social tension) and unpredictable changes in the structure of public demand (in no country in the world have prices ever risen so sharply all at once). **Thus, in the present social and political situation a rise of prices and rate schedules that is unprecedented in its scale takes on features of a reckless and disastrous gamble.**

What can be proposed? I will enumerate what in my view are **more realistic directions for eliminating the imbalance between effective demand and the supply of goods.**

**First, every effort must be made to bring down costs, which are still rising excessively.** Nonproduction expenses and losses in the national economy as a whole are alone estimated at 24 billion rubles per year.<sup>7</sup> And those which are not formally reflected in accounting documents and do not have the status of losses, who has counted them? For example, the scientific-production association "Dzhezkazgantsvetmet" and the Azerbaijan Pipe-Rolling Plant have been producing goods whose cost exceeds the level of retail prices by 1.5-2-fold. These expenses are not formally regarded as losses, but in actuality this is a direct deduction from the national income. Producers of such goods are dependents of those whose performance is better.

A strong argument of advocates of raising retail food prices is that meat and dairy products are being produced at a loss. But what kind of costs are we talking about? They also include losses, which go as high as 18-20 percent for meat.<sup>8</sup> There are farms where the production cost per kilogram of weight gain of cattle is 16 rubles, and there are others on which it is only 2 rubles.<sup>9</sup>

It has been repeatedly reported in the press that because of the drop in prices of petroleum and petroleum products on world markets our proceeds from selling them have shrunk, so that we have to reduce purchases of consumer goods. But the effectiveness of these goods in terms of foreign exchange is rarely less than 3-4 rubles for every ruble of foreign currency that is spent. If equipment that sits in warehouses were not acquired, then commodity sales could be increased by 15-20 billion rubles.

**The second direction for eliminating the general shortage would require a decisive reduction of the income of those who are performing poorly, who are mismanaging and incurring losses, who are passing off rejects, who are producing obsolete products.** To do this, we have to have the determination and the desire to fight, to dispute, and to argue—no one will voluntarily give up his position. Only by raising production efficiency is it possible to solve the problems of distribution.

#### **What needs to be done first?**

- It would be advisable to sharply reduce subsidies and losses and give up various price benefits accorded to straggling industrial and agricultural enterprises and stop granting amnesty for mismanagement at the expense of the entire people. In the period 1987-1988, the number of machinebuilding enterprises operating at a loss decreased from 127 to 84, and in 1989 another 58 enterprises will cease to operate at a loss, and the figure in 1990 will be 12. From the standpoint of the entire economy, it is a very favorable fact that

operation at a loss is being eliminated in machinebuilding. But development amounts to more than that. There cannot be a situation in which all the enterprises of the immense machinebuilding complexes will become front runners or "performing normally." Differentiation in the economic results of the operation of enterprises must be preserved. That is why at any particular moment some enterprises will be operating at a loss; and economic penalties must be applied to them. Not only benefits realized by the front runners, but also the constant threat of falling back among those which are operating at a loss must drive progress and raise the general level of economic activity.

- An anti-inflationary mechanism is needed in pricing, one that will stimulate a lowering of costs, scientific-technical progress, and a rise of product quality. It should be established without any ambiguity that in keeping with worldwide practice normally performing enterprises are those producing high-quality products comparable to the best-known examples, at minimum cost, and with a high level of the organization of production. Other enterprises are not entitled to count on incentives.
- It is extremely necessary to destroy the universal motivation (from the worker to the minister) to raise prices. Prices of new products should be set at the lower limit (cost plus the rate of profit), accompanied by a simultaneous reduction of prices of all products which are completely or partially obsolete regardless of the departmental subordination of the enterprises. What we are talking about is that when production begins, say, of a fundamentally new reduction gear, prices would be lowered on all the reduction gears produced in the country which do not use the new principle. It would also be advisable to reduce wholesale prices of consumer goods analogously.
- A system should be created for substantially differentiated prices of products under the same designation or close in their passport parameters which are produced by different enterprises, depending on their real quality as determined by consumers; that is, the element of competition among producers would be authentically introduced.
- It makes sense to establish a direct dependence of the wage fund of ministries, departments, and the staff of soviets of people's deputies on reduction of losses and subsidies of enterprises and organizations in their respective branches and geographic jurisdictions.

It would seem that this interrelated set of measures would bring about a declining trend for wholesale prices of machines and equipment, would have a favorable effect on the relation between effective demand and the supply of goods, while it is also true that it would at the same time reduce the profit of enterprises not operating efficiently enough, and it would reduce the revenues of the state budget somewhat.

**The third direction for eliminating the shortage is to speed up development of production of consumer goods for which there is high demand.** However paradoxical it may seem,

many goods which have an especially large share of profit and turnover tax are still scarce. In order to overcome the shortage, in 1989 and 1990, pursuant to the decree of the USSR Council of Ministers, the production of consumer goods will increase 24 billion rubles over and above the plan for the 5-year planning period. About 260 industrial enterprises will be completely or partially reoriented toward their production. Plans call for producing an additional 78 million pairs of footwear, 180 million women's pantyhose and 30 million children's tights, and the production of wallpaper will increase 1.5-fold. A group of defense ministries has been ordered to set up capacities in the next several years to manufacture 2 million refrigerators, and Minchermet has been ordered to do the same for 1 million refrigerators.

Decisions at the highest level of the government were required for this kind of increase in the production of goods for which there is a high demand. However, in normal economic relations the flow of funds and resources from inefficient branches and production operations to those with high efficiency must be a natural process. The present price system and system of finance and credit stands in the way of any movement of funds and resources. That is why health can be restored to the economy only by combined and simultaneous use of prices, finances, credit, and the circulation of money. It is not a price reform that is needed, but a reform of pricing, financing by appropriation, credit financing, and the circulation of money.

#### Footnotes

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#### Unified Wage, Price Policy Urged

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[Article by A.N. Komin, first deputy chairman of USSR Goskomtsen, doctor of economic sciences, Moscow: "Pricing and Wages"]

[Text] This problem is of enormous interest, since wages, the wage level, and the dynamic behavior of wages are directly related to prices and rate schedules just as are finances and the circulation of money. At the same time, economic relations between these categories have not been sufficiently researched. The wage has ordinarily been examined by itself, and prices have also been analyzed in the same way. A stereotype of thinking has been shaped in which a rise of wages and other personal money income has been considered something self-evident, while prices and rate schedules at the same time must necessarily be reduced or in any case must remain stable. But this scheme, however much we would like to believe in it, has proven to be impractical.

Over the period from 1955 to 1985, the wages of workers and employees rose 2.6-fold, those of kolkhoz members 7.6-fold, and total pension payments 11-fold. Major shifts took place in the distribution of personal income. Whereas now the relative share of the population with a per capita income of 100 rubles or more represents more than 65 percent, in 1970 it was only 18 percent. The growth of remuneration has not been in line with the growth of productivity. Naturally, this could not but have had an effect on all the processes of our economic development, including pricing. After all, prices are based on expenditures of labor, which are evaluated through the money remuneration of labor.

All of this has resulted in the most flagrant errors and voluntarism, in which the principle of unity was not observed in the triad consisting of wages, finances, and prices. Many of our outdated and impractical stereotypes as to the role of prices, their dynamic behavior, their positive and inevitably negative aspects, which have already been manifested and will be manifested, have to be reexamined in a new way and from realistic positions. This also has to be borne in mind in defining economic policy, and that would include the effort to solve the problems of a further rise in the standard of living of various strata of the population.

It is clear that a growth of wages has a direct influence toward a rise of costs and prices if it exceeds the rise of labor productivity. Everyone understands that. But the processes taking place here are far more complicated. Prices are influenced by the dynamic behavior of wages both in material production and also in the nonproduction sphere. Let us examine these matters in more detail.

The well-known point of view comes down to the proposition that the rise of wages must not exceed the rise of labor productivity. It has been assumed that observance of this principle in and of itself guarantees price stability and even creates opportunities for lowering prices. This approach examined only the economic aspect of the production sphere and did not take the nonproduction sphere into account at all. Yet the latter also influences pricing and is an important element in any price. The nonproduction sphere is financed from that same net income which is created in production. It is a fundamental feature of this pattern that the sphere of gratis services is large (medicine and education), while a number of services which make up the everyday life of the public are maintained at a relatively low level. This fact has a direct relation to pricing.

The price system must envisage that level of net income which not only would correspond to the principles of distribution of the national income, but would also provide sources of financing to maintain the entire nonproduction sphere. Since the sphere of gratis services to the public is developing at a faster pace than the rise of real wages, the share of net income in the price structure has a steady tendency to grow. This fact cannot but be taken into account in analyzing the dynamic patterns of price levels and the influence of the relation between the rise of wages and the growth of labor productivity. So that the rise of wages does not tend to raise prices, something more has to be done than to achieve a certain faster growth of labor productivity. It must be such as to guarantee an increase in the share of net income in prices, first, for the predominant development of the sphere of gratis services, and second, to raise the wages of personnel employed in that sphere. It cannot be assumed that wages will rise in the production sphere, while they can be frozen in the nonproduction sphere. Reality has refuted this scheme, which is dead.

But even if we established economically sound proportions by which growth rates of wages would depend upon growth rates of labor productivity, guaranteeing an unchanging price level, it would hardly be possible to maintain those proportions in practice. Wages are the most mobile category of money-exchange relations. Growth is the only pattern of their movement, and in that they differ from the other categories. It does not occur to anyone to dispute that pattern. Which is why the most important measures in the wage field have always been aimed at regulating that growth, at limiting it, so that it stays within the limits of the rise of the efficiency of labor.

The functioning of the entire commodity-money mechanism depends on how successfully this line is hewed to. It is natural for an unjustified growth of wages to result in a rise of costs and prices and ultimately inflation. As our own practice and the experience of other socialist countries have demonstrated, it is very complicated to control processes taking place in the remuneration of labor. Which is understandable, since wages are the

principal form of implementing the principle of financial motivation, of the distribution of material goods. The main problem lies in evaluating the various types of work with respect to quantity and quality so as to take into account qualifications, the area in which the work is applied, and so on. It is a profound mistake to think that such a system can be organized using administrative methods. This is the same as determining value arithmetically. However scientifically the level of remuneration of various categories of workers and wage rates are substantiated, reality itself is the ultimate criterion of their soundness and correctness.

In actual reality, all the virtues and shortcomings of the proportions and rates in remuneration of labor show up. What seems to be a critical realization occurs in life itself: Where they are excessively high, an additional inflow of manpower will go thanks to the "impoverishment" of those segments where wages are considered inadequate. Various social factors take an increasingly active part in this process, in particular the line of work and the prestige of the particular job. The "voting" for wages and for particular lines of work is the most dynamic process in any economic system.

In our country, this process has in recent years followed the advantageous rise of wages in agriculture, industry, and construction, and the pulling up of the wages of the nonproduction sphere to that level (teachers, medical personnel, personnel in higher education, the management sphere, and so on). Competition, what might be called a kind of competition in remuneration of labor, goes in many directions and embraces both the level of each individual enterprise and also occurs among enterprises and between branches and spheres of the economy. It has taken on acute forms in the economy, especially given the manpower shortage. These conditions willy-nilly create a rush in the drive for manpower, which accounts for the "competition" for higher remuneration of labor. All of this, of course, encourages higher remuneration and makes it more difficult to manage.

The shortage of manpower and the absence of a mechanism that would link the remuneration of labor directly to the end results of the work of the collective and of each of its members, have ultimately resulted in leveling, distortion of the idea of the principle of social justice.

Leveling is in essence antiprogressive. On the one hand, it gives rise to self-seeking attitudes, while on the other it engenders passivity toward good and conscientious work, and it smothers initiative. In the final analysis, it has a destructive effect not only on the economy, but also on ethics, on the entire pattern of people's thought and action. When leveling prevails, increasing the remuneration of labor does not yield the economic benefit it should, which means that it results directly in higher costs and prices. Leveling is one of the factors of a stagnant economy.

How can such a situation be avoided? There are economists who see the way out in creating unemployment. But that is not a strategy of a society that has proclaimed as one of its principles the elimination of unemployment, which debases human dignity. We simply have to put an end to maintaining an artificial shortage of manpower. The new economic mechanism is in fact aimed at precisely that. A constant shortage of manpower is incompatible with the normal functioning of an economy.

But what is to be done? The easiest and least controversial thing is to conclude that full harmonious proportionality must be achieved in this area. But there is no such harmony in life or the economy. Society guarantees everyone the right to work—that is one of the basic principles of socialism. But society must absolutely not guarantee that level of remuneration which the worker has received in his previous job and which he has left at his own wish in order to make the change. The reasons for turnover of personnel related to the desire to do the same work for better pay in the new job have to be eliminated as much as possible. Economic conditions must prevail that would create definite difficulties in obtaining the same pay (for the same work, of course) in the new job. Unless such conditions are created, it is not possible to establish order in remuneration, to change the attitude toward work, and to strengthen discipline by the economic method. A situation must be brought about in which there is respect for the job in which every worker works.

The things that have been occurring in the dynamic behavior of wages and the economic incentives they are based on have not been examined dialectically, so as to include the contradictions in the dynamic pattern of their development. This is probably the reason why all the measures to improve wages have ordinarily been conducted tardily. The reasons that gave rise to them demanded that appropriate measures be taken long before. The delay in carrying out measures to improve remuneration of labor is psychologically perceived as payment "of debt" and makes them ineffective.

In the new context of applying economic methods of management, there needs to be a radical change of approach to the methods of managing wages in the economy. It is not just a question of creating standard economic rates for effective control of the level of wages and its dynamic behavior. The main thing is the need to take into account patterns that depend on levels in remuneration of the labor of workers and employees employed in different branches, subbranches, and spheres of activity so as to forestall developing contradictions in this area and take timely decisions.

The dynamism which has developed in remuneration of labor, results from the objective principles of the functioning of commodity-money relations. It directly influences costs and price levels, that is beyond dispute. This also explains something that has not found its place in

our conception, the question of why the pattern of cost reduction and the dropping of price levels does not emerge. It is also beyond dispute that the economy has been developing along the path of higher efficiency. Progress lies in reduction of inputs of labor per unit output. But inputs of labor are expressed in its money evaluation—wages. That is why inputs in money terms almost never correspond to inputs in units of labor and always have the opposite dynamic behavior. If the latter show a pattern of reduction, then the former show a pattern of growth. That is why the dynamic behavior of value does not coincide with the dynamic behavior of prices.

The question arises: If the end result of dynamism in wages is a rise of costs and prices, then what is the point of all the talk about lowering the production cost? It would seem to be pointless. As a matter of fact, both aspects of progress take place simultaneously and are influenced by the different economic conditions they are based on. Reduction of production costs and conservation of all types of resources is from the standpoint of the cost accounting of every enterprise a criterion of a real saving of the time of society used to produce the product at any given moment and at the same time a source for raising wages and increasing other forms of material prosperity. This is exactly why economic processes are complicated and contradictory, which is something to which attention was not paid earlier.

What we have said allows us to draw the following conclusions.

First, the principle that the natural dynamic behavior of the price level under socialism is a gradual reduction of prices as labor productivity rises and production costs decrease is unsound from both the theoretical and practical points of view. This is being confirmed by all the experience in development of our economy and the economies of the other socialist countries. The price, as the money form of value, has been experiencing the direct influence of the circulation of money and of wages, on which the price scale depends.

Second, the circulation of money in the USSR, like any circulation based on paper tokens, incorporates inflationary processes. Up to now, we have not taken these phenomena into account or have underestimated them, which is why we have not taken comprehensive measures to prevent them. At the same time, a planned economy has great advantages in combating inflation. If we are to manage prices and inflation, we have to learn to manage wages. Monitoring wages must be a most important function of the entire financial system, the bank system above all.

Third, processes taking place in the formation and dynamic behavior of wages have been examined without due comprehensive linkage and interdependence with the economic and social consequences of the measures that have been taken in this area. As a consequence,

leveling, which not only was the result of a stagnant economy, but itself became one of the causes of the slump, is the most serious shortcoming in the remuneration of labor.

Fourth, we can no longer look at the price system, the circulation of money and wages as independent and isolated segments of the economy. They are all interconnected and affect one another. For instance, deficiencies and discrepancies in prices not only give rise to subsidies, they also distort the financial system, "distorted prices" inevitably give rise to "distorted" rubles, when one and the same ruble takes on different value with respect to different goods and different spheres of production and distribution. All of this gives rise to shortages, physical and financial imbalance, and it results in the existence of "valueless" rubles in circulation and has an impact on social processes. Given the shortage of goods, the population's standard of living is often determined not by the level of wages, but by access to the purchasing of goods at state retail prices which are low. Attempts to solve problems in one area, in the financial area, for example, without taking pricing into account, or the other way around, not only fails to have the necessary constructive results, but frequently has an adverse effect on economic development. It is impossible to manage pricing without proper management of finances and wages.

#### Impact of Retail Price Reform

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[Article by V.M. Rutgayzer, doctor of economic sciences, deputy director of the All-Union Center for the Study of Public Opinion; A.I. Shmarov, candidate of economic sciences; and N.V. Kirichenko, Scientific Research Economics Institute of USSR Gosplan, Moscow: "The Reform of Retail Prices, the Mechanism for Compensation, and Development of a Consumer Market"]

[Text] We have two interrelated and at the same time independent tasks to perform: **to prepare and carry out a reform of the present scale, relations, and structure of retail prices so as to take into account all the socio-economic consequences and to alter the present pricing mechanism.** There has been lively discussion of both. As to the second task, people agreed that an effective mechanism is needed against the cost-plus setting of prices, a mechanism that would overcome the "creeping" growth of prices.

The retail price index rose 10 percent between 1970 and 1986, while the index of food prices rose 18 percent.<sup>1</sup> But the index of retail list prices does not fully reflect the dynamic behavior of prices on the consumer market, the rise in the cost of living. It only records the change of prices of certain goods. Its dynamic behavior does not reflect shifts in assortment and structure in commodity sales, in particular the "washing out" of goods in the

inexpensive assortment. Cooperative prices, prices of imported products and products of the kolkhoz market, and the fee schedules for paid services are not included in calculation of this index.

Average commodity prices, and consequently the value of the "market basket" of consumer goods, have been rising rather rapidly, above all because goods in the inexpensive assortment are being washed out. Over the period 1970-1985, the share of inexpensive models of outerwear (less than 80 rubles) dropped 20 percentage points in the total volume of sales, and that of inexpensive cotton and linen fabrics 10 points.<sup>2</sup> During 1986 alone, enterprises of RSFSR Minlegprom and Mintekstilprom dropped from production inexpensive goods (for which there was a demand) worth 900 million rubles.<sup>3</sup>

At the same time, there has been considerable expansion of the sale of foodstuffs at negotiated prices. For instance, the share of commission trade in the total volume of sales of meat and poultry has risen 3 percentage points since 1980, while the increase for other goods has been 27 percent for sausage products, 19 percent for canned meat products, 5 percent for vegetables, and 7 percent for fruit, berries, and melons. Cooperative prices of these products are 1.5-2.3-fold higher than state retail prices.

All of this has had an inevitable effect on the rise of average commodity prices, which over the period 1970-1985 has exceeded the growth of the list price index by 17 percentage points for meat products, 7 percent for milk, 18 percent for confectionery products, and 80 percent for footwear (not including felt and rubber footwear). Over the period 1970-1986, average prices rose 38-40 percent (an annual average of 2.5 percent), while retail prices resulting from the price factor rose 45 percent (including 55-60 percent over the period 1980-1986). The overall rise of prices over that period is estimated at 80 billion rubles.

There are fears that in future these trends will only become stronger. As a matter of fact, what guarantee is there that the charge on resources that has been instituted and the higher prices on raw materials will begin to stimulate resource conservation? **Under the conditions of the monopoly position of producers and the absence of competition, when there is a shortage, it is far simpler to pass on additional production costs to consumers.** Even now, for instance, garment factories, using supplements to goods carrying the codes "N" and "OM" ["new" and "particularly stylish"] and negotiated prices, have been realizing above-plan profit when their production capacities are being utilized at 70 percent.<sup>5</sup> The decentralization of pricing and freedom in planning the list of products to be produced, against the background of the shortage of commodities, results in a growth of the total amount of enterprise profit because of the rise in the profit rate. But if prices are rigidly established for goods (for example, goods in the children's assortment), then

their production falls off. For instance, the plan for production of children's wear in 1987, formed on the basis of orders at the interrepublic wholesale fair, turned out to be lower than actual output in 1980.

We should not count on the enthusiasm of trade organizations when inexpensive goods are included in a state order. Under the conditions of cost accounting and when there is a considerable unsatisfied demand for both inexpensive and expensive goods, trade organizations are motivated to sell the latter, since in this case their costs per ruble of sales are considerably lower.

**How is the "creeping" rise of prices to be halted?** Proposals are being made for strengthening state monitoring of pricing, adoption of various penalties for hiking up prices, and the rigid planning of the price structure of the products list. There is also a different position: to expand market relations to the maximum, to guarantee equality of state, cooperative, private, and mixed forms of ownership as well as the economic independence of enterprises, and on that basis bring about competition for the consumer. But so far there has been no ready-made formula here.

**No point of view has as yet crystallized as to what kind of reform there should be of retail prices, of whether it is possible without an operative mechanism to prevent cost-plus pricing, and whether it is worth doing at all. In our view, the reform is indispensable.** The reason is that in the present system of retail prices there are two independent components: **depressed subsidized prices** for meat, fish, and dairy products, certain types of baked goods, vegetables, fruit, potatoes, medicine, articles in the children's assortment, and also rate schedules for the services of passenger transportation, housing and utilities, pre-school institutions, and cultural institutions; and **prices artificially hiked up because of the turnover tax** for fabrics, durable consumer goods (furniture, household appliances, radio equipment), automobiles, alcoholic beverages, tobacco products, etc. The total amount of price subsidies averaged 73 billion rubles a year in 1986 and 1987, while the turnover tax averaged 91.5 billion rubles.<sup>6</sup>

This deficiency in price policy is constantly cropping up in our everyday life. To be specific, subsidized prices detract from the importance of labor as the basic factor in the distribution of goods. As a matter of fact, in 1965 for every ruble of remuneration of labor there were 62 kopecks of income from social consumption funds, proceeds from private farming projects, interest on bank deposits, and subsidies to retail prices, while the figure in 1985 was already 87 kopecks. At the same time, the role of remuneration of labor has been declining mainly because of an expansion of subsidies: over that same period, subsidies per ruble of remuneration of labor doubled—from 12 to 24 kopecks.

Population groups with different income have unequal purchasing power. The better-off strata obtain more of high-quality foodstuffs for which the lion's share of subsidies goes. It has been calculated that families which have income of 200 rubles a month per member "eat" 7-8-fold more subsidies than families with a per-member income of less than 50 rubles. The original point of subsidized prices—to make the most important foodstuffs equally accessible to the entire population—has been distorted.

The low state prices on meat and dairy products play a vicious role for the less well-off<sup>7</sup> strata of the population: they intensify the already sizable shortage of those products. Closed and regulated distribution of valuable foodstuffs, say, through a system of orders, operates well at large enterprises and in leading branches and departments. But in this case, even the wages of personnel are higher on the average. But in small enterprises, offices, and modest institutions, the coupon system frequently "breaks down," and in this case the wages are not high. So then workers have to buy meat in cooperative trade and on the market. That is why 1 kg of meat products costs low-income families 1.5-2-fold more.

We should also note another aspect of the problem. At this point, society cannot satisfy the demand for subsidized products everywhere. So, supply is uneven, and certain regions get priority. For instance, the size of subsidies for meat and dairy products per average rural inhabitant, per inhabitant of the USSR, and per inhabitant of Moscow stand in the relation 1:4:8. People try on their own to overcome the injustice in regional supply of these products, traveling to the "fortunate" cities to get them in the crowded electric trains.

As for the turnover tax, here it would seem that justice is triumphant. Those who are better-off gain on the subsidies and lose on the turnover tax as compared to those who are not well-off (on a per capita basis) fivefold when it comes to articles of clothing (not including knitwear), 9-11-fold for knitwear, 12-15-fold for footwear, 10-12-fold for durable consumer goods and housewares, and 8-9-fold for furniture. But the balance in distribution of subsidies and the turnover tax between the low- and high-income groups of the population shows that the scale still tips to the side of the latter (approximately 1.5-fold).

Thus, the system of retail prices now in place not only does not conform to the economic laws of pricing, distorts the influence of the production cost and conditions on the market, and compounds the shortage of goods, but it also stimulates adverse trends in distributive relations.

#### **Comprehensive Restructuring of Retail Prices**

The purposes of this restructuring are to abolish unjustified price subsidies, strengthen social justice in distributive relations, strengthen the stimulative role of remuneration of labor; achieve balance as to volume and

structure on the consumer market using the price factor; reorient effective demand toward a progressive structure of consumption (an increase in the share of nonfood commodities and paid services), and relatively lower capital-intensiveness of the consumption fund that corresponds to it in the national income.

**We will sketch out the general outlines of the design of the reform we propose.**

We have to remove subsidies from food prices, correspondingly raising prices of foodstuffs now being subsidized, and increase the rates on those varieties of paid services to the public which are rendered at a loss. Incidentally, quite often the elimination of subsidies and consequently the raising of prices is in our view incorrectly seen to be an attempt to finance mismanagement. After all, even now poor management is being financed with the subsidies, which, to be sure, come from the state budget, which is specifically formed from the turnover tax and the income tax collected from individuals. In other words, bad management is ultimately paid for by the population, although indirectly. Abolishing the subsidies, then, accompanied by appropriate compensation, will not change the financial interrelationship of "poor management and personal expenses," but will only replace it by a direct relation.

This would preserve the subsidies specifically earmarked for medicine, articles in the children's assortment, and the services of preschool institutions, which represent social justice. Rents and utility rates would be revised. They must cover the expenditures of the state to operate the housing stock and must clearly reflect the quality of the housing (the ratio of living space and effective space, the existence of utility rooms, closeness to the center of the city, the surplus of housing). The total size of the proposed price increase would be 68 billion rubles (relative to conditions in 1986 and 1987).<sup>8</sup>

**Losses related to the raising of prices can be fully compensated to the public through two channels: in money—raising wages, increasing payments from social consumption funds (pensions, benefits, and scholarships), and assistance to less well-off families; and through the price—reduction of prices on nonfood goods.** The total size of the compensation must correspond strictly to the raising of prices and service charges.

Who is to get more, and how much? There are two viewpoints on this question. The first is to **pay an equal addition to everyone, say, 20 rubles per month per person** (68 billion rubles : 279.9 million persons = 243 rubles per year per person, or 20 rubles per month). The relatively less well-off groups will gain, since this addition is rather sizable for a small income. In our opinion, this is the leveling approach, and it detracts from the value of highly skilled and well-paid labor. The population of regions which have a higher level of socioeconomic development will lose. As a matter of fact, according to our estimates,

that version of compensation which involves fixed payments in the amount of the rise of prices on a per capita basis will reduce the decile coefficient in differentiation of the population with respect to the size of income by 25 percent, and the coefficient of differentiation of income by union republics by 12 percent.

**So that the addition should be differentiated as a function of the level of income. The most suitable form for this would be to abolish the income tax.** Since it is established as a percentage of earnings, the compensation would reflect the unequal contribution of the worker's labor (insofar as the wage reflects that contribution). It is also important that the wage is taken into account in the production cost together with the income tax. This means that abolishing the tax would increase the real income of workers without increasing the nominal income, and consequently without increasing the production cost. In this way, we manage to avoid undesirable inflation as compensation is carried out.

Compensation is not confined to workers and employees alone. **Since the income tax is not collected on pensions, benefits, scholarships, and the income which kolkhoz members derive from the socialized farming operation, these categories of the population need a special compensation from the state budget.** In our opinion, it must at the least be at the level of the rates of the income tax on earnings of workers and employees of corresponding size. Special assistance from the state budget is also need for indigent families (those with many children, for instance), who are least reached by compensation through the channels already referred to.

The total amount of money compensation, according to our calculations, does not cover the entire 68 billion rubles of the price rise on subsidized goods and services, but only approximately 68 percent. The remaining 32 percent would be made up by lowering prices on expensive and relatively scarce durable consumer goods, mainly household appliances.<sup>9</sup>

To provide a general illustration of our proposals, we offer a "balance sheet of the reform," calculated for the conditions of 1986 and 1987.

#### Total Size of the Price Increase, billions of rubles

|                                        |    |
|----------------------------------------|----|
| Foodstuffs                             | 57 |
| Breakdown:                             |    |
| —meat and meat products                | 25 |
| —milk and dairy products               | 15 |
| —potatoes, vegetables, melons          | 3  |
| —bread and baked goods                 | 1  |
| —other foodstuffs                      | 13 |
| Housing and utilities (including rent) | 9  |
| Cultural services                      | 1  |
| Municipal passenger transportation     | 1  |
| TOTAL                                  | 68 |

#### Amount of Compensation, billions of rubles

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| Abolishing the income tax on the wages of workers and employees     | 29        |
| Increasing pensions, benefits, and scholarships                     | 9         |
| Increased remuneration of kolkhoz members                           | 3         |
| Increased social assistance to the indigent                         | 4         |
| Lowering prices on nonfood commodities by reducing the turnover tax | 23        |
| <b>TOTAL</b>                                                        | <b>68</b> |

#### Anticipated Changes in Effective Demand

It should be taken into account that as a result of the reform of retail prices and payments of compensation, there will be a rather substantial change in effective demand. The demand for meat and dairy products will decrease. According to estimates, consumption of meat products (in physical terms) will drop 15-20 percent immediately following the reform. Later, the demand for them will rise, but not as fast as at the present prices. **Forecasts of demand show that consumption of meat products will in the future be 20-25 percent lower than at present prices.**

The opportunity is arising for more uniform distribution of the commodity stocks of meat product over the country's territory in accordance with demand. At present, the annual uncontrolled exporting of meat from Moscow to other regions of the country amounts to 760,000 tons, and Muscovites consume slightly more meat. Reduction<sup>10</sup> of meat consumption by inhabitants of Moscow will alone make 250,000 tons of meat and meat products available, and inhabitants of Moscow Oblast will decrease their consumption by 70,000-75,000 tons. But even under those conditions the total amount of meat consumption by inhabitants of the Moscow region will exceed the standard optimum rate of its consumption (82 kg per person per year).

Reducing the prices of durable consumer goods and housewares (not including automobiles) by lowering the rates of the turnover tax will amount to 12.4 billion rubles (20 percent), and it is possible to lower prices another 10.3 billion rubles on fabrics, articles of clothing, jewelry, and dishes. The reduction of prices will boost demand for those products. This needs to be prepared for in advance. **In short, the center of gravity of unsatisfied demand will in our view be moved from the produce market to the relatively healthy market of durable consumer goods.**

Yet a somewhat different version of compensation can also be envisaged. The point is that the demand for articles of clothing, fabrics, footwear, and dishes is relatively inelastic by contrast with that for durable consumer goods and housewares, purchases of which the population can reduce in order to make up for the growing expenditures for food. In other words, **its size depends relatively less on price changes and personal income, and it is not precluded that it would remain stable**

**even after the reform.** That is why the prices of these goods can be left unchanged. And the losses to the population (10.3 billion rubles) caused by the rise of prices of food should be offset by raising wages in the nonproduction sphere (over and above the compensation on general grounds). This step is very topical, since the wage increase planned in the sphere of social and cultural services planned for 1986 and 1987 was not altogether carried out (to be specific, workers in the fields of culture and art were left outside it). In our view, the acceleration of scientific-technical progress requires a rise of salaries in the sectors of science and scientific services. Of course, these categories of personnel then gain to a greater extent than others. We take this to be advisable, since at present remuneration of labor in the nonproduction sphere is unjustifiably low. As a matter of fact, the ratio between it and wages in material production is 0.75:1, while in the European socialist countries it is 0.95:1. According to our estimates, approximately 5.5 billion rubles should be set aside for this purpose.

**In addition, a portion of the resources should be turned over as a reserve for unforeseen circumstances to the union republics, which would make local and individual payments of compensation depending on the specific nature of local conditions** (young families or families with many children, single mothers, disabled persons, and so on). Here, it would be good to form funds for social assistance in various areas in proportion to the size of the population and in accordance with the present level of the cost of living. This form of compensation would be more complete, more flexible, and better targeted. If 5 billion rubles are concentrated in the republic compensation funds and they are distributed among approximately 10 percent of the population (above all among those who are not well-off and have a monthly per capita income of less than 75 rubles), then the average per person will be 15 rubles per month. This measure will not, of course, entirely solve the problem of having scant means, but it does guarantee that the position of these groups will be no worse because of the reform of retail prices.

As has already been noted, the reform will have the result that the demand for the products of animal husbandry will rise to a relatively lesser degree than at present prices. And they have a higher intensiveness of active fixed capital and all fixed capital than durable consumer goods, the demand for which will rise. **According to calculations of the Scientific Research Economics Institute of USSR Gosplan, full satisfaction of the demand changing under the impact of the price factor will require less total capital investments (taking into account additional capital outlays to increase the production of durable consumer goods) than the development of demand within the framework of existing prices.**

It is also necessary to evaluate the influence of the reform of retail prices, taxes, and personal income on the state budget. The present mechanism of subsidies and taxes

for redistribution of income operates through the financial system. We have to assume that the strain on the budget will be intensified as a consequence of the reform.

**The version of the reform we are proposing influences the state budget as follows.** Its revenues (for the period 1986-1987) will drop from 419.5 billion to 367 billion rubles because of the reduction (by way of compensation to the population) of collection of the turnover tax and abolition of the income tax. Expenditures will also decrease from 417 billion to 365.5 billion rubles, and state subsidies will be 68 billion rubles smaller. But payments from social consumption funds will increase 8.6 billion rubles, and minimum wage rates in the nonproduction sphere and special payments to the less well-off will increase 3 billion rubles. There will also be an increase in the cost of food service in hospitals and preschool institutions.

In the year immediately following the reform, there will be an inevitable increase in the cost of consumer goods and services because of the higher remuneration of the labor of kolkhoz members and the raising of the minimum wage in the production sphere by what we estimate to be 3 billion rubles. This growth should be offset through a further reduction of the turnover tax at the present price level.

**We have sketched the outlines of the first stage of the reform of retail prices. The approximate period for carrying it out would be 1989-1992.**

According to our calculations, over the period up to 1991 prices should be raised on meat and meat products (by 25 billion rubles), milk and dairy products (by 15 billion rubles), fish and fish products (by 2.2 billion rubles), potatoes, vegetables, and melons (by 2.5 billion rubles), and bread (1 billion rubles). In all, this would be 45.7 billion rubles, or 15.2 billion rubles per year. The state retail price index would rise 4 percent per year. Compensation would be made to the population only in money form through the channels enumerated above and at the end of the period would amount to 45.3 billion rubles (15.1 billion per year). It would be advisable to transfer funds to increase money payments from social consumption funds and social assistance to the indigent in the amount of 12.6 billion rubles (that is, 28 percent of the total amount of compensation) to regional bodies of government. Over the period 1991-1992, subsidies should be entirely eliminated on foodstuffs (11.3 billion rubles) and paid services (11 billion rubles), this being accompanied by price compensation or combined compensation.

Because of the price increase, food expenditures in the families of workers and employees with a per capita income of less than 75 rubles would increase up to 1992 at a rate of 55-60 rubles per person per year, and in families with an average per capita income of more than 150 rubles per month they would increase 230-240

rubles per person. At the same time, per capita compensation by abolishing the income tax and increasing payments from social consumption funds would amount to about 35 rubles per year for the first of these categories of families (assuming social assistance of 85-90 rubles to indigent families), and 225 rubles in the second category of families.

In this stage of the reform, differentiation in distribution of the population with respect to income would be reduced somewhat, but considerably less than if compensation were uniform. When the first stage of the reform is entirely completed, differentiation of real personal income would come close to the initial level, since the gain from price compensation will apply to the high-income population group to a relatively greater degree. The point is that the share of nonfood commodities is relatively high in the expenditures of these groups. For instance, in families with a per capita income greater than 150 rubles per month, the share of expenditures for durables (not including automobiles, to which the conditions of compensation do not apply) is 1.5-fold higher than in indigent families.

**The second stage of the reform of retail prices (1992-1996) involves changes in the system of wholesale prices and purchase prices.** As the new wholesale prices and purchase prices are introduced, the production cost of consumer goods will rise. According to our estimates, its growth will amount to about 25 billion rubles a year at the end of this period. A further reduction in the size of the turnover tax as an element in retail prices could serve as a source of that growth. But the reserve of the turnover tax available for that purpose amounts to about 14 billion rubles, without taking into account the turnover tax on tobacco products and alcoholic beverages. Nor has the turnover tax on automobiles been taken into account in the calculation. If in the first stage of the reform 10.3 billion rubles are committed not to reduction of prices, but through the other channels considered, then this reserve could be estimated at 24-25 billion rubles. In addition to that, in the 13th FYP it will be necessary to carry out a set of interrelated measures to reduce the production cost of agriculture. As already noted, the first stage of the reform will reduce the demand for products of animal origin, which in the subsequent 5-year planning period will make it possible to partially give up the output of farms with low profitability, terminating production of agricultural products under the worst conditions. Now, the supplements to purchase prices for farms operating at low profitability amounts to about 10 billion rubles a year. The purchase price of a kilogram of meat produced under the worst conditions is 10-12 rubles.

#### **The Experience of the Socialist Countries**

In BULGARIA, retail prices were raised in 1979 an average of 30 percent. At the same time, by way of compensation wage rates were raised 30 percent for

workers, salaries of engineering and technical personnel and employees were raised 20 percent, minimum salaries of young specialists were raised 35 percent, and the minimum wage was raised 25 percent. The growth of wages increased the production cost, and that in turn gave rise to a subsidy mechanism in setting prices. As a consequence, in 1983 prices again had to be raised on meat products (20-25 percent), hard liquor, and charges for various types of services. In 1985, there was yet another rise of prices of meat (15-20 percent), alcohol, building materials, and precious metals.

The principal channel for compensation was the rise of wages in most sectors (and a faster increase of the minimum wage) and an increase in the minimum size of the pension, monthly family supplements, and so on. Beginning in 1985, pensions will automatically rise 10 percent every 5 years after they are awarded. We should note that the compensation measures in Bulgaria were carried out in 1984 and 1986, that is, only a year after the prices were raised.

In CZECHOSLOVAKIA, where prices of meat products, fish, tobacco and alcoholic products, food service, and nonalcoholic beverages were raised in 1982 and 1984, compensation was made through two main channels: 35 percent of it came from higher wages and 65 percent from the growth of pensions, benefits, and scholarships. The total amount of compensation represented only 55 percent of the price increase.

A singular feature of the reform in Czechoslovakia was that prices rose mainly by virtue of their differentiation. For instance, until February 1982, the average price per kilogram of meat products was 26 korunas (below the purchase price), while after the prices were raised it was 35 korunas (35 percent above the purchase price). Here, prices of the lower grades of beef, pork, cooked sausages, and frankfurters remained unchanged, while delicatessen foods and high-quality meat products jumped as much as 50-100 korunas (10 korunas correspond approximately to 1 ruble). The price relation between inexpensive and expensive models of color television sets was 1:6.5, while for tape recorders it was 1:8.3.<sup>11</sup>

In HUNGARY, prices and personal income have risen constantly in the seventies and eighties. Inflation lowered the relative level of the standard of living of persons with fixed incomes. For instance, over the period 1980-1985, the real content of relatively high pensions decreased by approximately 30 percent. What is more, in 1985 and 1987 there was a simultaneous and substantial rise in prices of meat and fish products, dairy products, sugar, certain durables, tobacco, electric power, gas, and transportation and communications services. Compensation was related only to all types of social welfare payments. Special funds were created in local government bodies to provide urgent material assistance to those in the greatest need.

An original method of compensation was used in ROMANIA following the rather substantial rise of prices in 1981 (an average of 20 percent). The compensation took into account the difficulty of labor. Workers employed at heavy physical labor and working under extreme conditions received a subsidy of 210 leis per month, while those working under normal conditions received a subsidy of 190 leis. The wages of other categories of personnel were raised in inverse proportion to the level of wages: up to 2,500 leis by 175 leis per month, between 2,500 and 3,000 leis they were raised by 160 leis, and over 3,000 leis they were raised 140 leis. This is a typical leveling approach, one that devalues highly skilled labor. What is more, the relation between the scale of wages and compensation on the one hand and the size of the price increase on the other indicates that compensation was incomplete.

In 1982, prices in Romania were raised once again an average of 15 percent, including an increase of 30-40 percent on produce. The mechanism for compensation (again incomplete) was oriented mainly toward the number of minor children in the family. Subsidies to families with a large number of children exceeded almost threefold the payments to workers who do not have minor children. Compensation of pensioners was extremely low—one-sixth of payments made to workers without children.

This cursory review shows that in the socialist countries compensation has been incomplete and in character has been predominantly by way of social welfare payments—raising the minimum wage, increasing payments from social consumption funds and benefits to certain categories of the population. This is the main thing that distinguishes foreign practice from the model of the price reform we are proposing.

In conclusion, we would emphasize once again that a comprehensive reform of prices and the mechanism for compensation are feasible only when there is a high probability of developing a reliable system of pricing that will fight costs. Otherwise, the reform will come down to just another palliative, making it possible to balance the market and adjust normal distributive relations only for a short time. What is more, the negative attitude of broad strata of the population toward any rise of prices and lack of confidence in compensation probably offset that benefit.

#### Footnotes

1. "Narodnoye khozyaystvo SSSR za 70 let" [The Economy of the USSR Over the Last 70 Years], Moscow, Finansy i statistika, 1987, p 480.
2. Shokhin, A., "How Will Prices Rise?" SOBESEDNIK, No 3, 1988, p 14.
3. Shokhin, A., and Liberman, L., "On Prices," ARGUMENTY I FAKTY, No 44, 1988.

4. Orlov, A., "The Consumer Market and Prospects for Balance," *KOMMUNIST*, No 8, 1987, p 58.

5. Biryukova, L., "Who Is Paying for Fashion?" *SOTSIALICHESKAYA INDUSTRIYA*, 29 November 1987.

6. Cheplanov, V., and Shprygin, V., "Restructuring the Price System as a Unified Whole," *VOPROSY EKONOMIKI*, No 11, 1986, p 110. "Narodnoye khozyaystvo SSSR za 70 let," p 628.

7. The level of indigency ("poverty line") is now 75 rubles per month. Families with a per capita income of less than 75 rubles live below the poverty line.

8. It is not a question of abolishing social welfare subsidies specifically assigned to the prices of medicine and goods in the children's assortment—a total of 5 billion rubles.

9. Just one example. The "Biryusa-8" and "Saratov-1254" refrigerators have cold compartments of the same size, the same cooling temperature, and the other technical parameters are similar. But the power consumption of the latter model is 30 percent higher. At the same time, the price of the refrigerators is the same, but in the price structure of the "Saratov" the share of the turnover tax is almost 5 percentage points higher. Where is the logic?

10. In Moscow, at the present time fairly good meat can be bought for 2-3 rubles per kilogram. Following the reform, the average price of meat will be 4.2-4.5 rubles, and the price of good meat 5-6 rubles. Consequently, prices will be raised 2.5-3-fold for Muscovites. In our view, meat consumption will drop off. This assumption is indirectly confirmed by the rise of prices of produce in 1962. Meat prices were at that time raised 18-20 percent. As a consequence, meat consumption dropped off in practically all population groups, and the rates of its growth slowed down so much as to make it possible to reach the 1960 level of consumption only in 1965. Packinghouses and meat combines were overflowing with meat products. Senseless projects were proposed for shipping the surpluses of meat to Elbrus for storage in the perpetual snow. Between 1962 and 1964, imports of meat products were reduced to one-fourth of what they had been. And this, we note, when there was a 20-percent price increase, not a 100-percent price increase. To be sure, at that time people had less money in their hands.

11. *ARGUMENTY I FAKTY*, No 15, 1988, p 4.

#### **Present Reforms Compared to 1965 Policy**

18200326 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA* in Russian No 3, Mar 89 pp 70-77

[Article by V.D. Belkin, doctor of economic sciences, Commission of the Presidium of the USSR Academy of Sciences for Study of the Productive Forces and Natural Resources, Moscow: "Lessons of the Past"]

[Text] History is repeating itself. Now, just as a quarter of a century ago, the reform of pricing is being prepared by USSR Goskomtsen in secret. But on that occasion the materials prepared in that way were rejected. What happened?

In essence, the 1967 price reform was prepared long in advance—some 10 years before it was carried out. The initiative came from scientists of the USSR Academy of Sciences who were disturbed that prices were so completely detached from the actual social costs of production. This gap had occurred because the accelerated industrialization carried out since the end of the twenties had brought about a rapid growth in the number of workers and employees and accordingly in the size of the wage fund. At the same time, only heavy industry had experienced speedy development, while light industry and the food industry were in a deplorable state. Forced collectivization had inflicted great damage on agriculture, and that in turn had had an adverse effect on food production. The gap between personal money income and its physical counterpart had to be made up by a rise of prices of consumer goods. As a consequence, the level of retail prices, mainly on the products of light industry, the food industry, and agriculture, rose 6.5-fold between 1929 and 1940. Over that same period, the prices of the products of heavy industry rose only 1.4-fold. This kind of dynamic price behavior does not correspond to the dynamic behavior of production costs either of consumer goods or products for productive purposes. The difference between retail and wholesale prices of consumer goods formed the turnover tax, which was committed through the state budget to cover the losses of heavy industry: the prices of its products had remained below production cost. A similar price relation has mainly been reproduced in postwar price revisions as well.

There are two reasons why differing price scales were retained: first, deficiencies in theory and underestimation of commodity-money relations and the operation of the law of value had an effect; second, the country's economy was governed by methods that were administrative in the true sense of the word, cost accounting was largely a formality, and the role of prices of machines and equipment had been diminished. Stalinist dogmas to the effect that the sphere of commodity production and the operation of the law of value were limited to articles for personal consumption under socialism were not subject to criticism and served as the leitmotif for this relation in economic theory and practice.

As they overcame these dogmas, scientists and economic practitioners felt acutely the deficiencies in pricing. The price system that was in place did not allow determination of actual costs and the results of economic decisions. As one Sovietologist aptly put it, "not wishing to show us the temperature of their economy, the Russians have smashed the thermometer in their own house."

Scientists did not wish to reconcile themselves to that situation, which is why in 1959 the Presidium of the USSR Academy of Sciences formed a special commission to compute value in the socialist economy; it was

headed by V.S. Nemchinov, member of the academy. Other members were S.G. Strumilin and M.A. Styrikovich, members of the academy, and corresponding members of the USSR Academy of Sciences V.P. Dyachenko, N.N. Nekrasov, V.N. Starovskiy, T.S. Khachaturov, L.V. Kantorovich, and later A.Ya. Boyarskiy, L.A. Vaag, Ya.A. Kronrod, I.S. Malyshev, V.V. Novozhilov, V.A. Sobol, the author of these lines, and others. The commission carried on its work for 2 years and thoroughly discussed a number of papers. The papers and the discussion held in the Economics Institute, the USSR Academy of Sciences, Moscow State University, and the journal VOPROSY EKONOMIKI resolutely rejected the existence of differing price scales.

In the main, three conceptions of a single price scale were discussed as a basis. The first was a value conception in which the price consisted of the production cost and profit proportional to remuneration. The second was the production price in which profit was proportional to fixed and working capital. The third was an average value, that is, a price that included profit in proportion to the production cost.

In the scientific report on the results of the commission's work, V.S. Nemchinov, member of the academy, remarked that "the existence of differing price scales is not an unending and permanent characteristic of a socialist economy. The present diversity of scales of wholesale and retail prices is a temporary phenomenon, at present it is having an adverse effect on economic progress."<sup>1</sup> The commission adopted a recommendation that the computation of value be immediately undertaken as a practical matter.

Later, emphasis in research on determination of value and on pricing methodology was shifted from the academy level to the state level. The work was done under the direct supervision of A.F. Zasadko, deputy chairman of the USSR Council of Ministers and chairman of the USSR State Council for Economic Science, pursuant to a decree of the June (1960) Plenum of the CPSU Central Committee. That decree pointed out: "It is deemed indispensable to carry out a revision of wholesale prices of implements and machines and equipment in 1961 and 1962 so that prices reflect more accurately the production costs of the product and guarantee the necessary accumulation for further development of industry. USSR Gosekonomsovet is ordered to develop the procedural foundations for setting new wholesale prices of implements and machines and equipment and jointly with the USSR Ministry of Finance to submit proposals on this matter to the USSR Council of Ministers."<sup>2</sup>

Under the aegis of Gosekonomsovet, the recommendation quoted above of V.S. Nemchinov's commission did get carried out. In the period 1959-1961, the author of these lines and his collaborators developed mathematical-economic models of prices for the various conceptions of pricing. Computer programs were prepared by enlisting A.S. Kronrod and A.L. Brudno, doctors of

physical and mathematical sciences and very important mathematician-programmers. Intersector balances of output, fixed capital, and physical working capital for 1959, compiled by USSR TsSU, served as information for calculations of prices. The calculations were done in INEUM (Institute of Electronic Control Machines) and in the Institute of Theoretical and Experimental Physics. Index numbers were computed for conversion from existing prices to the prices of the value level and the production prices in a breakdown of 72 sectors of the economy.

The calculations showed<sup>3</sup> that the price system in existence at that time was not even a two-scale system, but a multiscale system: the price level on products of the fuel and energy and other raw materials sectors were 1.5-1.9-fold lower than prices of products of light industry and the food industry and 1.2-1.5-fold lower than on products of agriculture, construction, and machinebuilding, while the level of freight rates was 1.3-fold lower than the price level of consumer goods.

Such a system of prices was unsuitable both for evaluation of economic efficiency and also for authentic cost accounting. The depressed prices of fuel, raw materials, and productive capital encouraged selection of materials- and capital-intensive technologies. The relative inexpensiveness (compared to wages) of physical resources encouraged their wasteful use. But the force of inertia was extremely great in pricing. The difference between the prices computed and those in effect was so striking as to serve as an argument against applying the calculated prices in pricing practice. The sphere for recommended use of the single-scale prices was limited to evaluation of economic efficiency and other economic measurements.

Beginning in 1960, a price revision was prepared in secret by the price bureau of USSR Gosplan on the previous procedural foundations, unconnected to the research of the Academy of Sciences and Gosekonomsovet. The price was determined in the old way (production cost plus a minimum profit in proportion to it). Because coal and ore were being produced at a loss, provision was made to raise their prices, and this was offset by reducing prices of electric power, the products of machinebuilding, and building materials. Thus, the projected price revision differed little from the previous ones. Price lists were prepared, approved, and sent out in the period 1961-1963.

By that time, Gosekonomsovet had been abolished. We sent the calculations of the single-scale prices directly to N.S. Khrushchev, chairman of the USSR Council of Ministers. I was later shown his resolution in the office of the USSR Council of Ministers: "To Kosygin, Ustinov, Mikoyan, Lomako, and Garbuzov. Please study and supply conclusion and recommendations. 3 February 1964."

Our recommendations were discussed in Gosplan 27-29 May 1964. They were supported by V.S. Nemchinov, member of the academy, I.S. Malyshev, deputy chief of USSR TsSU, and certain other participants in the conference. But a majority, including Gosplan chairman P.A. Lomako, V.F. Garbuzov, finance minister, V.K. Sitnin, chairman of the commission of the USSR Council of Ministers for prices, and K.N. Plotnikov, corresponding member of the USSR Academy of Scientists, spoke against it.

On 4 July 1964, P.A. Lomako submitted to A.N. Kosygin, first deputy chairman of the USSR Council of Ministers, a report which stated that carrying out the recommendations of INEUM "would bring about radical changes in all price relations," and proposed that the wholesale prices prepared by the price bureau of Gosplan be put into effect beginning in January 1966. Kosygin sent the conclusion concerning our calculations, which on that basis was negative, to Khrushchev, who was soon removed. Kosygin became chairman of the Council of Ministers, the proposals of INEUM on the transition to single-scale prices were turned down.

It seemed that the multiscale nature of prices would be preserved once again. But no. The prices prepared by the price bureau were never adopted, although the bureaucrats in the field of pricing fought for that with a persistence worthy of a better purpose. They were still persisting even after the September (1965) Plenum of the CPSU Central Committee, which adopted the decision to carry out the economic reform, understanding perfectly well that prices prepared on the basis of outdated principles were unsuitable for it.

Ultimately, the government rejected those prices. Instead, wholesale prices structured on new principles were introduced as of 1 July 1967; profit was determined in proportion to fixed and working capital. The new prices for many basic items came close to the single-scale prices with equal profitability proposed by INEUM. Subsequent attainment of this was proposed for other items. V.K. Sitnin, who headed the newly created Goskomtsen and became an advocate of equal-profit prices and single-scale prices, wrote that "deviation of the profitability of various branches of heavy industry from average profitability was reduced nearly to one-third in the new prices—from 4:1 to 1.4:1; later, the maximum possible convergence of levels of profitability and their approximation to the average rate was to be achieved."<sup>4</sup>

What was behind such a sudden metamorphosis of pricing? The objective needs of the economy and the 1965-1967 economic reform. The decisions of the September (1965) Plenum of the CPSU Central Committee called for instituting the charge on productive capital, formation of enterprise incentive funds, expansion of direct contractual relations, and the transition to wholesale trade in means of production. The 1967 prices met all those requirements more or less. They furnished the

economic reform the starting conditions it needed: reimbursement of the costs of production and distribution, profitability of every normally operating enterprise, relative equivalents of exchange, and the possibility of elementary cost accounting.

But the reform was carried out slowly and disconnectedly; all of its components were incomplete. In my view, its main deficiency was that the transition was not made to wholesale trade in machines and equipment, and material and technical supply based on allocation of stocks was preserved. Which meant that money and prices did not function in a robust way in the distribution of machines and equipment. Prices did not get the mobility they needed, they did not react to the dynamic behavior of production costs, and that is why they departed from them more and more and did not take into account the relation between supply and demand. The lack of the necessary mobility and flexibility of prices and their indifference to the relation between supply and demand were represented as all but a merit, and the stagnant nature of prices was elevated to a virtue.

If we compare the ideas of the scientists in the period of the last reform and this one, then with respect to pricing they have undoubtedly made progress. In V.S. Nemchinov's commission, the opinion prevailed that the main thing was to set single-scale prices (the value conception or the conception of the production price), and they would serve as a reference for planning agencies and economic authorities. The production of products of which there was a shortage would be expanded on a planned basis, production of products for which there was a surplus would be cut back, disproportions would be eliminated. The role of prices as a direct regulator of proportions in a socialist economy was denied at that time. One can see in such arguments the exaggerated conception of the great power of planning in physical terms and the idea that the law of development according to plan prevails over other economic laws. At that time, many economists altogether denied the operation of the law of supply and demand under socialism. That is now a stage that is in the past, in theory in any case.

In the last reform, neither scientists nor practitioners associated determination of economically sound prices directly with formation of the dual market for means of production and consumer goods. Now, there are more and more adherents of the point of view that it is precisely on the market that such prices are brought into harmony and their regulating role is manifested.

It is time for all of us, Goskomtsen in particular, to learn to draw the lessons from the past. And the past has vividly demonstrated that the reform of pricing must be carried out not in isolation, but together with the other components of the economic reform: it is not permissible to prepare it in secret, detached from the public. The present problems of the reform of pricing are by an order

of magnitude more complicated than those that have existed in the past. They are by definition irresolvable within the limits of Goskomtsen alone.

In the period 1965-1967, the revision had to do with wholesale prices alone. The change in the prices of raw materials, fuel, and supplies did not affect retail prices; they remained unchanged. When the production cost of the products of light industry and the food industry increased, only the turnover tax was reduced. Now, this damping "pillow" of the turnover tax does not exist between retail prices and wholesale prices. What is more, the retail prices of meat, milk, and certain other commodities are below wholesale prices by the amount of the subsidy. Which accounts for the social significance of the price reform.

M.S. Gorbachev's speech at the 19th party conference mentioned the need to carry out the price reform simultaneously with improvement of balance. It is important to bear in mind that when payments of compensation are made, the consumer market remains unbalanced; in the general shortage of goods, changing the structure of demand does not reduce the shortage. A price reform can be carried out with minimal injury to the population only if the market is saturated. Here again we need a steady trend so that the consumer can choose between commodities that satisfy one and the same needs, but differ in their price and quality.

For normal functioning of the consumer market and to oppose the rising tendency of prices, we must eliminate the producer's monopoly and bring about competition. The market for machines and equipment is necessary both for that purpose and also for objective determination of wholesale prices.

We worked out the conception for formation of the market for machines and equipment assuming faster saturation of the consumer market together with P.A. Medvedev and I.P. Nit, and it has been published in EKO (No 6, 1987). The essence of it lies in the simultaneous transition to wholesale trade in machines and equipment and to money that is convertible in domestic circulation. Enterprises manufacturing goods for the public and for export and those rendering services to the public are being converted first to material and technical supply through wholesale trade. The proceeds from the sale of such goods and services represent money which has actually been earned: the need of society for those goods and services is confirmed by the fact that they have been sold to the end consumer. It is for that money that machines and equipment should be sold through wholesale trade. This money is entering the economy in strictly measured quantities depending upon the needs of the real turnover of the economy. The commodity counterpart of this money exists. It can therefore be freely used for all purposes, just as one expects of a universal equivalent. Convertible money is an economically sound and rigid governor of the demand for means of production sold through wholesale trade at negotiated

prices. Convertible money must not be confused with other means of payment; in all stages of its movement it should be deposited in separate bank accounts of enterprises and organizations.

This kind of start for the radical reform will have a favorable influence toward balancing the consumer market. The income of the workers of enterprises converted to wholesale trade rise thanks to the rise of labor productivity. But this growth of income will be more than covered by the additional volume of consumer goods and services they produce or which are acquired for foreign exchange obtained from the growth of exports.

Suppliers will receive the convertible money from enterprises producing goods and services for the public and for export. They can also use that money to acquire raw materials and supplies through wholesale trade. What we have said also applies to the suppliers of the suppliers. Ultimately, the entire economy will make the transition to convertible money and wholesale trade in machines and equipment, and the market of machines and equipment is formed. All of this will serve as the basis for financial recovery of the economy and for carrying out a truly radical reform of pricing.

Possibly other programs will be proposed for formation of the market. But it is clear that scientifically sound prices are unthinkable if they are detached from the market.

#### Footnotes

1. Nemchinov, V.S., "Izbrannyye proizvedeniya" [Selected Works], Vol 6, Moscow, Nauka, 1969, p 386.
2. "KPSS v rezolyutsiyakh i resheniyakh syezdov, konferentsiy i plenumov TsK" [The CPSU in Resolutions and Decisions of Congresses, Conferences, and Plenums of the Central Committee], Vol 8, Moscow, Politizdat, 1972, p 88.
3. Belkin, V.D., "Ekonomicheskiye izmereniya i planirovaniye" [Economic Measurements and Planning], Moscow, Mysl, 1972, p 113.
4. VOPROSY EKONOMIKI, No 5, 1968, p 27.

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#### Gosbank Urged To Coordinate Fiscal Policy At Local Levels

18200273 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 11, Mar 89 p 10

[Article by M. Mankyavichyus, chief of the USSR Gosbank administration for coordinating the activity of Lithuanian SSR banks: "Imbalances Are Being Credited ...."]

[Text] In the article "Goods-Prices-Inflation" (*EKONOMICHESKAYA GAZETA*, No 5), E. Figurnov, a doctor of economic sciences, concluded—when he

revealed the reasons for inflation and the deficit—that inflation and the deficit are more advantageous for the “supporters of the administrative and bureaucratic management system and the opponents of restructuring.” The question arises: Is there really no one in our country to oppose this process?

It is known that inflation is the excessive issuance of paper money into circulation. The USSR State Bank and its local agencies engage in the issuing of money. Are they really that interested in inflation or are they simply not able to cope with it?

The cash plan, that is, the plan for the receipt of cash and its issuance from bank tellers, is the main instrument for regulating the circulation of money today. A cash plan is now being approved for republics, krays, oblasts, cities, and rayons and serves as a directive for money circulation. Special banks have become the specific executor of the cash plan in the local areas, that is, in cities and rayons; you see, there are no Gosbank branches at this level. As a result, the special banks issue cash, but the USSR Gosbank and the councils of ministers of the republics and their ispolkoms are responsible for balancing money circulation.

Let us look at where this leads using the example of the Lithuanian SSR. During 1988, the special banks in the republic increased the issuance of loans to individual persons and cooperatives basically using cash. As a result, the arrears for these credits grew by 60 million rubles last year. In addition, Promstroybank institutions began to issue so-called partner credit which was transformed for the most part into the issuance of cash for wages. As a result of all this, the monetary incomes of the population increased by an amount that exceeded the weekly receipt of money by the republic's bank cashiers.

Under these conditions, it is natural that a credit policy aimed at balancing the population's incomes and expenditures would be followed in the republic. However, there turned out to be no one to pursue such a policy: neither the republic's Council of Ministers nor the republic administration of the State Bank had the appropriate levers for this. As a result, when there was an increase in the population's demand for building materials, the republic's Promstroybank institutions even decreased credit investments in the building material industry. The obvious shortage of consumer goods did not induce the republic's special banks to direct credit toward the branches where the consumer goods were being produced. Credit investments in these branches even decreased. In the machine building complex where the main type of production is not consumer goods, credit investments increased by 34 percent.

Where is the way out of this situation? How can the monetary incomes and expenditures of the population be balanced? In our opinion, one way to do this is to concentrate the credit assets, which are formed in the local areas, in the Gosbank institutions of the republic,

kray and oblast and to use them for the needs of the region, especially for the production of consumer goods. Such a situation would correspond to the requirements of regional cost accounting and self-financing.

To do this, it is necessary to increase the role of the USSR Gosbank as the single issuance, cash and accounting center and the organizer and coordinator of credit relationships in the national economy. The specialized and other banks should basically engage in providing credits to the national economic branches and complexes and concern themselves with increasing the effectiveness in the use of credits.

With the involvement of the specialized, commercial and cooperative banks and jointly with planning and financial agencies and state statistics workers, the State Bank should compile a balance for the population's monetary incomes and expenditures both for the accounting and the planning period for the appropriate territory. This balance would be the basis for compiling the region's annual cash plan broken down by quarters. All of this work should be linked to the compiling of the region's economic and social development plan. It is necessary to balance the population's monetary incomes and expenditures for the country as a whole and for the republics. For autonomous republics, krays, oblasts, cities, and rayons, the issuance of money into circulation or its withdrawal can be allowed only for a scientifically sound money migration amount (in connection with the population's temporary trips to vacation areas and cultural centers, tourism, etc.).

Gosbank establishments would be able to take stock of receipts received by a region both in a cash and in a cash-free form for the sale of goods and services to other regions and for payments for goods and services received from other regions. This would satisfy the principles for a region's cost recovery and self-financing and the requirement to live within one's means.

#### **Roundtable Focuses on Growing Importance of Tax Collection**

*18200220 Moscow FINANSY SSSR in Russian  
No 2, Feb 89 pp 18-24*

[Roundtable discussion chaired by V.F. Khritinin of FINANSY SSSR]

[Text] The introduction of cost accounting (khozraschet), the development of cooperatives and self-employment, and a number of other economic processes influencing the circulation of money and the balancing of personal income and personal expenditures have made changes necessary in the way the tax service is organized in the country. Special structural subdivisions—tax inspectorates in rayons and cities—have been formed in the financial system.

With what success has the organizational period for creating the inspectors ended? What problems and difficulties have they confronted in their practical activity? What is indicated by the first experience of working in the new way? These and other questions were discussed in the round-table meeting organized by the journal *FINANSY SSSR* in the headquarters of the Financial Administration of the Ispolkom of the Kharkov Oblast Soviet of People's Deputies. Specialists in municipal revenues and tax work took part in it along with a number of heads of the oblast's financial agencies. The meeting was chaired by V.F. Khritinin, the journal's responsible secretary.

In opening the session, K.D. Sokolov, deputy chief of the oblast financial administration and chief of the department for municipal revenues, noted that the restructuring being carried out in the country demanded radical changes in tax work and closer monitoring of the observance of tax legislation. The USSR Law on Self-Employment was very helpful in putting order into its legal regulation. A considerably larger number of citizens have begun to produce consumer goods and render services than before adoption of the law, a more meaningful fight is being waged against the so-called "shadow economy," and there are broader opportunities for building up resources in the budget. That is why taxing the income of individuals engaged in self-employment is today one of the important areas of tax work. The sharp increase in the number of persons engaged in self-employment indicates that the law is having a greater impact. At the same time, as is evident from the material of checks made by financial authorities, some individuals are still concealing their occupations and are evading payment of tax, although legislation regards such violations as realization of income without working and makes them punishable.

The Law on the Cooperative in the USSR has given a strong impetus to development of cooperatives. This has raised a number of problems for ispolkoms of local soviets as well as for financial authorities, especially with regard to organizing oversight over the correctness of declarations and the correctness of taxation of income of cooperatives and of the persons who work in them. The creation of the tax inspectorates, establishment of the positions of chief auditor-inspector, senior auditor-inspector, and tax auditor-inspector, and the rise in their salaries have helped to improve tax work, but practice shows that there are still quite a few shortcomings and unresolved issues.

There can be no relaxation of the monitoring of the correctness of withholding of tax from the wages of workers and employees and of the promptness with which enterprises and organizations pay them into the budget. Mistakes in this work are not permissible.

R.F. Kryutchenko, chief tax auditor-inspector of the Financial Administration of the Kharkov Oblast Ispolkom: Restructuring has also had an effect on tax

work, which has been specifically manifested in the larger role for tax specialists and the closer monitoring of observance of tax legislation. Tax work has taken on particular significance in connection with adoption of the USSR Law on Self-Employment and the Law on the Cooperative in the USSR.

Twenty-three inspectorates have been created in the oblast, tax teams have been formed in the oblast financial administration and the Kharkov City Financial Department, and in the other 16 financial agencies the position of tax auditor-inspector has been established because of the impossibility of forming inspectorates consisting of fewer than four persons. The total number of tax inspectors is 260. As of today, there are no vacancies.

The municipal revenues department and the personnel department of the oblast financial administration were as thorough as they could be in selecting and assigning tax personnel. People who had long service in tax work and good organizational ability were appointed to the position of chief tax auditor-inspector. Out of the 23 chief tax auditors-inspectors, 15 have higher education, and the other 8 specialized secondary education, and in addition, most of them are studying in VUZ's.

V.F. Khritinin: In the conference-seminar on tax work held recently at USSR Minfin, V.F. Tentyuk, UkSSR deputy finance minister, expressed the idea in his speech of the need to restructure the thinking of tax personnel and of the particular importance of the problem of personnel training. On the one hand, after all, continuity has to be guaranteed in the work of tax specialists, while on the other they have to perform new duties.

R.F. Kryutchenko: Yes, the restructuring of thinking, the professional training of personnel are tasks of paramount importance. Our specialists are adding to their knowledge in republic courses in Odessa and Lvov, as well as in oblast seminars conducted three times a year. Chief tax auditors-inspectors, senior tax auditors-inspectors, and tax personnel who have less than 3 years of service are invited to them. Another method we have adopted is the practice of holding cluster seminars covering several regions so that they will be attended by all personnel. What is more, specialists of the oblast financial administration have been giving practical assistance to financial agencies when they conduct special-topic tax checks on individuals and when they conduct audits. We have taken on ourselves the duty to hold small seminars with tax personnel when we visit the rayons.

V.F. Khritinin: How is tax work being planned and structured? What kind of load is being put on specialists?

R.F. Kryutchenko: The work of tax inspectorates is structured on the basis of comprehensive plans for economic statistics and monitoring drawn up by the oblast financial administration and the duties assigned

to each specialist. Plans of the same kind are also drafted in the rayon and city financial departments. Specific job descriptions have been drafted for each specialist in the inspectorates.

When you talk about the load, you cannot do without figures. There are 6,661 self-employed persons in the oblast, 1,450 cooperatives have been set up, and there are nearly 300,000 privately owned dwellings, and almost 250,000 farms with plots of land put to personal use. The withholding of income tax from the wages of workers and employees is monitored in 6,000 organizations. What is more, the activity of persons who have secondary income is also monitored. On the average, tax personnel have a very substantial number of taxpayers, the load is large. It also needs to be taken into account that cooperatives and self-employment will be developing in the future. We are counting on the UkSSR Minfin to allocate us some more personnel.

V.F. Khritinin: The size of the load depends not only on the number of tax personnel and the number of taxpayers. There are other factors operating here as well: the ability to organize work, the quality of the legislative enactments defining the character of the activity, the system of remuneration, and so on. It would be good if the speakers looked at the problem from different angles.

R.F. Kryutchenko: It would make it easier to monitor self-employment if tax work were based on the licensing system, since it is quite difficult to keep records of personal income on the basis of a number of types of this activity, and it is not being fully taxed.

The need has been recognized to broaden the rights of ispolkoms of local soviets in defining types of activity for which individuals may acquire licenses and the levels of annual payment for those licenses. The oblast financial administration has analyzed past work with licenses and considers that it is the most suitable. Licenses should mainly be used when individuals declare a desire to sell products of the crafts and trades outside the rayon or city where they permanently reside, when they make these products or render services. Operating on the basis of a license guarantees that the money flows directly into the local budget. We have prepared the draft of a decision of the oblispolkom on establishing levels of payment for licenses covering 11 types of activity in which this payment was not previously required. The size of the payment for the license has been increased on certain types of activity (photography, shoe repair, furnishing music at ceremonies, the making of funeral wreaths, transportation furnished by owners of automobiles, and the servicing and repair of automobiles).

In 1988, the number of self-employed persons increased more than fourfold over the previous year in the oblast. As a consequence, the revenues of the budget included more than 2 million rubles of income tax. Previously, this amount was 600,000-700,000 rubles per year. As you see, this is a rather substantial addition.

V.F. Khritinin: What difficulties have been confronted in this work?

R.F. Kryutchenko: The main difficulty, in my view, is that the ispolkoms of local soviets have passed the entire organizational effort on to the rayon financial departments. To some extent, this has been having an effect on performance of our monitoring functions. The heads of the rayon and city financial departments are members of the commissions of ispolkoms for self-employment and cooperatives, and chief tax auditors-inspectors are their secretaries. The result is that the full brunt of the effort falls on the specialists of financial agencies. Ispolkoms are still not regulating effectively the development of those forms of activity which are most necessary in the respective rayon. For the present, most of the initiative comes from individuals: they are granted permission to do what they propose. Today, financial agencies are mainly doing the work of monitoring the activity of self-employed persons. Full-time duty positions have been created at the markets where the goods manufactured are sold, there are quarterly inspections of places of business to establish the quantity of goods manufactured and their sales price, and other matters related to taxation of income are studied. Close contact has been established with police authorities. The main thing for us is unswerving enforcement of the legislation in effect.

A few words about the cooperative movement. It is experiencing an extremely rapid development.

There are good cooperatives furnishing the market additional goods and services. And there are also those which are not performing their main objective—satisfying the constantly growing needs of the population, but are engaged in the reselling of goods purchased in the state sector, and they are realizing large income. In such cases, ispolkoms have been closing them down on recommendations of financial agencies.

The role of cooperatives in building up the revenues of local budgets is not great at present. I would note that certain cooperatives, under a decision of the general assembly of their collectives, deduct 1 percent or some other share of income for development of the rayon. But this is clearly not enough. As a financial specialist, I am naturally concerned about the revenues of the budget. That is why I think that legislation should change the deductions from the income of cooperatives. During the first 2 years after their creation, in order to stimulate the development of cooperatives, it would be advisable to leave the level of the tax on their income as it is at present, but later there should be a collection of 35 percent, i.e., the same amount that is now paid by consumer cooperative organizations. Possibly progressive taxation of the income of cooperatives depending on the type of activity and amount of income might be introduced.

And two other factors. Today, there are no straightforward instructions on the keeping of books in cooperatives. There are certain explanations of certain matters. Enterprises and organizations in which cooperatives have been created are giving them practically no help in keeping records, and this plays into the hands of those who are concealing income. Instructions need to be drafted on methods of keeping books in cooperatives.

Frequently, when we find violations in cooperatives (concealment or understatement of income, improper pricing, etc.), we cannot collect the payments due us. The law states—only with consent of the cooperative. I do not think that the role of the financial specialist, more accurately, of financial oversight, should be weakened.

V.F. Khritinin: How is the system of remuneration organized in the inspectorates? Is there leveling?

R.F. Kryutchenko: Salaries are differentiated as a function of length of service, experience, and the quality of performance.

L.I. Cheprasova, chief tax auditor-inspector of the Tax Inspectorate of the Chervonozavodskiy Rayon Financial Department in Kharkov: Tax work in the rayon financial department is done by 11 persons. To avoid repetition, I will touch on only certain of its aspects.

The rayon has records of 390 self-employed persons. The revenues of the rayon budget include 100,000 rubles of income tax collected from persons who are self-employed on the basis of registration certificates and another 21,000 rubles of payment for licenses. There are 144 cooperatives registered: cooperatives for consumer services, cooperatives which produce consumer goods, scientific-production cooperatives, cooperatives in the food service industry, cooperatives which buy and sell, cooperatives which prepare and process raw materials, cooperatives operating as jobbers, comprehensive cooperatives, and medical cooperatives. In the first 9 months of 1988, cooperatives produced products and rendered services to the public worth almost 7 million rubles. The rayon budget received 159,000 rubles of income tax on cooperative income and 473,000 rubles of income tax on the wages of their members.

But more and more we are beginning to realize that tax work is not confined to purely fiscal functions. A vigorous impact is also needed to promote development of cooperatives in self-employment. Certain experience has already been gained. For instance, the possibility has been studied of furnishing self-employed persons and cooperatives raw materials, supplies, and production waste which the rayon's enterprises possess. An exhibit of substandard goods of enterprises has been organized for the same purpose.

The need for various types of consumer services has been determined; this is helpful in developing them in the necessary direction. An inventory has been taken of nonresidential space which might be rented to individuals and cooperatives who desire it.

Departments have been opened in stores of the "Odezhda" firm and in stores selling industrial goods and clothing accessories to sell the products of individuals. Commission trade is also well-developed in the city.

Goods manufactured through self-employment and cooperative activity have been advertised. An exhibition and fairs in the rayon have been organized. But there have also been difficulties: especially with the sale of goods in the city's markets. The space set aside for this is not well-equipped, there are no covered spaces, no weighing rooms, and there are not enough stands.

In June and November 1988, meetings with representatives of cooperatives and the self-employed were organized throughout the city to discuss the problems which bother them. The rayon financial department held conferences with the personnel of cooperatives in which they familiarized them with the legislation in effect and bookkeeping procedures. When we receive legislative enactments, we copy them and send them out to the cooperatives for their guidance.

I would like to put forth some recommendations. Now that negotiated prices have been introduced the cooperatives quite often set excessively high prices on goods and services for which there is a great demand. Possibly we should think about establishing control of the prices of goods and services of the cooperative with a view to their profitability. I would agree that the rights of financial agencies should be broadened in confiscating into the budget amounts of cooperative income that have been concealed from taxation.

People who rent out housing are mainly elderly people receiving a small pension. The amounts of tax which our budget receives on the income of these persons are negligible. I think that we should do away with the income tax charged on income realized from renting out housing.

As self-employment and cooperatives develop, the tax inspectorates should be better staffed. Their training to work precisely in tax inspectorates should be improved in VUZ's training specialists for the financial system. There is one wish that we have for the journal *FINANSY SSSR*, that it publish more articles on the work of tax inspectorates.

I.A. Gogotov, chief tax auditor-inspector of the Tax Inspectorate of the Kiyevskiy Rayon Financial Department in Kharkov: I would like to support the proposal to do away with taxation of income on apartment rental. Still better, give local authorities the right to abolish it or not abolish it.

The staffing of our inspectorate was entirely completed in December 1988. Work areas and job duties of specialists were clearly defined. Two senior tax auditors-inspectors and two tax auditors-inspectors monitor the activity of cooperatives, the correctness of withholding tax from wages, and collection of stamp duty. Five senior tax auditors-inspectors and three auditors-inspectors monitor the activity of self-employed persons, the keeping of records and taxation of taxpayers and taxable property subject to the building structures tax and land tax, recordkeeping and taxation of the income of individuals from participation in religious activity, the income from renting out space, etc. One senior auditor-inspector and one auditor-inspector keep the analytical accounts on income tax on the income of cooperatives, on taxes on the wages of workers and employees, on the income tax and local taxes payable by individuals, the book of summary totals for Form No 26, and they also do other recordkeeping work. It can be said that we have gotten through the most difficult organizational stage in which the inspectorates had to be set up and the growing volume of work performed.

The cooperatives and self-employment are also developing rapidly in our rayon. In order to handle our job, we are trying to coordinate our work with the OBKhSS [Department for Combating Theft of Socialist Property and Speculation], the prices department of the obls-polkom, the legal inspectorate of the oblast trade union council, and other organizations.

Last year, we checked out the activity of more than 40 cooperatives. In 12 of them, we discovered concealed income and other things which were wrong. In the cooperative "Bytovyye uslugi i izdeliya," set up in association with the firm "Vesnyanka," a man with a previous conviction was elected chairman. Assemblies of members are hardly ever held, and they are a formality when they are convened. It is not surprising that this cooperative has not been fulfilling its contractual obligations. For example, in June 1988, it filled only one request for exchange of housing, though 5,500 rubles had been paid into the cooperative's account for these services by individuals since the beginning of its activity. The work actually was not done. The prices for the products to be manufactured by the cooperative exceed material costs 7-10-fold or more. That is why the cooperative was dissolved by decision of the ispolkom.

The cooperative "Staraya taverna" for a long time did not keep records on its income from which it should have been paying tax and neglected its bookkeeping. In violation of its charter, the cooperative "Merkuriy" in the association "Promtovary-1" was buying up from individuals articles of domestic and foreign manufacture at prices higher than list price with an eye to obtaining sizable proceeds in the future. In practice, this was speculation. For example, hair removal cream was being sold at 30 rubles per package, fur boots for 280 rubles, and plastic bags for 7 rubles apiece. All of this evoked complaints from the population. A commission was

therefore set up to make a thorough inspection of the cooperative's activity. Its conclusions will be taken up in a session of the rayispolkom.

Yu.I. Lyabakh, chief tax auditor-inspector of the Tax Inspectorate of the Kominternovskiy Rayon Financial Department in Kharkov: In our rayon, four cooperatives have ceased to exist so far. One-third of the cooperatives established are in operation. The reasons for this vary. One is that the chairmen and members of cooperatives and the organizations acting as their guarantors have a poor idea of the conditions necessary for performance of this activity. Enterprises and organizations quite often show reluctance to provide opportunities for commencement of cooperative activity. This applies to space, help in obtaining raw materials and supplies, telephone installation, and so on. Many chairmen organizing cooperatives do not know much about the principles and methods of financial and economic activity in the context of self-management and self-financing. They simplify the forms of financial and economic activity, they reduce the distribution of profit to the payment of wages. That is why many cooperatives are operating as middlemen, where there is no need to create and develop plant and equipment and no need to obtain raw materials and supplies.

V.F. Khritinin: There is no doubt that there are things wrong in the activity of cooperators. They have to be combated. But they do not diminish the importance of the cooperative movement as a whole. After all, it is a fact that many enterprises operating at a loss operate efficiently and profitably when they become cooperatives.

I.A. Gogotov: I agree. In the first 9 months of 1988, cooperatives in the rayon produced goods and rendered services worth almost 6 million rubles. And when we evaluate the future, this is only the beginning. The best cooperatives include those like "Flora," "Vysotnik," and "Plamya." But I would like to mention once again that the provisions of the Law on the Cooperative in the USSR and other normative acts, specifically concerning taxation, must be strictly enforced both by monitoring agencies and also by the cooperators. For our part, we are giving them help, including help in setting up their bookkeeping. Progress in development of the cooperative movement has been taken up in the ispolkom of the rayon soviet, key officials of the ispolkom have repeatedly met with cooperative chairmen to work out current problems.

In my view, we should strive to simplify tax legislation, which would make it possible to improve the organization of tax work. In particular, it is time to settle the question of a single land tax.

V.F. Khritinin: Is there basis for complaints by cooperators and individuals about the actions of financial agencies and tax personnel in particular?

R.F. Kryutchenko: In conflict situations, decisions are usually made at various levels of management in the regular work procedure.

I.A. Gogotov: Indeed, the very number of conflict situations is showing a declining trend.

V.P. Bosenko, chief tax auditor-inspector of the Tax Inspectorate of the Dzerzhinskiy Rayon Financial Department in Kharkov: In assigning duties, we tried not only to achieve specialization in the performance of monitoring and other functions, but also interchangeability of the inspectorate's personnel. There are now 126 individuals and 40 cooperatives for every tax person. This is a very heavy work load. When we take into account all of the inspections prescribed by instructions and also those which are unplanned (resulting from complaints and reports of individuals), it turns out that the auditor must perform 2-3 inspections on the spot every day. Each of them takes between 3 and 6 hours. But that is only part of the job. We also have to add in the filling out of papers and the computations they involve.

How are we coping with all this work? What is the way out of this situation? In my view, this is what must be done. Enlarge the inspectorate's staff to the necessary size. Broad introduction of computers. Make the transition more boldly to the licensing system in the area of self-employment, do away with the quarterly inspections and institute seasonal inspections (winter-summer). Abolish the separate taxes on building structures and land and institute a single land tax with higher rates than now in effect. The work of collecting local taxes comprises 23 percent of the tax inspectorate's entire work load. It is, of course, an inescapable conclusion that the methods of collecting local taxes have to be simplified.

We are also disturbed by deficiencies in the legislative acts in effect, in particular those that regulate cooperative activity. Many of the provisions are hazy, they allow more than one interpretation. In the technical training process, we devote a great deal of attention to precisely these issues which have not been specifically settled.

I am also concerned by the fact that in practice it is the responsibility of the financial department to settle all affairs pertaining to development of the cooperative movement and self-employment. Even such work as receiving the documents of cooperatives, consultations with individuals, and the writing up of decisions of the ispolkom are entirely in the hands of the financial agency, although the ispolkom ought to be doing this. Commissions for self-employment of the gorispolkom and oblispolkom have given little evidence of themselves except for cases of settling conflict situations, when sometimes they pursued the principle that "the customer is always right."

We are perplexed by the manifest disproportion between the level of wages of personnel of the financial agencies that do the monitoring and the income of individuals they monitor, the cooperators, and the self-employed people. More has to be done to regularize the remuneration of specialists of financial agencies. For one thing, this would make it possible to attract more men to work in tax inspectorates. Now, mostly women work here. In no case do I underestimate the immense work which they have been doing. But after all, in the work with cooperatives and self-employed there are situations when women auditors give in in the face of impudence and an insolent attitude.

A.Ye. Okovitaya, chief tax auditor-inspector of the Tax Inspectorate of the Moskovskiy Rayon Financial Department in Kharkov: Moskovskiy Rayon is the largest rayon in the city. In the initial stage of formation of the tax inspectorates, there was a shortage of personnel. We were hardly able to cope with performance of record-keeping functions. Now, practically the entire operation has been properly organized.

The development of the cooperatives and self-employment are first among the factors affecting the character of tax work. In the first 9 months of 1988, 40 cooperatives filed income declarations, and they received 3 million rubles of gross income. Taxable income was 1.8 million rubles. The rayon budget received 60,400 rubles. There are 25 cooperatives involved in manufacturing consumer goods. So far, the shortage of these products has not been eliminated, since the cooperatives typically have a restricted assortment of goods. Today, as many as 20 cooperatives a month are opening up in the rayon. Since their formation, we have been giving them advice and other help, and we have been suggesting the right direction for their activity.

I would like to talk about monitoring the financial and economic activity of cooperatives. Every quarter, checks are made of income declarations in the office, and on-the-spot inspections are made as to the condition of financial and economic activity according to the work plan for the quarter. As a consequence of these checks in the first 9 months of 1988, taxable income was increased 71,500 rubles. The additional collection of income tax on income was 6,100 rubles and on wages 2,000 rubles. The main reasons for the undercomputation was inclusion in the costs of the value of raw materials and supplies acquired, but not consumed, the hiking up of transportation costs, and improper application of the income tax rate on the income of cooperatives in their 2d year of operation. In four cooperatives, quite flagrant violations were found in the procedure for keeping the books, and the data reported in the declarations were distorted. We increased the taxable income by 45,600 rubles and we collected an additional 3,700 rubles in income tax on income and wages.

In the cooperative "Rassvet," taxable income was increased by 26,000 rubles. We also found a violation there of Article 40 of the Law on the Cooperative in the

USSR, which prescribes taking measures to prevent cases of using cooperatives as a cover for private enterprise, when hired labor is used under the cover of setting up cooperatives. The "Rassvet" Cooperative had 4 members, but 19 persons were working under an employment contract. The difference in remuneration of the two groups was 1:10. The cooperative was started with money on which no records were kept either in the cash drawer or the settlement account. An official report was made on all the violations to the rayispolkom, the party raykom, and the rayon procurator.

I would like to say that monitoring work must not become shut off to itself. We cannot be mere recorders of this fact or that. We need to make sound proposals to soviet and economic agencies aimed at development of the spheres of self-employment and cooperatives.

Until May 1988, all the work of receiving individuals who wanted to engage in self-employment and cooperative activity was done by the rayon financial department. The size of that effort has increased constantly. As a consequence, our specialists have been involved in the work of filling out documents instead of the actual monitoring they should have been doing. The rayon financial department has proposed to the rayispolkom that a team be organized to coordinate cooperatives and self-employment. The decision was made in a conference with cooperative chairmen to enlist the resources of cooperators (1 percent of total income) to develop self-employment and cooperative activity and also to meet certain socioeconomic needs. On the recommendation of cooperative chairmen, the decision was made to use those deductions to finance the coordinating group that was named. This team, which consists of two persons, was created to fill out the applications of individuals and to register cooperatives, to find vacant space for cooperatives, and to inform them on the availability of raw materials, production waste, and equipment at the rayon's enterprises.

I would also like to take this occasion to make certain recommendations. It seems to me that we need to work out work load quotas for the tax person so as to take into account the number of private dwellings and self-employed persons, as well as those who derive income from renting out apartments, and so on.

It would be advisable for the USSR Ministry of Finance to draft instructions on methods of keeping books in cooperatives, especially with respect to the following types of activity: production of consumer goods, food service, the rendering of services to the public, and jobbing.

In my view, changes need to be made in the declaration on cooperative income: there should be a column for all the indicators titled "According to the Data of the Financial Agency"; the item "Raw Materials and Supplies Acquired" should be replaced by "Raw Materials and Supplies Consumed."

It would be good to fix a single date for payment of local taxes—15 June.

In order to monitor the income of self-employed persons operating under licenses, they should be required to keep records of income and expenditures.

In order to stimulate the operating efficiency of financial agencies, the level of wages should be made dependent on the end results of the activity of financial personnel, and the possibility of converting financial agencies to cost accounting should be examined.

T.N. Klimova, chief tax auditor-inspector of the Tax Inspectorate of the Leninskiy Rayon Financial Department in Kharkov: The second deadline for payment of local taxes should be moved to the end of the year, say 15 November. Many people are on vacation in the summer or are employed on jobs in other oblasts. The income tax on the income of cooperatives should be computed on the basis of total gross income, i.e., without deduction of expenses.

Z.F. Buryim, deputy director and chief of the State Revenues Department of the Kharkov Financial Department: I agree with Antonina Yevgenyevna Okovitaya that the burden of organizational work should not be assigned to financial agencies. In a number of cities, teams have been created in the ispolkoms of soviets to coordinate cooperatives and self-employment, as has just been mentioned. In Kharkov, this experience has not been applied sufficiently as yet. We have prepared a letter that reviews this matter.

I support the idea of incorporating the elements of cost accounting in financial agencies, especially in tax inspectorates. The other proposals which have been made here also deserve attention. For my part, I will risk taking a position on a question which, as we know, is not looked on favorably in the USSR Minfin. It seems to be necessary not only not to prohibit, but in fact to encourage the work of tax auditors-inspectors as bookkeepers in cooperatives. An exception should be made in cases when the individual is monitoring the particular cooperative as part of his official duties. That will make it possible for our personnel to gain abundant experience, and the material incentive comes in handy in view of the low salaries.

V.F. Khritinin: I would like the auditors-inspectors to tell about checks on the correctness of declarations and the gathering of data on the income of self-employed individuals.

I.G. Pisarevskaya, senior tax auditor-inspector of the Tax Inspectorate of the Dzerzhinskiy Rayon Financial Department in Kharkov: During the year, four inspections are made at the home of persons operating under

registration certificates in order to monitor self-employment and to determine income from it. Periodic inspections are made at the places where they sell their products in order to determine the volume of production and the actual prices. A comparison of the data indicated in the declarations with the data of the inspections and checks makes it possible to determine income and discover cases of concealment. There are difficulties in this effort. Products may be sold anywhere in the country. It is difficult to catch individuals at home, several trips have to be made. Standard rates of expenditure have not been worked out for the production of products, nor is it always possible to determine them reliably. I am also disturbed by the sale of goods at markets without labels. Incidentally, they are printed and they contain this information: last name, first name, patronymic; registration certificate and by whom issued; price, size. Trade without labels has to be prohibited. This will help to increase responsibility for the quality of products and make it easier to monitor their manufacture.

As for cooperatives, there is no question that the first thing that needs to be done is to organize the keeping of records.

N.P. Zelenaya, senior tax auditor-inspector of the Tax Inspectorate of the Kiyevskiy Rayon Financial Department in Kharkov: I would like to support that idea with a specific example. The cooperative "Staraya taverna" has already been mentioned here. It turned out in the inspections that it had not organized bookkeeping. Monthly estimates of actual income and expenditure were not compiled, foodstuffs acquired, capital assets, expendables, and other physical items were not always entered in the records. Menus were destroyed, official calculation cards were not kept, and receipts for meat purchases did not indicate the category of the meat.

Money balances credited to them were incorrectly identified in the record books of persons subject to reporting, and certain advances were accepted in payment without primary documents. For the 1st quarter of 1988, proceeds from the sale of shish kebab in the amount of 1,496 rubles were not indicated in the declaration. The declaration for the 1st half of last year gave gross income without taking into account income for the 1st quarter and miscellaneous income for the 2d; that is, income in the amount of 10,453 rubles was concealed. There were also cases when entrance fees were collected from

patrons and not entered in the records. All of these things determined the nature of the measures taken by the ispolkom toward this cooperative.

V.F. Khritinin: Well-organized accounting is a reliable sign that a particular cooperative is developing on a sound basis.

I.G. Pisarevskaya: We need to standardize the bookkeeping forms. The cooperatives vary one from another, and these temporary instructions as to methods which we are using are not always applicable. What is more, I would like to take note of another factor which the speakers have not mentioned. Departmental barriers to the development of cooperatives have to be removed. Take, for example, the cooperative press and its advertising activity, which is allowed by law. The attitude shown toward it by UkSSR Goskomizdat and the oblpoligrafizdat is very cool and contradictory. After all, interesting reports and pamphlets are being published by the "Iskra" and "Vestnik" Cooperatives for advertising and information. Or take a case like this. In Kharkov, there is a great demand for concert services. The philharmonic is putting spokes in the wheels of the activity of cooperators to organize such services.

V.F. Khritinin: I would like to call the attention of the participants in the meeting to yet another issue. It has to do with discipline in performance of duty. At the conference seminar in the USSR Ministry of Finance which I mentioned, there was talk about cases of tardy performance of orders and the lack of information about decisions taken locally.

R.F. Kryutchenko: Performance of orders of superior financial agencies is under our oversight. We would regard any breach in this area as an exceptional event.

In conclusion, V.F. Khritinin noted the usefulness of meetings between the journal's staff members and the personnel of financial agencies. They broaden opportunities for explicit examination of the problems of restructuring in the financial system. The tax inspectorates that have been created are overcoming their organizational difficulties and are gaining experience in effective operation. At the same time, the discussion demonstrated that a number of issues related to improvement of tax work are still waiting to be resolved. The editors propose that readers take part in discussing them.

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## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Further Discussion: Response to January Article on Price Reform

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26 Feb 89 p 2

[Article by I. Lukinov, academician; B. Paskhaber, Doctor of Economic Sciences; "Trends of Price Equilibrium"]

[Text] We are continuing publication of materials concerning reform in the price formation system. In response to the article by chairman of Goskomtsen, V. Pavlov, "Is the Price Balance Upset" (Selskaya Zhizn, 12 Jan 1989), the editor received many comments. Today we are printing some of them.

Equivalence of exchange between industrial and agrarian spheres of the national economy and price parity, which ensures this equivalence, is not merely a subject of scientific discussions. There is a government decree, which obliges price formation agencies to keep up with the balance of movement of prices for means of production and services acquired by agriculture and prices at which agricultural production is sold. USSR Goskomtsen has carried out specific work in fulfilling this decree. Without denying some progress has been made on this problem, we must note that it is too early to say that it has been finally solved.

Since the marker on the scales of price equilibrium is never exactly at the zero mark, we may judge the state of affairs by the amount of its deflection. The method of calculating price unbalance and, consequently, its magnitude depends upon the selection of a theoretical concept of price formation. Thus, from the position of the theory of equilibrium prices or, speaking otherwise, of prices bringing into equilibrium effective demand and supply, the sizes of price unbalance are connected with the sizes of the commodity deficit. Acknowledgment, as the foundation of price formation, of the law of value, realized in developed commodity production via the law of averages of the profit norm, compels assessment of price unbalance according to differences in levels of profitability. We shall compare industry and agriculture according to this indicator.

#### Profitability (for productive capital) in Industry and Agriculture in the USSR (in percents)

|             | 1970 | 1975 | 1980 | 1983 | 1987 |
|-------------|------|------|------|------|------|
| Industry    | 21.5 | 15.8 | 12.2 | 12.4 | 12.6 |
| Agriculture | 13.1 | 2.3  | -0.2 | 6.9  | 6.8  |

The trend toward equality of the levels of profitability of the two most important sectors of the national economy indicates a decrease of the price unbalance in 1983-1987 but by no means its elimination: there is still much too great a gap between sectorial indicators of profitability.

The concern here is not only in the degrees of real economic efficiency, although they are extremely important, but also in differences, found in wholesale industrial prices and farm purchase prices of standards of capital recovery. In order to conduct a farm on profit and loss accounting principles with self-recovery and self-financing, the minimum limit of return of fixed capital and circulating capital should be at least 19 percent after making budget payments. In agriculture, there still should be unearned income on relatively better lands. We, you see, need not the minimum return but not below the optimal return. The maximum return is even better, but on a healthy economic base and not at the expense of artificial inflation of prices. With large amounts of output, high quality of production and reduction of cost calculated per unit, income may increase during stable prices and even during falling prices.

In order to have balanced levels of prices, it is necessary to sell farm products and industrial products according to their real social value. Actually, purchase prices, especially those for farm products, always were artificially reduced. This placed the peasantry in a difficult economic position. Now, it has become necessary to change the situation radically, that is, to introduce state purchases of farm products at their actual cost, excluding administrative compulsions. Without this, it is impossible to solve the food problem in the country.

It is understood that, under conditions of exclusion of a significant part of the profit and its redistribution through the budget system, credit and different centralized funds, price equivalence is only part of a more general concept of complete equivalence of intersectorial resource distribution. In the final analysis, relative (in comparison with others) prosperity of a sector is determined by the level of accumulation and consumption by one employed person. Formerly, there was no equality between industry and agriculture according to these indicators but there is an obvious trend toward such equality.

Thus, we must agree with the assertion of V. Pavlov, chairman of the USSR State Committee on Prices (Selskaya Zhizn, 12 January) concerning positive changes in the area of guaranteeing the equivalence of relations between the industrial and the agrarian spheres. However, it is impossible to share his thesis concerning achievement of this equivalence.

The problem concerning assessment of price balancing in dynamics deserves special analysis. The point is that price forming agencies are not responsible for the historically accruing disproportion in intersectorial resource

distribution but they are charged with the obligation of preserving constant price conditions for agriculture in relation to the boundary period (1983), when the last major reform of purchase prices occurred.

The price balance of agriculture, as any balance, has an income part and an expenditure part. In the income part is noted additional income, obtained at the expense of an increase of sales prices (prices for products). In the expenditure part are additional expenditures, caused by an increase of purchase prices (entry prices). Many nuances and much subtlety are found behind this simple scheme.

In 1988, a significant part of budget financing for the purpose of social development of the village was transferred into increments to purchase prices. As a result, in the first place, purchase prices increased, in the second place, the amount of profit increased and, in the third place, profitability increased. Summarizing results of the year, USSR Goskomstat reported on the "healthfulness of the economic state of agricultural enterprises". Actually, shifting one and the same sum from the budget channel into the price channel did not improve the financial situation of agriculture one iota. Such a shift means the transfer of social programs to profit and loss accounting.

An analogous situation arises after introduction of a land use and a water use charge. It is assumed that purchase prices will be increased to sums which then will be paid out from profits of agricultural enterprises as payments for land and water resources. Although these monies pass through the agriculture fund in transit without expanding its financial opportunities, accounting fixes the increase of sale prices, profits and profitability. In this case, correctness of the price balance requires determination of profitability and rentability according to so-called accounting profit, that is, after deduction of obligatory payments.

We must consider the obvious fact that there are significant differences in methods of approach to formation of wholesale prices and purchase prices. Even this, by itself, hampers the introduction and preservation of parity between them. Under conditions of the monopoly system of industrial enterprises for output of machinery, chemical fertilizers and other articles for the rural area, wholesale prices frequently are based on individual expenditures with a general tendency toward their inflation under the form of renovation of articles released and introduction of new wholesale prices for them.

In other words, prices are formed by the expenditure method. If you compare increasing wholesale prices for machinery with the increase of its productivity then, for many machines, the matter involved incredible turnover. For example, the KSK-100 fodder harvesting combine became 70 percent more productive than the analog replaced but the price for it increased almost 4-fold. The self-drive mowing machine SKP-10 was 79 percent more

productive but the price for it increased 4.4 times. For the potato sorting point KSP-25, these indicators are simply scandalous, 3.5 times and 21 times respectively!

The central problem of balance in the price system established in 1983 is the stimulating price markups. First, monies allocated for financial assistance to unprofitable or low-profit farms were specially directed into the price channel in order that these farms, increasing their sales volume, might increase the amounts of this assistance. Second, significant sums were directed into the channel of price mark-ups for production sold above the level of the previous Five-Year Plan. Third, price mark-ups for production quality increased, first of all along the line of credits for heavy-weight cattle. Price incentives appeared to be quite efficient; they guaranteed significant growth of state purchases and an increase of quality of farm production which entailed as was envisaged, an increase of prices at the expense of an increase of the incentive increments. In 1983-1987, the increase of purchase prices by 80 percent consisted of an increase of the sums of these increments.

Will it be proper to include incentive price increments in calculation of the sales prices indicator, opposing the acquisition prices indicators? Certainly not. The acquisition prices index includes the increase of price list prices for goods and services for agriculture and therefore the sale prices index must include only the increase of list price purchase prices or change of conditions of calculation (for example, an increase of a 50 percent mark-up up to 100 percent) which increase agriculture income without production efforts on its part. If a price remuneration is allocated for production successes, it cannot be considered as an inflationary counterbalance and should not be included in the income part of the price balance.

During compilation of the price balance, it is important not to lose sight of the fact that an increase of purchase prices brings agriculture not only extra income but also additional expenditures. Prices of inter-village turnover (trade between farm enterprises) are oriented on purchase prices and increase together with them. This increase brings additional profit to farm-sellers and additional expenditures to farm-buyers. Incomes and expenditures of this price channel are balanced for the sector as a whole. Where the income part of the price balance includes an increase of profit from all sales channels and not only from state purchases, the expenditure part must include outlays caused by an increase of intra-village prices.

Insurance payments included in production cost of agricultural output are calculated in current purchase prices. Therefore, the balance of increase of insurance payments caused by an increase of purchase prices and the payout for insurance should be included in the price balance.

In the existing situation, the real wage is included in cost of production in the assessment for purchase prices. Here, the increase of purchase prices also involves an increase of production cost.

The most glaring defect in the present method of calculating price balance for agricultural (and any other) sectors is the omission from accounting of the effect of retail prices of goods and services in public demand on the increase of production costs. It is understood that an anti-inflationary increase of wages, directed not at its stimulation but only at maintaining the purchasing power of the wage fund, increases production cost and decreases profitability and rentability. However, since the occurrence of inflation was not recognized for a long time, the relationship of rates of increase of labor productivity (measured in comparable prices) and wages (nominal) was considered to be an object of internal regulation of sectors and enterprises.

At present, there are adequately objective assessments of rates of reduction of the purchasing power of the ruble. According to data of the All-Union Institute of Business Conditions and Demand, prices for consumer goods and services increased in recent years at the rate of 3 percent per annum, on the average. A report of USSR Goskomstat concerning the totals for 1988 reveals a 7-percent increase of wages and pay-out with a 3.5 percent increase of real income, which places retail price index at 3 percent. At such a rate, the increase of consumer prices for the 1983-1987 period is assessed at 13 percent. The annual wage fund per workers on kolkhozes and sovkhozes increased, for the same period by 12.7 percent and the daily wage increased by 11.3 percent. In other words, the entire wage increase was offset.

Knowing these features of calculating price parity, we may answer the question asked in the headline of V. Pavlov's article "Is the Price Balance Disturbed?" Yes, it is disturbed. Incentive price increases in 1987 were 5 billion rubles higher than those in 1983. By design and in an economic sense, these sums, under stable price conditions should increase the profitability of agriculture and provide it with additional financial resources. In this situation, maintenance of profitability at the previous level is not evidence of the observance of price parity but is evidence of its distortions. A price remuneration for real production successes turned out to be nominal. It was "eaten up" by an inflationary increase of prices for goods and services for agriculture and the anti-inflationary increase of wages.

The scale of the outlined reform of price formation increases the urgency of exact calculation of the price balance in all of its numerous and complex details. Even now, it is important to formulate the basic propositions of such calculation:

1. Considering the deficit of agricultural production, especially high quality production, it is necessary to intensify the stimulating effect of prices on the quantitative and qualitative parameters of agricultural production. But the funds obtained through this channel cannot be considered to be compensational counterbalances to the agricultural production price increase.

2. Transfer of agricultural and financial resources already produced from budget channels into the price channel should be reflected in both the income part and in the expenditure part of the price budget.

3. An increase of sales prices with the special purpose: covering obligatory payments from profit should not be included in the sale prices index and the expenditure part of the price balance.

4. Anti-inflationary increase of wages, directed at offsetting the increase of prices for goods and services in public demand must be included in the expenditure part of the price balance.

5. Since the rates of growth of volumes of acquisition and sales are different, the planned balance of price losses of income should be calculated not on the volume of the period under review but on the planned volume of purchasing and selling.

We must assess the very serious assumption of V. Pavlov concerning creation of a centralized 10-billion fund, entering into calculation of price compensations but not included in purchase prices. The question of proper price balancing, the guarantee of its universality, is basic. Movements of acquisition and sale prices should be balanced not only throughout the entire agricultural complex. Sectorial subcomplexes, regions or individual farms should not suffer from it. A centralized fund for financing particular programs, created at the expense of undercompensation of a price increase does not have universality.

Moreover, funds of this kind are the base of the administrative-command system of administration. Prices are a profit and loss accounting lever, acting automatically. A centralized fund is an anti profit and loss accounting instrument, with the help of which farm-applicants become dependent upon department-distributors.

Compensation of price losses should be complete, universal and brought to each sector, region and farm.

**Economic Researcher Stresses Importance of Socialist Sector Enterprises**  
*18240112 Minsk SELSKAYA GAZETA in Russian*  
*19 Feb 89 p 2*

[Article by V. Gusakov under the "To Greet the CPSU Central Committee Plenum" rubric: "What Kind of Person Is a True Master?: A Point of View"]

[Text] It is no secret that nowadays in our country it is difficult to define a true master of producer goods, output produced, profits obtained, etc. Masters are not

specifically milkmaids, machinery experts, nor specialists. The leading officials of higher-ranking organs are not masters, even though such officials have arrogated to themselves the right to monopolistically dispose of everything that is under their jurisdiction. A paradox has arisen: with all the enormous scope of the agro-industrial mechanism, throughout its entire chain from top to bottom it has turned out to be masterless. The plan and the figures involved have screened the true state of affairs. That performer has come to look better who has consented to a large plan assigned to him, along with its high obligations, regardless of whether or not they are fulfilled.

That is the reason why many progressive beginnings and reforms undertaken up to the present time were doomed to failure. In and by its very essence, the administrative system does not want to allow its subordinates any kinds of freedoms for activity which do not fall within the framework of its own egoistical interests.

Something similar is to be observed even now. On the one hand, for example, we see how the administrative-management organs have begun to widely declare the freedom of economic activity and even insist on introducing leases and contracts, as well as forming individual and family farms and a peasant-farmstead cost accounting. But inasmuch as administrative pressure is being used, the freedom granted is such in appearance alone. The emergence of contractual-leasing collectives and the formation of cost-accounting sub-divisions are basically occurring and being encouraged within the framework of the already-evolved system of farm management, i.e., within the limits of kolkhozes and sovkhozes. Let's suppose that these might even be farms consisting exclusively of leasing, contractual, and cooperative collectives. What kind of freedom of entrepreneurial activity and personal initiative could there be here when the working members have predetermined for them the management trends, the structure, volumes, and time periods of production, as well as the limits and funds, accounting prices, procedure for product sale, and even the procedure for distributing income among the members of the subdivision involved? And even if this is a cooperative of cooperatives, the administrative superstructure could survive even here by means of extracting incomes and infringing upon the interests of the cooperative members.

Is it possible under such conditions to have an emergence of masters, peasants, and a farmstead-type production? Let's analyze this matter in further detail.

The practical experience of most socialist countries and our own experience in very recent times have shown that in order to develop a farmstead-type economy and see the emergence of peasant-masters, we must observe a number of conditions:

- freedom to choose the direction and type of activity, so that the peasants can key on the market and the demand for products;
- freedom of contractual relations and the choice of partners for joint production activity and the marketing of products;
- freedom to join together in cooperatives, collectives, associations, and communes;
- freedom to obtain the necessary material resources, as well as to rent land and producer goods;
- independence in organizing production, applying the methods and means of economic management, and utilizing resources;
- freedom to dispose of the products of his own labor through the most profitable channels and at the best prices (via the market, the state, or cooperatives);
- freedom to dispose of his own income, to distribute wages, and to form funds.

Do these conditions exist in our country nowadays? Far from always! We are just beginning to create them. To this day we have not solved the problem of ownership of land, or the right to possess it and utilize it. The laws on state enterprises and cooperatives do not treat these problems. Can we speak seriously nowadays about developing a farmstead-type production when there is no legal basis for a peasant-type economy (nor any law about leasing or land use)? And when lease- and farmstead-type farms are not protected from the arbitrary whims of the administrative bureaucracy or the zealous advocates of "leveling" socialism? To this very day the peasants have no opportunity to obtain the simplest means of small-scale mechanization, nor can we carry out any radical shift by means of lengthening the work day and intensifying labor.

The pioneer leasers must overcome incredible difficulties in obtaining building materials, turnover-type producer goods (animal feeds, seeds, fertilizers, etc.), monetary credits, and the sale of output produced. Is it possible to develop farmstead-type production in our country? Certainly! But in order to accomplish this, we need to, first of all, do away with all kinds of economic discrimination against leasers and peasant farms, simplify the procedure for forming them, make it simple and accessible, eliminate the state monopoly on output production and resource distribution, create the conditions for the emergence and development of a network of supply, marketing, processing, and production cooperatives and associations on an equal footing and parallel with the state system, regularize the tax system and make it flexible so as to stimulate production. In this connection, the administrative apparatus, with respect to number and feasibility, must respond to the direct interests of

the commodity producers, must key their own activity onto servicing the labor collectives and performers, and create for them the maximum conditions for labor productivity.

It is likewise important to regulate an equivalent exchange for agricultural and industrial products, to have an emergence of whole trade and, consequently, implementation of a price reform and economic incentives on commercial types of products. What we mean by reform here is regularizing the price structure, depending upon the socially necessary necessary outlays on production and the feasibility of state levers stimulating the obtaining and sale of products. The products of agriculture, as the most necessary to society and representing a vital value, should, in their production and sale, enjoy the greatest favor from the state and the consumers in comparison with commodities of the other sectors. At least, that is to be observed in the developed foreign countries.

Logic prompts to conclude that farmstead-type operators need to be provided with juridical guarantees at the highest level of legislation. The task posed at the July (1988) Plenum of the CPSU Central Committee regarding the development of a bill on leasing should ideally be amended to included proposals on the adoption of a law on labor and the farmstead-type system. This would open up the path for state protection of individual and small-group farms and help them to come in from the sidelines of our society.

Our country has the prerequisites for the emergence and development of entrepreneurial development. Many persons wish to work on their own and independently, to be able to dispose as they see fit the good things which they have produced. In the business involved here the initiative should belong to the local organs of the Soviet regime. Only the people's deputies can decide questions of leasing land, conducting contests for the best farm, utilization of funds, delivering products to the market, as well as product quality and the relations between commodity-producers and the state.

Nevertheless, a nostalgia for the peasant-type farm of the NEP [New Economic Policy] period at the present time, which has changed in all respects, is groundless. A return to the small-scale farm, where payments are made primarily in kind, is virtually impossible, nor is it feasible. Farmstead-type units must measure up to present-day, highly intensive production. Farmsteads need a progressive, well-equipped, technical base. It is absurd to think that small-scale production could compete for a lengthy period of time with large farms having at their disposal equipment sold as not needed by kolkhozes and sovkhoses. The fact that nowadays many leasors and peasant-type farms are showing examples of high productivity is more likely a temporary achievement than a trend emphasizing the weakness of public production; it also shows the initiative and potential of the true master.

In no case, therefore, must we consider that large collective farms (kolkhozes and sovkhoses) have exhausted themselves. The entire tenseness of the situation lies in the fact that they were never independent collective farms; they did not dispose of their existing means or the goods which they produced. The entire period of their existence has been a sheer distortion of the meaning and essence of collective activity: a superconcentration of production, uncertainty about been provided with resources, consolidation into large units and breaking up into smaller units, unjustified planning, a hypertrophied system of accounting, the dominance of monitoring-control and verification units, a strictly hierarchical system of subordination, etc.

I am profoundly convinced that the future of our country's agriculture is not up to individual, peasant-type and farmstead-type farms, but rather cooperative commodity producers, suppliers, and processors of products in all their diversity. As is done, for example, in Czechoslovakia, Sweden, and Great Britain, farmstead-type and supply-marketing cooperatives, by uniting peasant farms and combining the interests of workers, officials, the state, provide a stability and dynamism in developing agrarian production. They combine their efforts to fine-tune production in line with advanced technologies, protect the peasants from the possible unpleasant consequences of market conditions and natural-climatic elements, and they assume the functions of conductors of scientific and technical progress.

Nevertheless, in speaking about future prospects, we must not belittle the role and importance of large-scale state and collective enterprises which structure their production on a well-developed machinery basis; there can be no doubt about the latter's feasibility. After all, it is no secret that most large-scale collective farms are engaged in producing items which are not always profitable for leasors and farmsteads to raise. Such items require large investments of money and the use of complex systems of machinery. Our country has examples of many large farms which produce items no way inferior to the foreign standards. But here too there should be no strict uniformity. Large-scale enterprises can function like agro-firms, agro-combines, or syndicates, disseminating their influence ranging from supplying producers with resources to the production, processing, and marketing of commodities.

Therefore, in defining the future of the agrarian sector, it would be more correct to speak about economic pluralism, a diversity of approaches and forms in farm management, developing by evolutionary means, i.e., whereby the feasibility of certain forms is confirmed by practice and by life itself, excluding arbitrary interference. It is only in a healthy competition and rivalry for sales markets and for consumers that we can achieve successes for peasants, leasors, state, collective, collective, and cooperative-farmstead-type farms.

### Experimental Shareholders' Model Experiment Described

18240039 Moscow SOVETSKAYA ROSSIYA in Russian 19 Jan 89 p 2

[Article by E. Maksimovskiy, special correspondent: "Shareholders in Vereya"]

[Text] How does one teach "unemployed" money to work. This is money entered into accounts. How can it be turned into foodstuffs? The shareholder model can answer this question. Enterprises in Moscow and Moscow Oblast, the ispolkoms of Soviets of People's Deputies, and public organizations have begun preparations for the creation of the Vereya publicly held agro-industrial corporation (AKO). It is made up of vegetable, potato, meat and milk processing plants, animal farms and trade-purchasing cooperatives. The draft plan corresponds to ideas supported at the 14 January 1989 USSR Council of Ministers meeting. At the Moscow Obkom there was an interesting discussion of the concept of an AKO. There was a multilateral consultative meeting of representatives from union and republic ministries and agencies and USSR Academy of Sciences institutes. Councils of experts and a scientific-public council for the Vereya and Khokhloma AKO's were formed from their numbers.

The draft plan for Vereya bases it in Naro-Fominskiy Rayon, Moscow Oblast. The shareholders chose the name from the old Russian city Vereya, known since 1381, and which was also the center for a principality of the same name. They took the name and plan to restore its historical image. This is one of the goals in the charter for the future society, which intends to make the city and its numerous monuments to culture and architecture part of world tourism.

How does one explain the growing popularity of publicly held corporation organizations? First, we note that their activity is of a legal character. The Vereya attracts free financial resources, the same money on enterprise accounts which for a long time we did not even consider as money. Will this always be? The financial specialist O. Avis thinks that in a few years there will no longer be such non-monetary money in our country, it will all be put to use. Self-financing is sharply increasing the turnover of the ruble and restoring prestige to our internal currency. This is the prerequisite for a freely convertible ruble.

Shareholders consider it possible to turn account money into processing enterprises, food products and recreation areas. This is of immediate interest to labor collectives brought together in Vereya. No state resources and funds are used. Can this really be possible? A sound is arising throughout the entire national economy, a hunger for funds. One hundred "give" and 50 "take."

Recall the usual evaluation of builders' activities—the amount of resources used. How much is spent? What will be the result? Should buried money be used? These

questions are not for builders. They are cheerful and independent, even if they have left uncompleted projects. The most advantageous work is selected and planned. What if builders' wages were to depend not upon the resources used in building a cow barn, but upon earnings from milk and meat? Isn't this a different picture. Then every nail would be used. However, the agroprom is not able to do this. The publicly held corporation draft plan can.

How? Builders themselves become shareholders. Vereya's activities are outside the national economic plan. There are no credits or subsidies. Products and services are provided to the public—only then does money appear. Where can one find builders who will agree to such terms? They are already available. They work outside the plan. Following the example of the Volkhov Cooperative in Novogorod, a micro-Volkhov will be set up in Naro-Fominskiy Rayon.

Already one can say that about 30-40 highly skilled people will come here. In Moscow Oblast there is experience in this type of staffing. This is the Oka Cooperative in Serpukhov, the idea for which came from the Volkhov. It is a successful experiment. The Vereya plans for the productivity of its builders to be 3-5 fold higher than the average in the construction sector. There is not a single person from organizations in Moscow Oblast. The watch method is used, 11 hour days with out days off for the entire period of the first stage of Vereya—4-5 months. Payment is based upon state rates. The proposed wages are up to 1,000 rubles a month.

In addition to a construction cooperative, with Vereya's help Zavolzhskiy kolkhozes will be able to establish ties with foreign firms in order to acquire equipment for their processing plants and to earn foreign exchange by selling consumer goods, forest products, flax and other items. What? People experienced in commerce know that one can sell foreigners everything. The small Kolkhoz imeni Lenin in Adygeyskiy Rayon supplies Europe and Japan with ordinary rolling pins, meat tenderizing mallets, and simple cookware.

Contact has been established with the Moscow Narodny Bank, with headquarters in London and a representative in our capital. A. Butin, the assistant representative, has made a balanced review of the plans in which Vereya is interested. Association shareholders have an eye on business cooperation with foreign countries (Agropromservis), recently set up at USSR Gosagroprom, the Soviet-American Association for Trade and Economic Cooperation and a group of enterprises from Italy. The doors for talks are also open for any other foreign firm.

One has to know how to buy and sell. Highly automated imported equipment is needed for plants processing meat and milk, produce, potatoes, flax and wild growing products; for construction materials plants and for trading their products with labor collectives of shareholders. How can such equipment be acquired without using state

foreign exchange resources? It is a difficult task. However, there are new ideas, different from those in Vereya and in the economic mechanism. It is possible to arrange barter deals and to establish joint enterprises, including the sales of stock to foreign enterprises. Vereya is ready to sell its stock to Soviet partners with foreign exchange.

Who are they, the Vereya shareholders? They are not private individuals, but enterprises, ispolkoms, public organizations and production cooperatives. A few days ago their managers and entrusted representatives met with the Naro-Fominskiy Gorkom. Here is the opinion of V. Kramkov, first secretary:

"The draft plan can work. The interests of all participants have been taken into account. Yes, this is an experiment, but it is based upon practical achievements of the reform. It is not blind, but uses experience gained by Kuban type agrokombinats, Adazhi type agrofirms and Volkhov type production cooperative systems. We consider Vereya a social-economic laboratory in which one can test various ideas without harming work planned by the party and soviets."

What interests the soviets? Two ispolkoms, the Naro-Fominskiy and Vereyskiy, plan to become shareholders. Recall the Leninist thought about soviets as organs not only of state, but economic management. Just like other shareholders, ispolkoms will invest their money or material resources in Vereya. A vacation house belonging to a Moscow organization is located on the Vereyskiy Sovkhoz. It is very run down, poorly equipped and not very valuable. However, the site has been developed, there is a boiler and utility lines which can be the start for a highly organized Vereya recreation area. If the ispolkom puts the vacation house on its balance sheet, the shareholders are ready to include it as equity in the shares. The ispolkom will then have the right to participate in profits. Because the draft plan for Vereya calls for 100 percent profitability, the ispolkom budget will obtain a marked increase in receipts. This is independent of the ispolkom's allocated budget, which it rightly uses at its own discretion or that of its deputies.

How does one calculate labor and wages and monitor output? Obviously, answers to these questions must be sought for in the economic mechanism. Vereya is a commercial model of a socialist economy. Wages and profits are available only after products are sold. If these are not bought, then there are no wages and no profits. Consequently, there is a complete refusal of advances, payment as work is performed, wages, salaries, bonuses. First there are profits, then wages.

How are these profits distributed? Let us look at a food processing plant. Its collective leases it from the shareholders. Vereya supplies the raw material and determines that 80 percent of the finished product, following output norms used in processing, are taken as payment for the lease. The remaining is wages for the plant collective which, as lessee, can dispose of it as it deems

necessary: selling it to shareholders at commercial prices, to cooperators or deliver it to a kolkhoz market. Or it can open its own cafe. The collective divides the earnings. How? This is the collective's money, let it decide.

The processing plants in the Vereya will not be very large. It is primarily a laboratory for new economic forms. However, the scale of a production operation is not determined only by the area it occupies or the number of machines and workers. An enterprise with microscopic doses of manual labor, with automation, remote control and the watch method will be able to attract Muscovites. It will have 11-hour shifts, a week on without days off and then a week off, with the usual total number of working hours per month. In similar foreign plants labor productivity is 8-10 fold higher than at our processing plants. It is easy to see the type of workers which Vereya will invite: engineers, manufacturing and electronics specialists. They will start producing sausage, ham and cheese. Multiple jobs will be the solution to technical servicing. Only manufacturing specialists will be able to handle such equipment. How many will be required? Not more than 20. The plant will have no managers. Everyone will be lessees. If they want to elect a labor collective council, that is their business. It is a public based organ of administration.

The entire Vereya food kombinat, which includes a processing plant as the final link in the technological chain, will have only one manager. There are many links in the chain. Where do the raw materials come from? Not from state stocks! It works outside the plan. Vereya has its own farming operations, with the best breeds of animals, good land and feed production operations. Also it has a lease and lessees and contracts with owners of household plots. It will purchase raw material from the public in any rayon in Moscow Oblast and beyond.

One manager will be enough. There will not even be any secretary because there will not be an office. Who is there really to manage? The lessees manage their personal interests, strictly tied to sales. The manager does not act as an administrator, but as a commercial director at the kombinat, with the right of the deciding voice in conflicting production situations. This is the role of a shock absorber between technological links: All kinds of things can happen, after all, these are people...

What about the directors? What will they do? The key figures will be the financial and legal directors. The only financial specialist in the entire production operation! Relations with banks, internal credits and the movement of capital are not just routine paperwork. This is a job for a financial doer and thinker.

We note that the directors will be the only financial staff of the publicly held corporation with no bookkeepers drinking tea, or even a cashier. There will be no safe or guards. A cashier is an expensive luxury for a model commercial operation. One costs up to 2,000 rubles annually. In terms of products this is 1,000 kilograms of

meat at state prices. What about subsidies? They total 5,000 to 6,000 rubles and must grow. The bank where Vereya will open its account will carry out all financial operations, including mailing wages to people's homes. The total cost of all bank services will not exceed the annual cost for an average cashier.

The office of legal director presents a rare chance for a thinking specialist. It is by no means simply a legal staff job. It requires legal expertise and legal control over all activities in the company: concluding agreements, deals, participation in talks, legal representation and the right of veto. The personal material interests of the lawyers, financial officers and other directors are linked to output sales and to earnings. This is done through a participation factor, the size of which is yet to be determined. However, the 100 percent profitability that has been established speaks for itself.

Isn't it too much to try for 100 percent? After all, the agroprom averages 21? However, the Nazarovskiy Sovkhoz in Krasnoyarskiy Kray, where A. Veprev is director, had 308 percent profitability for animal husbandry. At Vereya it makes sense to plan for profitability of 150-300 and even 500.

Vereya is counting on help from the Academy for the National Economy, which has opened a Higher Commercial School. Khokhloma is also interested in it. Future shareholders and directors must pass a training course. In its turn the publicly held corporation could become a training ground and laboratory for innovative ideas from teachers at the school and the academy itself.

Ispolkoms of raykoms in the capital have also been paying attention to the Vereya plan. They have grasped the main benefit for themselves: the tiring, ruinous patronage assistance the city gives rural areas could be replaced by economic methods. Fifty million rubles annually. This is the price of such patronage for Moscow. Instead of dispatching citizens to rural areas, the free financial resources of Moscow enterprises could be sent. Compared to the present scales of assistance Vereya is just a crumb. And if the experiment succeeds?

### **Barriers Encountered in Undertaking Family Farming**

#### **Family Farmer Needs Help**

18240113 Minsk SELSKAYA GAZETA in Russian  
11 Nov 88 p 4

[Letter from Anatoliy Komlev, teacher, resident of Minsk: "I Want To Be a Farmer"]

[Text] For the time being doubts hold me back from a decisive step. First, to this day it is not fully clear to me what leasing is—not in abstraction, but in practice. Second, there are no close examples among my friends, acquaintances, and relatives, who have changed over, as the saying goes, to this form of meeting the needs of the

soul and material interest. Third, there is no geographic map inviting me to one place or another. Sometimes one reads, sees, and hears, mainly on central television, that in some oblast lessees have achieved this and that. However, I cannot travel to the other end of the world to search for a point of application for my efforts.

But I would like to become a farmer, even if without days off and leaves. Besides, what days off can a lessee have? However, other questions arise. I agree, now it is possible to get land. But what is to be done with equipment? How can I, a teacher, suddenly sit behind a tractor's steering wheel, or understand the malfunctions in the milking system?

Moreover, I would like to manage affairs not according to the imposed, accepted method, but precisely according to the model of the master farmer, so that land is assigned to me for lifetime use. Let a fixed sum stipulated in advance, as for a cooperative apartment, be withheld from me for this later. But I should know that my children will also continue what was begun. To be sure, there should be some privileges for the purchase of motor units, passenger cars, and trucks (or their rental). Schools for lessees are also needed, so that each of them does not stew in his own juice, making elementary mistakes because of ignorance. I do not want to set as an example the prerevolutionary landowner, who exploited people zealously, but the fact that he knew how to organize a correct crop rotation and to manage animal husbandry profitably cannot be taken away from him. And what about American farmers!? Not for nothing does our state send Soviet lessees to learn from them. I would also like to go there for such a reliable experience...

Thus, I have the desire to become a farmer, but I also have fears. I am afraid of interference, of dependence on those on whose land an area is leased, and of distrust. After all, no one tells the resident of a summer cottage what vegetables to plant in beds and what fruits to grow. I would also like this to be on leased land—without commands. In my opinion, domestic conditions are not so important if I know that I am needed and that work organized intelligently and efficiently, not only the payment of a certain percent, is expected of me. Perhaps I will decide on such a step if such a view of the farmer is firmly established in our country... After all, all kinds of obstacles, not work, frighten me. Therefore, I should not be blamed for being cautious.

#### **Legal Basis for Family Farms**

18240113 Minsk SELSKAYA GAZETA in Russian  
14 Feb 89 p 2

[Article by M. Antonenko, economist at the Belorussian Scientific Research Institute for Economic Problems of the Agro-Industrial Complex: "Soviet Farmer. Is This Possible?"]

[Text] A letter from A. Komlev "I Want To Become a Farmer" was published in SELSKAYA GAZETA on 11 November of last year. The author expressed the desire

to engage in agricultural production. A. Komlev's civic stand is clear: He has decided to support perestroika in practice. He wants to become a farmer, because the existing forms of production organization in agriculture do not suit him. Is this possible at this stage?

In my opinion, precisely the establishment of family farms—a new form of socialist agricultural production—is the most realistic and economically justified form of revival of agriculture. It had already been substantiated by A. Chayanov—a well known economist in the 1920's-1930's—and cooperatives and their unions and associations were supposed to be organized on its basis.

However, on the basis of what legal acts and how can family farms be established under present conditions?

The USSR Constitution gives an answer to this question. It states that "In accordance with the law individual labor activity in the sphere of handicrafts, agriculture, and domestic services for the public, as well as other types of activities based exclusively on the personal labor of citizens and members of their families, is permitted in the USSR." As can be seen from this provision of the USSR Constitution, the establishment of a family farm is not prohibited by law.

On the basis of what legal acts and how can citizens, who decide to engage in individual labor activity in agriculture, receive land? The decree of the Central Executive Committee and the USSR Council of People's Commissars dated 4 June 1937 "On Prohibiting the Leasing Out of Land of Agricultural Significance" prohibited the leasing out of land for agricultural purposes both outside and inside city limits. Therefore, until this decree is abolished and the new Law on Land Leasing is adopted it is impossible to establish a free farm on land leased from the state. However, the Soviet land law makes it possible to establish farms on land granted to citizens for individual labor activity in agriculture. In this connection let us examine the appropriate legislative acts, on the basis of which it is possible to receive land for the establishment of farms.

Article II of the USSR Constitution states the following: "Land, mineral resources, waters, and forests are the exclusive property of the state." The totality of state powers concerning the possession, use, and disposal of land is the content inherent in the right of state land ownership in the USSR.

The right of possession is determined by the rule of the individual over a thing. The state possesses land irrespective of whether it has been turned over to someone for use or not. This possession of land is permanent and cannot be terminated or limited by anyone.

In civil law the extraction by an owner from an object belonging to him of the useful properties inherent in it and the derivation of income is considered the right of use. The Soviet State as the owner of land does not itself

directly implement the use of land in the indicated sense. It turns land over for use to state, cooperative, and public enterprises, institutions, organizations, and citizens, who exercise this power on the basis of an independent law derived from the right of state land ownership.

The right to dispose of land consists of the following state powers: To determine the specific purpose of all state land resources; to grant them to state, cooperative, and public organizations, enterprises, institutions, and citizens for use; to withdraw land plots for state and public needs and for transfer to other land users.

According to article 16 of the Belorussian SSR Law "On the Rayon Soviet of People's Deputies of the Belorussian SSR," the rayon soviet of people's deputies "issues state acts on the right to use land to kolkhozes, sovkhozes, and other land users." In connection with this citizens can receive land for the establishment of farms only in accordance with the decision of the rayon soviet of people's deputies. However, how can citizens realize in practice their constitutional right to engage in individual labor activity in agriculture and, primarily, how can they receive a state act on the right to use land for agricultural production?

Land distribution and redistribution is based on the right of state socialist land ownership. It is exercised by state bodies, which, in accordance with the legislation in effect, are granted the right to adopt decisions on the granting and withdrawal of land plots. Rayon soviets of people's deputies now have this right. However, according to article 29 of the Fundamentals of Land Legislation of the USSR and Union Republics adopted by the USSR Supreme Soviet on 13 December 1968, citizens engaged in individual labor activity in agriculture use the land plots given them in accordance with the procedure and within the norms established by the legislation of the Union republics. The size of a land allotment is determined by the legislation of the Union republics. However, in the RSFSR, the Ukrainian SSR, the Belorussian SSR, and some other Union republics land codes do not establish the sizes of land allotments for this category of citizens. The land codes of these republics contain only the general reference provision that the procedure of use and size of field and household land, into which the peasant allotment given to this category of citizens is divided, are established by councils of ministers of the Union republics. Therefore, the rayon soviet of people's deputies should turn over the state act on the right of land use issued by it for this category of citizens to the BSSR Council of Ministers for approval. However, it would be best if the republic's Council of Ministers nevertheless adopts appropriate normative acts on this matter, as the Latvian SSR Council of Ministers did in October of last year.

Since in our country land has been turned over to sovkhozes and kolkhozes for use, the question of its partial withdrawal for transfer to citizens for the establishment of family farms also arises. Will the rights of

kolkhozes and sovkhozes not be infringed upon in this case? After all, according to article 12 of the USSR Constitution, "land occupied by kolkhozes is secured to them for their free and permanent use." Under the conditions of establishment of a legal state in our country the withdrawal of land should be carried out only on a legal basis. This basis is also given by the article of the Constitution, where the following is stated hereinafter: "Kolkhozes, like other land users, are obliged to use land efficiently, to handle it with care, and to increase its fertility." However, many kolkhozes, like other land users, grossly violate these constitutional requirements placed on them, in connection with which there is every legal ground for a partial or full withdrawal of land from kolkhozes and state farms, which use it inefficiently and handle it barbarically, and for its transfer to citizens, who decide to engage in individual labor activity in agriculture.

Thus, citizens, who decide to engage in individual labor activity in agriculture, should write an application to the rayon executive committee. If it finds all the grounds for allotting land to the applicant, it submits a petition for the granting of a land plot to him and formulates land use proceedings. Then it draws up a state act on the right of land use and turns it over to the republic's Council of Ministers for approval, because as yet there are no approved uniform norms of land use for this category of citizens. After the approval of a state act on land use it is possible to begin the organization of a farm on it.

It seems that a plot size ranging from 20 to 200 hectares of land is most economically advisable. For example, in England the average size of a farm is 70 hectares and in the United States, about 200.

Having received a land allotment, the farmer-owner should fulfill a number of constitutional-legal requirements, that is, use land efficiently, increase land fertility, manage the farm exclusively with his labor and that of members of his family, and fulfill other requirements and rules established by Soviet authorities.

The establishment of farms within our republic is not some kind of utopia. Existing statutes make it possible to establish them and the policy of perestroika and glasnost

has created the necessary moral and psychological conditions for a mass establishment of farms. Not belittling the role of highly productive and economically strong kolkhozes and sovkhozes, the establishment of farms will contribute to the solution of the food problem in our country. I am confident that the Belorussian peasant-farmer will manage land not worse than the American, Canadian, or Swedish farmer. These farms will not be the small peasant farms of the middle of the 1920's, but highly mechanized large socialist farms producing high-quality and inexpensive agricultural products.

Freeing labor from hiring will become the basic economic and social-psychological advantage of these farms. Free labor is economically more efficient even under the conditions of capitalism, where family farms have withstood tough competition on the part of capitalist agricultural enterprises, which have emerged on the basis of private property and hired labor. In our country, where there is no and cannot be private property, free labor on family farms will be much more productive than in developed capitalist countries. After all, such a combination of favorable natural conditions for the management of agriculture as in our country does not exist in any country throughout the world and many regions are unique in their kind.

The economic interests of a farmer family will lie in highly efficient agricultural production for the purpose of obtaining the maximum gross income with minimal expenditures of labor and material resources. The state by means of a flexible tax policy can regulate the level of this income. However, public interests lie precisely in the production of inexpensive food products and raw materials for industry. The alienation of workers from the means of production and the results of their labor, which they themselves, not officials, will dispose of, will disappear on the family farm.

It should be kept in mind that even in capitalist countries the development of agriculture proceeded not along the path of establishment of large agricultural enterprises based on the exploitation of workers' hired labor, but along the path of consolidation of family farms.

Time will show how socialist farms will develop further. However, there is no doubt that they will develop as socialist farms on the basis of free labor.

## POLICY, ORGANIZATION

### Unfinished Construction Projects, Causes Surveyed

18210011 Moscow VESTNIK STATISTIKI in Russian  
No 4, Apr 89 pp 51-53

[Article: "On Unfinished Construction and the Growth Factors of Its Above-Norm Volume"]

[Text] The USSR State Committee for Statistics and USSR Gosstroy, with the participation of the financing banks, made a spot check of the state of unfinished construction in nine regions of the country: four—in the RSFSR and one each in the Ukrainian SSR, the Belorussian SSR, the Uzbek SSR, the Kazakh SSR and also in the Latvian SSR.

In the process of the survey, study continued on the problems of the concentration and length of construction and the reasons for the formation of an above-norm volume of unfinished construction, discussed in the course of experimental stocktaking of the unfinished construction implemented in Moscow and Yaroslavl oblasts in the second quarter of 1988.

The present survey encompassed 305 construction sites under the jurisdiction of 33 union ministries and departments, as well as of the councils of ministers of the union republics. At the same time the construction sites located on RSFSR territory were selected in order to reveal the role of the construction organizations of all the basic general contracting ministries in the formation of above-norm unfinished construction. Information was gathered on the construction sites included in the plan for 1988, begun up to 1 January 1986, the construction of which is implemented through State centralized capital investments and capital from the funds of enterprises and organizations. In addition, 33 major projects of the social sphere were investigated.

For the selected construction sites, the full estimated cost and unfinished construction constituted over half of the amounts of these indicators in corresponding regions.

Unfinished construction on 1 January 1988, according to the construction sites and projects investigated, amounted to 4.9 billion rubles, and of them for construction-installation work—3.5 billion rubles. Half of its volume falls to the construction sites where the normative length of time for construction is exceeded, including 20 percent at construction sites for which the deadlines have been exceeded two-fold and more.

Exceeding the normative and planned periods for construction was established for 73 percent of the construction sites investigated and 76 percent of the projects for the social sphere, and for 58 and 64 percent of them respectively the excess was two-fold and more.

Construction delay leads to a low level of work in progress, and a disruption in putting it into operation in the planned periods. At the beginning of 1988 the readiness of the work in progress for the construction investigated was only 23 percent and for social-cultural—37 percent; the readiness of work in progress with already elapsed planned deadlines for introduction is respectively 61 and 48 percent. For every third construction site with these projects, the readiness did not even reach 50 percent.

The results of the spot check made it possible to ascertain the main factors in the formation of above-norm unfinished construction and the effect on this process of the basic participants in the construction.

Nonfulfillment of the assignments for putting projects and capacities into operation, lengthy construction periods and an increase in the volumes of unfinished construction, as the investigation showed, are in many ways caused by the restriction of the possibilities of controlling the construction process on the part of the contracting organizations, placed under the rigid conditions of the existing system of planning, financing and supply. The considerable number of construction sites and projects, under construction and newly starting at the same time, creates difficulties with the concentration of material and labor resources in the construction programs being launched for the purpose of selling them in the normative periods.

Shortcomings in the supply of structures and materials, including the completeness, products list and periods for their supply at specific construction areas have an adverse effect on the course and results of construction. The smooth flow of the construction cycle is disturbed. For almost 90 percent of the construction sites and nonproductive facilities investigated, the construction programs in 1987 were not fully provided with material resources.

A considerable number of construction sites are not immediately equipped completely with several types of building materials and structures. Particular worry is caused by the considerable undersupplies of precast reinforced concrete structures, steel metal structures, construction brick and lumber to the construction sites. In 1987, almost 20 percent of the precast reinforced concrete structures, 10 percent of the steel metal structures, 25 percent of the brick and 40 percent of the lumber was undersupplied at the construction sites.

The construction workers are experiencing great difficulties in the supply of finishing materials. For the construction sites the provision of the construction program with glass, paints and linoleum was 69-79 percent, and with ornamental ceramic tile was less than 50 percent. The provision of these materials for social-cultural facilities is at an even lower level.

In 1988 the situation with respect to resource covering for construction did not improve. The low provision of the construction sites and projects with building structures and materials, as before, has an adverse effect on organizing the construction. The construction sites and nonproductive objects investigated were undersupplied for nine months with reinforced concrete structures by respectively 25 and 33 percent, steel metal structures—by 29 and 45 percent, brick—by 39 percent and lumber materials—by 32 and 40 percent.

The construction sites are feeling the shortage of labor forces acutely. At 75 percent of the construction sites investigated and in construction of almost all facilities for social-cultural purposes in 1987 the actual number of workers engaged in construction-installation work and in subsidiary production was lower than the planned level. At the same time, the overall shortage of labor resources was respectively 16 and 36 percent. At construction projects implemented by the USSR Ministry of Construction in the Southern Regions of the USSR and USSR Ministry of Construction in the Northern and Western Regions of the USSR, the shortage of work forces in construction reached one-third of the planned demand. In many of the general contracting organizations investigated, the level of vocational training and skills of the construction personnel often does not come up to the nature of the work being performed, and particularly for special work—in installing equipment and completing the construction cycle.

Recruiting labor resources for construction is extremely irregular over the course of the year. On the whole for the construction investigated, the shortage of the work force in 1987 fluctuated from 12 percent (10,000 persons) in the first quarter to 20 percent (18,000 persons) in the fourth. The greatest deviation from the planned demand was revealed at the construction sites of the USSR Ministry of Construction in the Southern Regions of the USSR in Rostov Oblast and the USSR Ministry of Construction in the Urals and West Siberia Regions of the USSR in Krasnoyarsk Kray, which had almost one-third of the overall shortage of construction workers in the fourth quarter. At the construction projects carried out by the ministries of construction of the Ukrainian SSR and the Belorussian SSR, for the entire year the provision with labor resources was approximately three-fourths of the need.

The contracting organizations have a wide-scale practice of transferring workers from some construction areas to others. Construction workers are diverted from planned construction to build objects for the social-cultural sphere. For example, in 1987, a considerable number of them were taken from major construction sites in Taganrog, such as the Krasnyy Kotelshchik and metallurgical plants, and as a result their provision with work forces constituted less than half of the planned need.

Along with the difficulties in providing material and labor resources for construction technology, the inefficient use by the construction organizations of the equipment available to them has an adverse effect. At 30-60 percent of the

construction sites investigated, facts of incomplete utilization of construction machines and mechanisms were revealed. At these construction sites the actual operating period of the equipment at the construction areas did not exceed 84 percent of the need, and for types such as single-bucket and multi-bucket excavators—respectively 76 and 71 percent, bulldozers—77 percent and trucks—72 percent.

Equipment was operated particularly unsatisfactorily at the construction projects implemented by the contracting organizations of the USSR Ministry of Construction in the Urals and West Siberia Regions of the USSR, the USSR Ministry of Construction in the Southern Regions of the USSR and the USSR Ministry of Transport Construction.

The investigation showed that the process of forming the above-norm unfinished construction is substantially affected by shortcomings in the financial and material-technical covering of objects built on behalf of the purchaser.

For a number of construction sites investigated, the planned volumes of capital investments and construction installation work make it impossible to ensure putting into operation projects for which the planned periods of becoming operative have already elapsed. On the basis of the remainder of the estimated cost of construction, under the conditions of the yearly allotment of funds at the 1988 level, it would require 1.7 years to complete these production projects, and for social-cultural facilities—2.4 years.

Also not being carried out in full measure are such functions of the purchaser as providing the construction sites with equipment, because of the complexities of obtaining it from the machine builders. This leads to the disconnected nature of the financial program for construction and the actual potentials for supplies of industrial and other equipment.

Up to 1 January 1988, for production projects with elapsed deadlines, one-fifth of the required equipment was not put into operation, and at the social-cultural facilities—over half. In nine months of 1988 less than 5 percent of the necessary equipment arrived at these projects, which considerably postpones the periods for putting them into operation. The equipment provision for enterprises being renovated, implemented mainly through their internal funds, was even lower (69 percent).

The purchasing enterprises note that the situation forming with respect to completing the electrical engineering equipment (including various types of cable products), ventilation and heating equipment, instruments and chemical machine building products is particularly critical.

The planned periods for putting about half of the production projects into operation were disrupted because of violation of the schedule for supply of technological equipment, its lack of completeness and defectiveness. These were the reasons for the breakdowns in deadlines for 70 percent of the projects in the chemical-timber complex.

In a number of cases the low degree of provision of the construction sites and projects with equipment also causes insufficient construction readiness. These facts were noted at the investigated construction sites of the ministries of Metallurgical and Machine Building complexes, USSR Gosagroprom and the USSR Ministry of Construction in the Southern Regions of the USSR. At the beginning of 1988, for the Volgodonsk Atommash Plant of the USSR Ministry of Heavy, Power and Transport Machine Building, the readiness of the construction-installation work for objects stipulated to be put into production reached only 66 percent, and the provision with equipment—55 percent, and for the Lutugino Rolled Metal Beam Plant of the USSR Ministry of Ferrous Metallurgy, with the readiness of the construction-installation work equal to 22 percent, only one-third of the necessary equipment arrived.

For various reasons, including the inadequate construction rates, considerable reserves of equipment are piling up at the warehouses. While the proportion of equipment found being installed, or already installed but not put into operation on 1 January 1988 was 33 percent of that which had arrived, 24 percent was found in the

warehouses in capital construction, of which two-thirds was imported. The largest amounts of uninstalled equipment were revealed at the construction sites of the USSR Ministry of the Gas Industry and USSR Gosagroprom (46 percent each), of the USSR Ministry of the Electrical Equipment Industry (56 percent) and the USSR Ministry of Ferrous Metallurgy (65 percent).

As the investigation showed, the provision of the construction sites with planning estimates has practically no effect on increasing the volumes of unfinished construction. In 1987 there were blueprints at the construction sites for fulfillment of 99.6 percent of the construction-installation work, and for social-cultural facilities—for their entire volume. The level of provision with planning estimates of the construction investigated was also high in 1988. The blueprints were turned over to the contracting organizations in accordance with the established normative periods.

The results of the investigation attest to the fact that at the present stage, the necessary conditions that make it possible to manage the unfinished construction efficiently have not been created for the main participants in the construction process.

The definitive solution to many of the capital construction problems is related to restructuring the economic mechanism of the entire investment process.

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## HOUSING, PERSONAL SERVICES

### Union Representatives Respond to Queries on Housing Problems

18270065 Moscow TRUD in Russian 23 Feb 89 p 2

[Article on voter-candidate exchange via telephone hotline on housing by trade union candidates for USSR Soviet Congress A.Dambis, team head at the Latvian engineering construction mechanization trust; N.Saltykov, team head at the "Lease Construction 1" construction administration of the Cherepovets metal industry construction trust; L.Tozik, team head at the Construction Administration 24 of the Minsk industrial structures industrial construction and installation complex; and A.Nikiforov, secretary of the central committee of the trade union of construction and industrial construction materials industry workers: "Hotline: Who Holds the Key to the 'Housing 2000' Program?" by special correspondent A.Kozlov; first two paragraphs are a boldface introduction]

[Text] The election platform of the trade unions states that no decisive improvement in the economy has occurred during the current 5-year plan period. This assessment applies to the construction industry as well. Progressive economic management methods are being introduced in the industry very slowly. Tenants of new buildings must start their life there by making repairs. This is only one example; there are plenty more. How long will it go on like this?

Their opinion on this and other issues on the election platform that are of interest to the Soviet people expressed over the telephone hotline the trade unions' candidates for the USSR Soviet Congress A.Dambis, team head at the Latvian engineering construction mechanization trust; N.Saltykov, team head at the "Lease Construction 1" construction administration of the Cherepovets metal industry construction trust and L.Tozik, team head at the Construction Administration 24 of the Minsk industrial construction and installation complex. The fourth participant of the telephone dialogue announced in our newspaper, candidate A.Yakovlev, head of the central committee of the trade union of construction and industrial construction materials industry workers, fell ill the day before and was replaced by his authorized representative, A.Nikiforov, secretary of the central committee of the union.

The first call came from Jurmala. The question was addressed to A.Dambis:

"Ayvar, if you are elected people's deputy, how will you fight long queues?"

In a sense, the person who asked the question, a law enforcement employee M.Vasilyevich, immediately let the hotline participants know that people will not focus exclusively on the construction industry.

A.Dambis: "The first task in eliminating long queues is to address the distribution of goods that are in short supply. Foodstuffs and goods that are in high demand should not leave the stores through the back door. We should also increase their availability at the workplace.

"These, however, are only half-measures. To solve the problem overall we must adopt a statewide, comprehensive program to fight shortages in retail trade. I see a way to solve this problem by reorienting a number of industries in the economy to produce high-demand goods."

A question for A.Dambis from A.Vitkalov, crane operator at the Stavropol chemical industry construction trust:

"Let me describe a situation which, even though it may be an individual case, may be familiar to you, too, I think. The crane has to be driven daily from the garage to the construction site and back. Construction workers want it to put in a full shift; yet, in this case, the crane operator would have to work longer hours."

"I understand you, Anatoliy Konstantinovich. Work hours of the crane operator should be set according to the internal rules of the organization at the staff meeting of the collective. If you have a different system, it is an omission on the part of your union committee. In general, however, you should include questions like this in your collective contract.

"I would like to add that your example is not such a rarity. Violations of the work hours and labor conditions rules, and of the social rights and interests of the people, are common because trade unions are often too passive in carrying out their protective duties. Union committees accept violations of the law. As a candidate for people's deputy representing the unions, I think that the unions should first of all eliminate excessive controls over labor relations from above (they impede rational managerial decision-making at the local level), as well as the discrepancies between official requirements and the new economic management system. We must reject the misguided equalizing principles in evaluating enterprises' and individuals' work and ban the bureaucratic practice of interpreting their own and other parties' rights; such practice often leads to distortions of the original legislative intent."

The next call was from Velikiy Ustyug, engineer-economist Ye.Ignatova:

"Every year, the situation with fulfilling the plans for completion of industrial projects and structures gets worse and worse; due to interruptions in deliveries of prefabricated structures, cement, metal and wood, thousands of construction crews, and sometimes entire collectives, stand idle. How do the candidates think these problems could be solved?"

N.Saltykov: "The cause of the poor work of construction workers is well-known. It is the fact that capital investments, materials, technical resources and labor are thinly spread over numerous construction projects. In 1988, contracting organizations were simultaneously at work at 300,000 projects. This is bad management.

"What do I see as a solution for the problem? First of all, we should cut down on the number of projects in progress. Only projects based on progressive technology, ones that have full material backing, have been fully approved and capable of producing returns in the near future, should be included in the plan."

"Nikolay Pavlovich, this is not a new idea."

"Right, but to implement it in today's environment we need a new approach. For instance, as soon as possible we must switch from the system of allocating resources to various organizations to a wholesale trade system. In this area, for instance, cooperatives producing construction materials could make a solid contribution. We must be bolder in introducing lease contracts and developing shareholder-owned credit centers. Over 1,500 cooperatives and leased enterprises have already been functioning successfully in the industry, as well as 26 shareholder-owned centers. I know, for instance, that Vladimir, Tula and Murmansk oblasts' locals of our union plan to deposit their surplus funds with shareholder-owned banks. This will increase the pool of funds available for construction in their oblasts, and the union intends to use the interest it will earn to help solve social problems."

"I want to ask A.Yakovlev about the new retirement law," said team leader at Construction Administration 146 Petrov from Moscow. "Will special benefits for team leaders and skilled workers employed in construction be retained?"

Union central committee secretary A.Nikiforov, the representative of candidate A.Yakovlev, replied: "Yes, proposals to retain benefits for team leaders and skilled workers in the new retirement law that is being drafted have already been made."

"I have lived in a prefab building for 10 years," said L.Shcherbakova from Shirino, an employee of the Syr Darya hydroelectric plant, speaking to L.Tozik. "The conditions are awful. The layout is inconvenient, comfort is nonexistent and soundproofing is poor."

L.Tozik replied: "Your concern about the quality of prefab construction is legitimate, Lyudmila Petrovna. I think that the entire technological chain of prefab construction should be placed under close supervision. Currently, state quality control commissions are being set up at apartment construction cooperatives and at enterprises producing construction materials. Such commissions have been functioning at 150 enterprises, cutting

deliveries of defective materials by 15 or 16 percent. In 38 cities, including Murmansk, Kuybyshev, Alma Ata and Kharkov, state commissions have been inspecting finished buildings."

"Leonid Afanasyevich, do you think that the target of providing housing for everyone by the year 2000 is realistic?"

"In general, concern has been focused more on the likelihood of success for the housing program in certain regions of the country. To make sure that it does not fail (the 'Housing 2000' program also matters to the 1.3 million construction workers who are currently on waiting lists for housing), the union must take a firm principled stand on all aspects of the program's implementation. If you read the unions' election platform, you could not fail to notice that it clearly states our aims in this area.

"Let me add that to provide every family with its own apartment or home by the year 2000, we must implement rapid capacity increases in construction materials production. In my opinion, additional funds and material resources for housing can be obtained by halting the many unpromising industrial projects, the so-called useless construction projects; in other words, we should redistribute funds within the construction industry. Such proposals I, for instance, heard at meetings with labor collectives."

"Hello, Moscow. This is L.Dorogan, installation worker at Construction and Installation Administration 13 in Taganrog. I have a question for L.Tozik. What will you do if you are elected deputy to raise the prestige of construction workers?"

"It is true, respect for our work has declined and labor conditions have changed little. Bricklayers still lay 5-to-7 tons of brick per shift, as in the old days. Who would want to do such work?"

"My goal in my election program is to increase special benefits for construction workers: to increase paid holidays to at least 18 days a year, to raise the average wage and to offer housing on a preferential basis. If we do not address these concerns, we may easily lose our remaining construction workers."

"Our city is extremely dusty," M.Roganetshuk, union committee chairman at the cement plant in Kamenets-Podolsk, told the candidates manning the hotline. "People complain about our plant. The union committee and management can do very little on their own to reduce the level of air pollution. To deal with it the Ministry of Construction Materials plans to budget approximately R14 million by the year 2000. But what to do now? People need clean air today. What do you think we should do to begin at long last to solve environmental problems?"

A.Dambis replied: "The environmental situation is alarming in many regions of the country. The technical commission on labor conditions of the union's central committee inspected 213 enterprises of the industry: none of them met the labor conditions requirements as far as dust and air pollution are concerned. All too often, it is simply the indolence and irresponsibility of ministry officials and plant management that is to blame. Many plants still use ineffective air filtering systems; their equipment is physically and morally obsolete. As enterprises shift to economic accounting and self-financing, management often begrudges funds for environmental protection, cutting staffs that deal with those problems; collectives do not want to install new equipment to protect the air and water from pollution.

"I myself, as well as other candidates present here, have ideas for solving these acute environmental problems. The most important thing is to make sure that the unions fully utilize their right to protect the health of workers. Environmental controls should start at the planning stage of every new project or equipment design. We must work together with scientists, specialists and the public. We must introduce environmental supervision of all projects under construction and not allow them to function unless they are equipped with all required environmental protection devices. We also need more glasnost, democracy and openness in environmental questions. If people knew that every year our plants pump 64.1 million tons of pollutants into the air, i.e., 226 kg for every resident of the country, or that pollution emission in Moscow is twice the level of New York, 3 times higher than in Tokyo and 8 times higher than in Paris, they would not wait until this or that environmental problem were officially reviewed in a year or two. They would demand that it be solved immediately."

"Our construction materials combine has been made part of a construction and installation complex," said G.Zyablitskaya from Mirnyy, Yakut ASSR. "Over it, there is also the Yakut diamond trust. Before that, the combine was functioning well, whereas now we no longer even have money for salaries. We support all those managers and also the money-losing Lenskiy construction combine. Why does the collective have to pay so dearly?"

A.Dambis replied: "The council of the labor collective decides whether or not to contribute funds to support the organizational superstructure you do not need. Galina Mikhaylovna, you should make better use of the law on state enterprises, using it to its full extent."

O.Kalachev, director of the Dorogoburg cardboard and rubberized products plant, asked:

"When will uniform state contribution [tax] standards be introduced? Why do some enterprises get special treatment and are allowed to build up their social and cultural facilities, whereas others do not have any such

facilities and can not build them under the new management system either, since thanks to the above-mentioned norms they do not have the funds. For instance, the Dorogoburg nitrite fertilizers plant is allowed an 82 percent profit, the pot making plant 80 percent, while we only 17 percent. This translates into R20,000 per annum for social and cultural facilities, which is not enough even for a single apartment. I demand that you, candidates, raise this question in Moscow when you are elected deputies."

A.Nikiforov: "This issue has already been included in the election platform of the unions. I want to add that economic reform raises more and more tricky questions both for state organizations and for the unions. The candidates present here feel that there is a need to raise them at the state level, to make necessary corrections in appropriate documents. In particular, we need uniform rules and special lower taxes for priority industries, etc."

The hotline was open for over 3 hours. The candidates made notes of all demands and promised to make changes in their election programs.

As to the dialogue between the readers of TRUD and union candidates for USSR people's deputies, it will continue on our newspaper's pages.

**Ispolkoms Return Needed Housing To Enterprises**  
*18270054 Moscow TRUD in Russian 3 Feb 89 p 2*

[Article by Ye. Trushin, AUCCTU reviewer, and A. Dyachenko, TRUD special correspondent: "Arbitrariness: How The Ill-Considered Actions of the City Council Ispolkom Led To An Extraordinary Situation"; first two paragraphs are TRUD introduction]

[Text] They decided to occupy them at night. The vehicles approached the entrance by the dim light of lanterns. The people hurriedly unloaded their simple household items from them. The elevator was not working. That is why they carried their things up to the floors by foot. They did not have to force open the doors of the empty apartments; they had picked up the keys to all the locks beforehand.

After this half-furtive night seizure of the apartments, the new occupants agonizingly waited day and night for the arrival of the servants of the law and lived in fear of being thrown out into the street from the housing they had wilfully occupied.

What had pushed these people—adults, family people, people who were respected at work—to this desperate step?

Just as in other cities, the practice of illegally retaining housing built for enterprises has taken shape in Kurgan. The gorispolkom simply stretches out its hands to the labor collectives—and takes away almost half of the apartments due to them. Judge for yourselves. We took

five enterprises at random—a wheeled tractor plant, a bus works, the Kurganselmash Production Association, a wood-working machine plant, and the Dormash Plant. The gorispolkom is retaining 43 percent of the entire area in the housing built for these enterprises.

#### REFERENCE

According to existing legislation, the transferred area amounts can be up to 42.5 percent. If an enterprise performs construction without a transfer of assets to the local council's ispolkom, the following is excluded from this 42.5 percent:

Six percent—for resettlement from houses subject to demolition; and

Two percent—for allocation as service areas.

To put it mildly, they are closing their eyes to these provisions in Kurgan. A decree was adopted here in December 1986 which approved a "temporary and emergency measure" requiring all enterprises to hand over to the gorispolkom 12-16 percent of the housing commissioned for the resettlement of people from houses that are to be demolished—even in those cases where assets for construction are not being transferred to the ispolkom. The signatures of V. Pshenichnikov, party gorkom secretary; M. Samoylov, gorispolkom chairman; and V. Shevelev, oblast trade union council chairman, are on the decree.

Before, a decision by local authorities, which contradicted the law, would have been perceived as being necessary. After the 19th All-Union Party Conference, however, V. Zubrin, the city procurator, emphasized on the local newspaper's pages that everyone must obey the law—both those who issue them and those who watch over their execution. Not an instruction, not an order and not directions but the law should be primarily observed. Guided by his convictions and duty, he protested the gorispolkom's decision.

The collective of a bridge metalwork (MMK) plant honored the instructions for so long and no longer. In 1986, having built a house without transferring assets to the ispolkom, it gave 15 apartments above the stipulated number to it without a murmur. The same thing happened after the handing over of the first phase of the 216-apartment House No. 11 in the settlement of Zaozernyy during April of last year.

When the construction of the second phase of this building was completed, however, the plant's trade union committee—based on the procurator's protest—did not begin to assign those apartments that the rayispolkom had taken into its head to retain illegally. This question was deferred until a final decision by higher bodies.

The plant's trade union committee met again a month later, after N. Aksyutin, the trade union committee secretary, and the enterprise workers, who needed housing, had visited the rayispolkom, the gorispolkom, the rayon and city party committees, and the procurator's office. Aksyutin, himself, had even gone to the RSFSR Council of Ministers.

Not finding any other way to defend their legal rights, the MMK trade union committee resolved on 18 October: "Considering the complicated and tense situation with regard to the demolishing of dilapidated and dangerous housing in the rayon and city, to allocate seven apartments for the resettlement of residents from the most dilapidated cottages in the plant's settlement as an exception and to the detriment of the overall schedule, and to distribute the remaining 12 reserved apartments between the plant's workers in accordance with the overall schedule."

As is known, the most reliable weapon of any bureaucrat is his right to a "veto." M. Bystrov, the chairman of the city's Pervomayskiy Rayispolkom, acted this way. He simply refused to issue an order for these twelve plant apartments. He said: "There's nothing for you to do. Give us your housing like dears."

Is it necessary to mention how the collective reacted to this arbitrary decision? The claimants to the apartments in question were already prepared to move into them without orders. However, N. Aksyutin and S. Zyryanov, the STK [work collective council] chairman, managed to convince the people not to do this. Those on the waiting list, fearing that the apartments would be occupied by the rayispolkom without their knowledge (this had already happened once), organized around-the-clock security of the building.

The situation became more aggravated. On 10 November, N. Aksyutin, S. Zyryanov and A. Novikov, the plant director, met with M. Bystrov, the chairman of the Pervomayskiy Rayispolkom. That individual firmly stated that he had been commanded to occupy these ill-fated apartments—regardless of whether the work collective agreed or not.

What was it possible to say to those on the waiting list who had spent all their time in the trade union committee (several had even taken vacation-time)? They called an urgent STK meeting. Eighteen of its members voted for the immediate occupation of the empty apartments without orders. N. Aksyutin, who along with two other STK members voted against this illegal decision, was not able to convince the people this time to refrain from occupying them on their own.

To our question: How should those on the waiting list act in this situation so that, on the one hand, they do not violate the law and, on the other hand, defend their legal rights to apartments reserved for them, V. Zubrin honestly said: "I do not know...."

The reply was a simple one in the oblast trade union council which is primarily required to defend the interests of workers. V. Ushakov, secretary of the trade union council, expressed it when he called Aksyutin "on the carpet" and lectured the obstinate trade union committee chairman like a child. Subsequently, Comrade Ushakov recommended that he fulfill all the requirements of the ispolkom, that is, return those ill-fated apartments which belonged to the enterprise by law.

M. Bystrov, chairman of the Pervomayskiy Rayispolkom, is no less categorical. He sees his primary duty to be the carrying out of instructions from higher authorities—in this case, the gorispolkom chairman. He evaluated his actions with great satisfaction: "At my level, I am correct." He did not even have any idea that his arbitrariness as a chairman of Soviet power had given rise to something else—the occupying of apartments without orders. Assuming that the law is binding on everyone except the gorispolkom leaders, M. Samoylov, its chairman, sent a letter to the procurator's office demanding that N. Aksyutin and S. Zyryanov be made answerable for their arbitrariness.

Naturally, they refused to bring criminal proceedings. However, the party raykom, which is required to demand respect for the law from every communist without exception, punished N. Aksyutin, the uncompromising trade union committee chairman, with a severe reprimand and entered it on his registration record—thereby supporting the lawless action of the communists from the ispolkoms. Even if they had issued orders to the holders of those ill-fated 12 apartments—after the intervention of correspondents—everything would have been more complicated with the party reprimand.

It seems that time will have the final say in this conflict: It is not as simple as it may appear at first glance. Do you remember the wording from the MMK trade union committee decision: "Considering the complicated and tense situation with regard to demolishing dilapidated and dangerous housing ..."? The city leaders explain the "above norm" retention of housing built by enterprises by the need to reconstruct Kurgan's center and outskirts.

Together with V. Ushakhov, we visited the so-called SMP-290 settlement. People are living here with their families in construction trailers, barracks and temporary housing. In order to demolish the settlement, the MMK plant will build a multi-story residence in the next few years—this is the city's arrangement with the USSR Ministry of Transport Construction.

We saw a large settlement called Kolay in common parlance. Mud huts were dug out here during the war years. Three hundred families have lived in them up until now—the roofs of their houses are practically invisible because of the fences. In commenting on what we had seen, V. Ushakov pointed out that even at the end of the Fifties while performing Komsomol work, he had repeatedly participated in discussions of this problem. Optimistic decisions had been made and positive statements issued. However, in the words of V. Ushakov, the population of Kolay had been reduced by less than a hundred families.

It turns out that the practice of illegally retaining work collective housing, which Kurgan's leaders defend, has brought nothing to the people living in very dilapidated and unsuitable housing. This is natural. You see, from all of this fuss about assigning housing, there is—in no way—more of it. It is even the reverse: The illegal actions of the ispolkoms have taken away the work collectives' desire to build housing using their own forces.

Today, the ispolkoms of local soviets really do not have many capabilities. At the same time, their duty is to provide housing for disabled war veterans, teachers and doctors. However, you will agree that the force methods, which ispolkoms are still using, are already an anachronism. Moreover, they have little effect. In a conversation with us, M. Samoylov talked about a program for transferring the agencies of Soviet power to cost accounting and about developing a model for economic relationships with the city's enterprises. However, all of these measures exist only in draft ....

In the dust of battle with enterprise collectives, the Kurgan Gorispolkom seemingly has forgotten about its primary mission—to provide each family with a separate apartment or house by the year 2000. The city's housing program is chronically not being fulfilled, and the number of those requiring improved housing conditions has even grown during the past two years.

#### Information On Fulfilling the Housing Program in Kurgan During 1986-1988

|                                                                   | 1986    |        | 1987    |        | 1988    |        |
|-------------------------------------------------------------------|---------|--------|---------|--------|---------|--------|
|                                                                   | Planned | Actual | Planned | Actual | Planned | Actual |
| Construction of housing, thousands of square meters of total area | 170     | 154.6  | 200     | 160    | 230     | 183    |
| Number on waiting list, thousands of people                       |         | 32.0   |         | 32.3   |         | 32.1   |

The MMK waiting list is growing although the program for constructing housing is being implemented success-

fully. The paradox here is only an apparent one. Indeed, everything is logical. The plant's waiting list cannot fail

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to grow. You see, the drafters of the program have not taken into account the existing percentage of deducted housing which the ispolkom is levying.

The circle is closed: The city's waiting list for housing "is frozen" because of the limited capabilities of the ispolkoms. The waiting lists of enterprises are not being

reduced because the ispolkoms, exceeding their authority, are taking what has been built away from the collectives. Evidently, new approaches and compromise solutions are required. You see, it is possible to solve the housing problem only through joint efforts by the agencies of Soviet power and the labor collectives. Otherwise, Kurgan will enter the 21st century without ridding itself of Kolay?

## ELECTRIC POWER GENERATION

### Map of Cesium-137 Contamination in Ukraine Published

18220144 Kiev RADYANSKA UKRAYINA in Ukrainian  
12 Apr 89 p 4

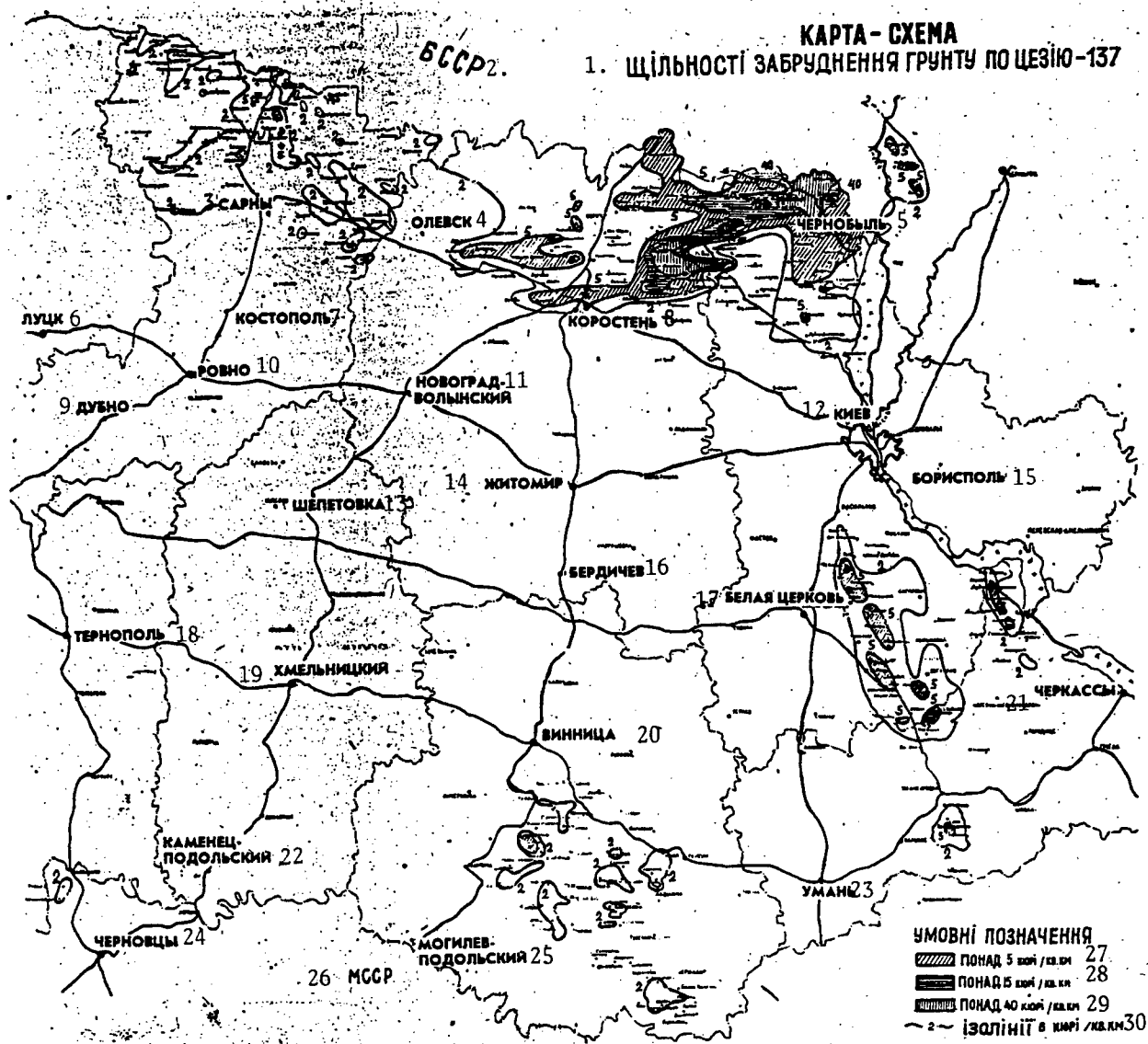
[Commentary on published map by G.G. Poturidis, deputy chief of the Ukrainian Hydrometeorological Service: "Echo of Chernobyl: At the request of a RADYANSKA UKRAYINA correspondent, G.G. Poturiis, deputy chief of Ukrgidromet, comments on the map"]

[Text] On 1 March 1989 your paper published a map which indicated the evacuation zone, temporary evacuation zone and the zones of permanent and periodic monitoring created as a result of the aftereffects of the Chernobyl AES accident. The article discussed the range of measures concerning the creation of safe living conditions for the populace.

Since the publication of this material both we at the Ukrigidromet and the editorial office of the newspaper have been receiving letters from readers requesting that the situation in other areas of the republic be shown as well as information concerning the extent of contamination of the soil. This is the reason for today's publication.

Why the emphasis on Cesium-137? Foremost because it is the main contaminating component of the soil beyond the bounds of the temporary evacuation zone. Information about the extent of contamination is based on aerogamma-spectrometric photography and further gamma-spectrometric analyses of aboveground soil samples. It is worth adding that widescale work focused on the total liquidation of the aftereffects of the accident is continuing in all contaminated areas. In populated areas with Cesium-137 contamination, that is, areas beyond the evacuation zones (possessing a contamination level of over 15 curies/cubic kilometer), protracted work in decontaminating localities, conducting agricultural reclamation measures, and so forth, will be necessary. Where this work falls short, supplemental clean food-stuffs must be provided.

Extent of Cesium-137 Contamination



Key:

1. Extent of Cesium-137 Soil Contamination
2. BSSR
3. Sarny
4. Olevsk
5. Chernobyl
6. Lutsk
7. Kostopol
8. Korosten
9. Dubno
10. Rovno

11. Novograd-Volynskiy
12. Kiev
13. Shepetovka
14. Zhitomir
15. Borispol
16. Berdichev
17. Belaya Tserkov
18. Ternopol
19. Khmel'nitskiy
20. Vinnitsa

21. Cherkassy
22. Kamenets-Podolskiy
23. Uman
24. Chernovtsy
25. Mogilev-Podolskiy
26. MSSR
27. More than 5 curies per square km
28. More than 15 curies per square km
29. More than 40 curies per square km
30. Isolines in curies per square km

### Changing Role of Labor Unions Noted

18280076 Moscow OKHRANA TRUDA I  
SOTSIALNOYE STRAKHOVANIYE in Russian  
No 2, Feb 89 pp 8-10, 23

[Interview with Vadim Mikhaylovich Voronov, chief of the AUCCTU combined department on social development matters, by V. A. Demidenok, OKHRANA TRUDA I SOTSIALNOYE STRAKHOVANIYE editorial board member; date and place not given]

[Text]

[Demidenok] The opinion that we have always lagged behind the developed capitalist countries with respect to our people's standard of living was recently heard during a television discussion. What is your view on this score, Vadim Mikhaylovich?

[Voronov] I would not evaluate the state of affairs so pessimistically—although the lag is indeed great. Based on its standard of living, the USSR lags behind not only a number of developed capitalist countries but also several socialist ones. According to rough estimates by our scientists, our level is severalfold lower than that in the United States. In this regard, the labor intensity and burden of the workers employed in our country's national economy are not inferior to similar indicators in the United States and exceed them in certain cases. The official length of the USSR work week is higher than in the United States by two hours and, actually, by five-six hours for many categories of workers.

The volume and quality of actual consumption differ sharply. We are not only talking about food products but also about non-food items. For example, the consumption of meat in the USSR is 64 kilograms per person as opposed to 120 in the United States; that of fruits and vegetables—147 and 223 kilograms, respectively. At the same time, the percentage of expenditures for food products in the Soviet family's budget is twofold higher than in the American family's. Calculated per unit of work time, the purchasing power of an American worker's wages exceeds the similar indicator in the USSR. Thus, the average worker in our country needs to work approximately a month in order to purchase a man's wool suit, but only three days in the United States; a pair of leather shoes—a week and four hours, respectively; a color television set—three months and 10 days, respectively; and a kilogram of beef—approximately two hours and 45 minutes, respectively.

[Demidenok] Was this known to us before?

[Voronov] Of course! However, to a rather narrow circle. We were afraid to reveal many figures so as not to "spoil" the people's mood. Attempts to depart from the truth and to cover our difficulties with a lacquer of window-dressing and the magic of figures about the fulfillment of plans led society away from solving the problems that had come to a head. The measures taken

to expand production and reconstruct the national economy's material and technical base and the multibillion investments did not lead to substantial changes in the quality of social growth. The national economic structure in the USSR has been oriented for a long time toward production goals and not toward the immediate satisfaction of the Soviet people's needs. This priority was justified at one time. However, the overly long orientation on production goals for the sake of production led to the individual simply being forgotten.

We have arrived at a position where people are experiencing significant difficulties in acquiring the most important consumer goods in the overwhelming majority of our country's regions. There is not enough meat and butter. A shortage of some product or other is constantly arising. We have calculated that the time spent by people standing in line corresponds to the work time of 25-30 million people annually.

An economic analysis testifies that, as a result of the state statistic agencies' failure to monitor and consider the increase in prices beginning in the mid-Seventies, the standard of living of a considerable portion of the country's population (considering the increase in the cost of the "consumer basket" based on average purchase prices) did not grow, but even decreased for certain social groups. Families with an average per capita income of 125 rubles a month (this represents the overwhelming part of the country) can satisfy their needs by 50 percent using the best consumer budget. What can be said about those who have 75 rubles per person, or even 50!? You see, we have several tens of millions of them.

Properly speaking, however, we are not now talking about this to "tickle" the nerves. The objective evaluation of the social and economic situation that has taken shape in the country has required the development of new approaches in the social area and the conducting—as we now say—of a strong social policy. The redistribution of material, financial and labor resources between the production and non-production branches is becoming one of the main structural changes in our economy. In this regard, the structure of capital investments is changing so that a faster growth is insured in the production of consumer goods rather than of the means of production and so that the expansion of group "B" industry, the service area and the social and cultural complex will be sharply accelerated. The task has been assigned to form a new industry for the production of consumer goods in group "A" industrial branches and to establish and strengthen an essentially new sector of the economy—the production of goods and services on the basis of cooperative and individual work. I am not talking about substantial changes in the structure of national income. We think that cardinal measures to improve the life of the Soviet people can be realized before the year 2005. As we say, the arrival at fundamentally new living standards will be assured.

[Demidenok] Emotional heads call the existing programs programs to "save the country." There were attempts at this type of program earlier. What guarantees are there now? What can the trade unions do so that the social programs being adopted now will be fulfilled?

[Voronov] The main thing here is to develop a clear-cut position. It should be to defend the individual's rights and interests. This position was considerably weakened at one time. More and more, trade unions began to churn for a momentary benefit: If an individual turns to them, they try to help; but if he does not turn to them—it's as if the problem does not exist.

You see, however, one cannot fail to observe the processes occurring in society: economic and social ones and the accumulation of certain negative factors. Otherwise, stagnation and lagging behind arise. The working individual pays for all this. The general apathy and disillusionment with the government and trade union measures taken previously flowed from this. People practically ceased to believe in these measures, and the low effectiveness of their work—the basis of stagnation in economic and social development—flowed from this.

It seems to me that trade unions should primarily see to it that a considerable portion of the national budget goes to social consumption funds and other social needs during the very initial stage in the development of plans and long-term programs. S. A. Shalayev, AUCCTU chairman, spoke at the USSR Supreme Soviet session that approved the State Plan for the Economic and Social Development of the USSR and the USSR State Budget for 1989. He talked about strengthening the social direction of plans. Trade unions have directly participated in the development of these plans at all levels. The proposals of the trade unions boil down to the fact that a social reorientation of the economy is indeed being carried out. Even with the difficult situation with respect to financial and material resources, the state considered it necessary to look for and direct toward social needs 27 billion rubles more during 1989 than in last year's plan and 15.8 billion rubles more than is stipulated in the five-year plan for 1989.

When studying the dynamics of the growth in wages, for example, we look at how it can be boiled down and how actual wages will appear in the long-term program and the annual and five-year plans for different population groups, that is, we intervene in the national income distribution structure, trying to make it more just and advisable.

[Demidenok] You see, however, the state should also be interested in this....

[Voronov] Yes! However, in carrying out their protective function, trade unions must participate in this without fail. I do not think that our state is not interested in raising the people's living standards. No, of course. The trouble is that different calculations can simply exist. Let

us assume that we are able to offer a variant under which a loss in production efficiency can initially appear and, in return, people will obtain normal living standards. We have checked this idea in a number of enterprises. One of them was the Prikarpatles Association. It previously thought: Social, cultural and consumer services are well developed only when an enterprise works well and receives a profit. A closed circle resulted: We live poorly because we work poorly, and we work poorly because we live poorly. Social needs are always in first place in the association. The people have understood for a long time that the association is concerned about them and that matters progress quite differently than in other places. This means that the system is working. In this association, the people are straining: Housing, kindergartens with pools, their own "Artek", and much more exist here. We are trying to develop these ideas in four other enterprises (all told, the AUCCTU acts as patron for hundreds of enterprises).

Some think that privileged conditions are being created for our sponsored associations. Nothing at all like this! The collectives are achieving everything themselves. We help them to select their priorities and to make calculations. Yes! we teach them to defend their rights. For example, that same Prikarpatles, which undertook to build a housing settlement for its workers, had to master quite a bit before it was allotted the monetary credits provided by law.

[Demidenok] However, we will not be able to watch over all the country's enterprises this way.

[Voronov] Correct. However, we will be able to observe the phenomenon and influence it. When we understood that it was necessary to busy ourselves with global problems in economics and social development and to intervene more concretely in the process of developing long-term programs and plans, we thought that our participation in various state committees and agencies was still not being fully used. We pointed out that when some question or other is being solved, we could—in the best case—dispute this or that formulation. At times, we did not see whether an alternative direction for this solution existed or not. We arrived at the fact that we had to participate with our ideas during the stage of studying the concept. We are now included in the social development scientific councils of the USSR Council of Ministers Buro, USSR State Committee for Labor and Social Problems and USSR Academy of Sciences. We are keeping posted where an idea originates.

[Demidenok] Please cite an example where you have managed to influence the work on some problem, turn its solution into a different channel apply the brakes?

[Voronov] Everyone knows about the case where S. A. Shalayev, AUCCTU chairman, speaking during a session of the USSR Supreme Soviet, said that the growth rates in national income do not suit us and that they are not permitting the workers' lives to be noticeably

improved. We have said that the percentage of consumption in national income is too small; in other states, it is significantly higher. We have not agreed with the rates of housing construction. We have insisted that the requirement for housing (in accordance with existing norms) be satisfied by 1990. The USSR State Committee for Labor and Social Problems has promoted the idea of increasing the growth rate of wages with a simultaneous decrease in payments from public consumption funds. At first glance, the thought is a correct one. However, we have objected because the reasoning relies on the position of the best supplied portion of our society. You see, we have an enormous army of retirees, disabled and low paid workers who are simply standing on the threshold of poverty. The adopted decision would worsen their life even more.

We are now studying, for example, the problem of vacations. Some now have a month's vacation and others a two-week one. It is still not known which one of them will bring the greater benefit to society. The trade unions have suggested that it is necessary to lengthen vacations to 18 days and to give additional days depending on length of service. A law on vacations is now being prepared. That is why high rates of growth in public consumption funds are required.

What is happening to wages? On the one hand, we are continuing to increase them under the production structure that has taken shape. However, on the other hand, the imperfection in this very structure predetermines the production of goods either unnecessary to society or required but of such quality that no one wants to buy them. The "open-work" in the indicators of departments and the hundreds of billions of rubles in savings-bank books (they are still in "a stocking"), which have not managed to be issued, proceed from this.

For example, we have an overproduction of pigskin. It is rotting in warehouses. However, there are no shoes. We raise the question of synthetic materials and severely criticize the chemical industry which, they say, is guilty. However, you see, labor was expended on the production of the leather, people received money for it and they went to the market with it; however, the market is empty. The people are surprised: We have earned our money honestly! And so it happens that an enormous portion of production simply does not arrive as marketable goods. An imbalance between wages and commodity stocks arises. This is a terrible whip which beats on the cash plan, the family budget and, in the final analysis, on the standard of living.

[Demidenok] It would seem a simple thing to understand. Why has such a thing happened to us?

[Voronov] You are directing me toward one of the most complicated problems in our economy. When our plan came down from above and we used command methods, it was clear: It is necessary to produce this today, and that—tomorrow. So much sugar, milk and meat. All of

these products were allocated by regions. Addressees were found; there remained only the 100-percent fulfillment of quotas. Then, the illusion that everything was balanced arose.

[Demidenok] Why an illusion?

[Voronov] Because no one planned to give all one has got "for this money" during his work. Because as soon as a worker's wages increased because of a qualitative or quantitative aspect, a rate-setter arrived and increased the norm or cut the wage-rate. We saw to it that everything was leveled: incomes, interests, capabilities (they, you see, died out in embryo). The interest law simply did not work. It did not pay to be a great designer. Yes, and it was not necessary. It's all the same—150 rubles in wages. Only one thing remained. Those, who swung about more and clambered up the hierarchical ladder, received a position with pay-rates that corresponded to their living ideals. But the others?.... Does an individual with a listless look turn out much? Such a social psychology, which was born from economic confusion, raged.

[Demidenok] Do you think that all of this was because of errors in the economy?

[Voronov] Economics is a science where everything does not lie on the surface. One can get to know economic laws, keep pace with them and use them; however, it is sometimes difficult to forecast. They are often similar to explosives. It seemed, for example, that the command economy operated excellently. Everyone was convinced that the roughness depended either on someone's negligence or some objective reason, for example, a bad harvest or natural disaster. Well, no mind, they reasoned during this, we will purchase grain or footwear abroad. Tomorrow, we will be quits. The trouble was that they forgot the individual and his interests. The command economy contributed to this. They had simply excommunicated the individual from the means of production. However, if they are returned to him or he is given a plot of land: It is yours, and we will establish contract relationships with you. You will provide us an amount of grain (machinery, mechanisms) for which the state will pay a certain amount. All profit above the plan is yours. You will be able to dispose of it as you wish. Then, he will choose whether to work poorly and live in a one-room house or work well and build a comfortable home for himself.

[Demidenok] An overestimation of the value of trade unions is occurring here. How should one regard any type of reworking? Are there not contradictions in the sense of observing, for example, legislation on work and on rest?

[Voronov] I think that if the interests of the individual and the state coincide, there is no contradiction. Of course, there are prohibitive measures, let us assume, in regard to harmful production. Of course, it is necessary

to remove the individual from the harmful area and—yes—it is necessary to abandon harmful production itself in principle. When does an individual become corrupted more? When he works seven hours neither well nor badly for 130 rubles and then lounges around, or when he works more and with intensity, earning fourfold more?

[Demidenok] But what if he has 250 or more rubles for seven hours? Is this really bad?

[Voronov] I object to such an abstract calculation in principle. Money must be considered earned only when the product, built by you, is purchased by someone. Why, for example, does Singapore produce watches for kopecks and this is profitable for it. We have watches that are rather expensive and they continue to rise in price. There is no alternative on how to stop this. Except one—saturate the market. Prices will go up while there is a monopoly of certain enterprises. An individual has no selection with a monopoly. Swearing, he will purchase the required item and at an inflated price. This means that all of us must now rise to the defense of our own interests. To shun, perhaps, some habits or waive privileges. Who, for example disputes that a 40-hour work week is good? However, let us proceed from the fact of who primarily needs it. For example, it is necessary to make it—the work week—shorter for women and longer for men. Everyone will be better for this. It is also necessary to approach it more flexibly in monetary and other respects. Of course, the administration here is not suitable. One must consider many factors without fail—the desire of the workers themselves, the status of their health and family composition. Perhaps, this is still from the area of fantasy; however, if we wish to interest an individual in work for the good of society, it is impossible to make him a “screw”—it is necessary to accept him with all his problems, difficulties and needs. People must be transformed into an ally of the administration and not be silent executors of someone's will. They themselves will feel that it is necessary to exert themselves and work more strenuously today because tomorrow, if there is no necessity, they will bring the work rhythm to the norm. This is already possible now under leasing relationships and not only in the village but also in industry. We know about the examples.

[Demidenok] In one of your interviews, you said that trade unions should be the workers' spokesmen. Do you think that trade unions should side with workers even when a false idea has possessed them?

[Voronov] Yes, I am convinced of this. This does not mean that the trade unions should propagate that false idea. No. It is necessary to keep in step with the people and, where possible, look for a correct way out from a difficult situation together with them—even using the trial and error method. We must rely on public opinion and know the people's needs better—and how often our fate will depend on some instruction or regulations that impact in a very bad manner on our life.

Doesn't it really happen that having received all rights and authority, we sit, waiting for something? Here is an example. We have few electric irons for sale. They disappear from sale for months in some cities. But the plant, which should produce this iron, solves the problem of where it must get a supplier for one of the components or whether it is necessary to purchase a batch abroad. They promise to deliver it only by 1991. One can ask: Are we really so insolvent that we cannot solve this problem without Gosplan and the ministry? For many years, we have separated the assets for developing new equipment and technology, for science and for scientific discoveries from ourselves. It has turned out that we produce an ordinary iron within an almost international cooperation framework.

[Demidenok] What can help trade unions here?

[Voronov] We have decided that the trade unions should find the sore spots in the economy where the production of consumer goods is being hindered. We would now like to appeal to the workers to “undo”, as they say, these bottlenecks. For example, we will be aware that some type of raw material is delaying the output of some product, but the enterprise is continuing to work with a shift-system coefficient of 1.24 or 1.3. This means that it is necessary to increase the shift-system coefficient in the enterprises of the raw material and extraction branches and also to interest the workers of these enterprises in the additional output of product.

[Demidenok] Is there such an integrated picture: What is delaying the production of consumer goods and where?

[Voronov] No! Such a picture does not even exist in the USSR Gosplan. It is possible in the ideal. However, departments today explain their sluggishness by the fact that they say there is no raw material. It is possible to explain any mess this way. We are trying to overcome it. The old is adhered to only because there is never any culprit. It is necessary to untangle this system. The trade unions and USSR Gosplan are now suggesting that approximately 300 enterprises completely reorient themselves to the production of consumer goods. Furthermore, a number of industrial enterprises have been given the task of producing consumer goods also. Finally, we are introducing proper order in those enterprises which manufacture consumer goods today. During the current year, we will be able to remove a number of problems. Besides increasing the shift-system coefficient, we are appealing to the workers in raw material enterprises to adopt strenuous plans; and to financial agencies—to finance these additional plans. Such experience exists among metallurgists and in the coal industry where collectives are adopting strenuous obligations and are receiving increased deductions for the material incentive fund for this. S. A. Shalayev said during the 11th Session of the USSR Supreme Soviet that metallurgists would be able to make the same money that they received for an output of products above the plan.

There are similar opportunities in the village also: Village workers can sell 30 percent of their produced products in the markets and dispose of the products above the plan as they wish. Of course, industrial and agricultural enterprises are interested in retaining above-the-plan products in their regions. Generally speaking, we support the fact that oblasts, krays and republics have shifted to self-support. You see, a paradoxical thing is occurring where, for example, spoons and forks are brought from the Far East to the Baltic or conversely. However, the Ministry of Trade and USSR Gosplan act otherwise, following the previous policy. In Minsk, for example, stores at one time were bursting with goods in mass demand. However, the trade and planning organizations insisted that these goods be sent to other places. As a result, there was not a sufficient amount of them either in Minsk or in the other places.

[Demidenok] How are you expressing your disagreement?

[Voronov] Through the press and through direct contacts in the appropriate ministries and departments; we are also turning to the CPSU Central Committee. In particular, we have raised the question of the unchecked increase in prices, the "washing out" of inexpensive varieties from commodity turnover, and the expansion of consumer goods production. (I talked about this in an interview published in the TRUD newspaper on 19 October of last year).

[Demidenok] Incidentally, concerning the "washing out" of inexpensive goods. Many people connect this with the shift of enterprises to self-financing and with the fact that they are interested only in producing expensive products in pursuit of profit. Some have almost completely shifted to contract relationships. This means that prices have become contract ones, that is, they have been inflated. Can the trade unions influence this process and halt it?

[Voronov] Of course, and we are doing this. What are trade unions? They are the main mass of the workers. Each individual simultaneously appears as two persons—he is the producer of some commodity and the consumer of the sum total of goods produced by others. It is necessary to instill in people's consciousness: By producing expensive soap today, they will be able to purchase only expensive sausages or boots tomorrow. This in no way means that we should not look for a mechanism to restrain the unchecked increase in prices. We have found it. Along with this, however, trade unions should bring their influence to bear on the people's psychology and continuously suggest to them that they are responsible to society, themselves, and their families for what they do.

The Zagorskaya Garment Factory recently organized a show of their items in our AUCCTU. Yes, we told them, the items are beautiful. They then asked us: "Let us raise the prices for them twofold because we can no longer live

this way; we need money for social, cultural and consumer services; we do not have any kindergarten; etc." They spoke correctly. However, it is necessary to look for money in other ways. One can increase the output volume of good items that will find a market rapidly. However, the plan is expressed to them in rubles! Previously, they produced, let us assume, 2,500 items of some commodity; now, they can confine themselves to this money, having produced 1,500-2,000. Here is what is happening. Even for children's goods, enterprises are contriving to receive a contract (that is, an increased) price and to earn money by this. Although the appropriate CPSU Central Committee Politburo decision exists on halting the increase in prices for children's and the elderly's goods. The chairman of the Vologda Oblast trade union council sent us a telegram that the local footwear factory had taken it into its head to raise prices for children's school boots by 37.8 percent and for girl's boots—by 24.5 percent....

[Demidenok] Worker control is now operating very well in the trade area. Has it been organized in the production area?

[Voronov] According to Lenin's ideas, public control should exist in both the production and consumer areas. Worker control over the population's trade and services is one facet of it. However, we are proceeding to make the members of our society more active and we expect that society will be truly democratic and that, of course, worker control must be expanded and introduced into the production area. It has worked in Vologda Oblast and put out a barrier to the price inflation being prepared for children's footwear. It should be this way everywhere! We have posed the task of organizing a procedure for strict worker control in the near future.

Besides restrictive sanctions on the part of the public, economic levers for managing the incomes of organizations and individual people exist. When we think about the inconceivable riches of cooperative societies, we automatically transfer our negative attitude to the cooperative movement in general. A system for taxing all the income of an individual is now being thought about. At its basis is a differentiated approach to the prosperity of different population categories. For example, the low-paid can be completely freed of taxes.

[Demidenok] Why has the requirement to develop this system arisen?

[Voronov] From social justice considerations. Previously, as we have already mentioned, everyone had practically the same—an averaged—standard of living. People with extremely high incomes are now appearing. Moreover, it is possible to unmask any cheat using similar economic sanctions. Even if he has already gotten hold of the money, he will not be able to spend it.

[Demidenok] Why?

[Voronov] Along with the USSR Savings Bank, we are planning a program for shifting to the population's cash-free payments for various services using electronic computer equipment. Cash-free transactions, incidentally, were introduced long ago in many countries of the world.

[Demidenok] It is still difficult to accept this psychologically ....

[Voronov] At one time, we raised the question of shifting to the payment of wages through a savings bank. It turned out that trade unions were the defenders of the people's interests with this proposal! However, if you should think about it in its financial aspect, there is something to be surprised about. It is advantageous for both the state and the people. The state, for example, will always have money in circulation. When Belorussia shifted to this system, it almost ceased asking the state for new bank notes at a time when above-the-plan commodity-free money was being endlessly sent to others. However, is this convenient for the individual? Previously, he received his wages, went to the store and spent them. If one thing could not be found, he took another. Now, however, the individual reasons: The savings bank is paying interest; let the family live on one income and the other remain in the bank.

[Demidenok] It is evident that there must be a rather high standard in managing the family budget for this?

[Voronov] You have said it! If they give you crumbs, no matter how you distribute them—it makes no difference—there is not enough for all needs. However, you will take from a bank only what is required at that time. We have verified this in one of the organizations that has shifted to this system: More than 20 percent of the wages transferred to the bank is unclaimed. All of this by desire, of course. The phenomenon, however, is an interesting one. This even strengthens the family. The miners in the Urals have begun to receive money through a savings bank and drunkenness has decreased considerably. You see, they called pay-days there "parent's days" when wives and children caught their unstable husbands directly at work and removed their money. Of course, all such measures must be very seriously weighed and the possible economic and social consequences of them must be thought out. For this, i.e., for a fuller study of the needs and interests of people no matter how far they live from the capital, the Public Opinion Center headed by T. I. Zaslavskaya, a renowned scientist, was established in the country with the help of the trade unions. What goal were we pursuing by this? As a rule, our political and economic decisions are made when a problem has already ripened. However, the decisions do not always coincide with the workers' needs and wants. That is why we have decided to create a distinctive "geography" of these needs and requirements. Furthermore, social and economic norms are being developed for each region, city and village so that

it will be clear at what level this or that population center is located with respect to the norm and what must be primarily done. Here is a deliberate path.

The most varied norms will be developed: an individual's consumption of food products, his supplying with social projects, etc. On the basis of this information, we will receive a more accurate picture of the lag in development and the population's standard of living in various corners of our country. Let us say that there are regions where the per capita meat consumption is 17 kilograms; however, in Estonia—for example—it is 109. We must raise the standard of living of the population in these regions with the help of local resources and, perhaps, provide them state help also. You see, we have run into debt with the Far East, Siberia and the North from which we have taken and are taking enormous riches for the public coffers while still giving them little. Therefore, when they submit their social development plans to the state level, we will be able to discuss seriously with them whether they have taken everything into consideration. Then, there will not exist the contradiction that exists today: They make a decision and it is not carried out. They say—there is no discipline. Possibly, but this occurs most frequently when the decisions, which are adopted, do not correspond to the people's interest and do not penetrate into their consciousness—into their flesh and blood.

In my view, all directives should, in general, be accepted in accordance with proposals from "below." And another thing. Trade unions should teach people to defend themselves, to "bite", to fight against boors and those who love to deceive them. It is necessary to arm the individual with a knowledge of his rights and arouse all workers to the defense of their interests. Along with the NEDELYA newspaper, we have established a Club for Buyers—a prophet for the Society of Consumers. Such societies are operating abroad and are bringing quite a bit of trouble, for example, to slipshod workers. They can make such a noise over this or that unfit product that the owner is compelled to compensate the buyer for his material and moral loss. We fully need such a society—to defend the interests of the consumers in the distribution of goods, their quality, prices, etc.

[Demidenok] Certain concepts and ideas have taken shape with us, and there is a routine arsenal of work forms and methods at the trade union positions. What should be done so that progressive ideas permeate into the consciousness of functionaries everywhere.

[Voronov] I am opposed to that very pyramidal structure that is allegedly required so that work will be carried out. This is a pre-restructuring concept. It is not necessary to impose our ideas on the people because they are the basis for the workers' vital interests. There will be a check of the essence of trade union workers on the spot and of their real attitude toward restructuring. You see, trade unions have many capabilities. It is simply necessary to introduce a new content into the usual forms. For

example, I think that collective contracts can be better adapted to solving the problems involved in raising the standard of living of not only workers in a given enterprise but also in a region. You see, a whole city often forms around a large enterprise. Of course, you will not build communism in one enterprise or in one village. However, as the initial model for satisfying primary requirements—it is possible. Much will depend on raising the authority of local soviet bodies which must accumulate assets—the deductions of production collectives—and use them in the region with the maximum benefit for the people. This mechanism has still not been sufficiently worked out. That is why you will not force enterprises today to work very much “for the city” and for the development of its infrastructure. You see, everything should be clear: The master of the region and of the city is the soviet. Give it the right to conduct a dialogue with departments as an equal and to get a just rent for land and other items—an enormous step will have been taken toward establishing social justice.

[Demidenok] What difficulties are you encountering in realizing this model for managing social matters, which the AUCCTU is now establishing?

[Voronov] One cannot work without sufficient glasnost. We persistently demand that everything, which is connected with the workers standard of living, should be the property of the press. One cannot work without knowing the statistics. When we begin to say that there exists positive experience in some country and that it would not be bad to imitate it, they answer us: Ours is no worse. Figures or information that you are not able to determine whether this is good or bad, are offered as arguments. We see that the price and wage indices are not balanced and we can do nothing. The cash plan for regions and the state in general is also not balanced. We know the amount of this cash plan but we do not know how wages conduct themselves with respect to it.

Everything, which is connected with real wages, the standard of living and commodity and monetary relationships, should be accessible to scientists and organizers—to everyone who works on this. This is not enough, however. This information should be revealed to the people so that we see the situation in the country from the people's frame of mind, have an impact on it and not panic, but find the necessary way to resolve a problem in a timely fashion. We should not allow the inconceivable situation where inexpensive soap disappears because two large soap factories have been shut down for repairs simultaneously without providing the necessary saturation of the market with the item. These defects will remain with us as long as this or that decision is made quietly, secretly and with lobbying.

[Demidenok] You think that trade unions should engage more topically in the problems connected with the people's standard of living. To do this, it is evidently necessary to have workers with a radically new character

mould, mind, and purpose in trade unions. You see, it is no secret that they sent people here until quite recently, who had not proven themselves in responsible positions in other areas of life.

[Voronov] Of course, there are such people in trade unions, but there are quite a few really interested and literate people also. Their ideas are already making their way through the obstacles of the archaic system. Of course, we must change it into another one—for example, establish a mechanism for washing out conservative cadre. For a long time, the trade unions have hurt themselves by working in the shadows and in a rut: the adoption of a document—the checking on its fulfillment. There was no influence on the mind and on consciousness. Now, having burst into the arena of glasnost, we must work differently. Go to the people and work according to their instructions. Control from below should be strengthened over the activity of trade union bodies.

I will express another secret idea: The trade unions must earn money for themselves and not exist only on dues from workers. How? Invest existing assets—for example, in enterprises producing consumer goods.

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**Plant Strike Over Output Norms, Wages**  
*18280081 Vilnius SOVETSKAYA LITVA in Russian*  
11 Feb 89 p 1

[Article by P. Digris: “Behind the Back of the Work Collective”]

[Text] Until quite recently, the word “strike” was encountered in our press only in articles from abroad and had a direct relationship only to “that” life. We identified this concept almost with a criminal crime. Having gone through a school of democracy and glasnost, however, we have recently learned something: tolerance for a different opinion, a joint search for compromise solutions, etc. That is why when the collective of Machine Shop No 10 in the Kaunas Automation Systems Experimental Plant imeni Ye. Ozarskis ceased work and expressed its demands, the administration did not throw themselves into taking extraordinary measures to extinguish the conflict. In my view, a normal dialogue began, which—in truth—at times had a rather sharp nature.

The conflict arose over the administration's decision to review wage norms. Having estimated that wages would fall after their increase, the shop workers stopped working on 2 February. Demands were proposed to restore the old wage rates; insure smooth work; re-elect the labor collective council, trade union committee and its chairman; remove the enterprise from the staff of the Sigma Association; and cut the management staff by more than half. Far from all the demands, which the strikers put

forward, were sound and fully thought out; however, it is necessary to point out that they had, as they say, a grain of rationality. One other item: The activists of the recently created Kaunas workers union, the number of whose members increased during the days of the strike in the enterprise, headed the strike.

A compromise solution was reached after two days of debates and discussions. The second shift began working on 4 February and the entire shop collective was working at full strength on Monday. Today, when the life of the enterprise has returned to a normal channel, it is possible to give some thought to the reasons that caused the strike by the workers.

Arunas Vasilyauskas, a polisher, said in the meetings which were conducted during the strike: "We do not want to strike, but we will not permit the norms and wage rates to be reviewed without our participation."

It becomes clear from the speeches of the workers and conversations with them that people wish to work without rush work, productively and qualitatively, and to receive the appropriate wage for their conscientious work. They cannot reconcile themselves to arbitrary rule by the administration, which unfortunately, does not now always consider listening to the collective's opinion necessary. During a general plant meeting, the directors of production and public organizations, who visa'd the materials for the review of the wage norms, were named. There were, of course, no worker signatures on these documents.

Unfortunately, they even treat the innovative suggestions of the workers here without any special attention. Here is a graphic example. A worker made a special piece of equipment which permitted the handling of certain items to be simplified. Labor productivity was increased and the quality of the items was improved. Logically, it was necessary to encourage the innovator but they said to him: Give up the equipment and proceed to the manufacturing of other items. After this, what was the attitude with which he went to his machine? The worker will hardly forget this offense soon.

Take the old whip of our production—rush work. During meetings, many workers have said that a large portion of products is manufactured during the last 10 days of the month. This situation is usually explained by poor supply; however, the workers pointed out specific shortcomings in the organization of production.

I will not begin to list all the unsolved production and financial problems which finally led to the conflict between the plant's workers and administration. I will only point out one thing. If the directors of the enterprise and the trade union committee had rubbed shoulders more frequently with the workers and had sought their advice, many question would not have caused the people to doubt. You see, when a general factory meeting, in which all the enterprise directors; A. Petrenas, the Sigma

Association deputy general director; P. Potapov, deputy chairman of the association's trade union committee; and L. Marofeyev, secretary of the republic committee of the branch trade union, participated, was conducted on the second day of the strike, the vague questions became considerably fewer and a compromise solution was finally found.

V. Simonaytis, the plant director, now self-critically admits: "Indeed, we rubbed shoulders with the people too little and did not always frankly talk with them about difficulties. However, look at how many papers I have on my desk: Sometimes, you do not even manage to look at them in an entire work day."

We, of course sympathize with the director; however, you see, he has deputies, department chiefs and a whole management staff. Let each one do his work and then—it seems to us—the director's burden will be easier. If this staff is not capable of coping with its work and everything is dumped on the director's shoulders, perhaps it is worthwhile to listen to the proposal of the workers and reduce its numbers.

One more thing. It is common for us to think that the trade union is the defender of the workers' interests. However, one still has occasion to hear that somewhere a trade union committee has still not emerged in a common front with the workers against arbitrary rule by the administration and against mistakes that are being made. While in the plant, I directly asked A. Vaytkyavichyus, chairman of the plant committee, how it had happened that the trade union committee did not sense the alarm of the workers and did not help them to defend their position.

"When we reviewed the norms, we did not delve into their essence...."

This is the entire reply. Unfortunately, the trade union leaders of enterprises are still visa'ing all the decisions, taken by the administration, too easily. The consequences of this conciliatory policy, as we see, are frequently sad. As S. Patkauskas, the plant's chief economist, mentioned to us, losses of up to 200,000 rubles are possible because of the strike, and it will require three days of strenuous work to pay off this debt.

In conclusion, it remains to be said that the plant intends to conduct a trade union conference where the progress in fulfilling the collective contract will be discussed as well as those questions which the workers raised in their meetings during the strike.

#### **Roundtable Discusses Deficiencies in Industrial Training**

18280067 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 6, Feb 89 pp 12-13

[Article by A. Matveyev and V. Shankin, under rubric "EKONOMICHESKAYA GAZETA Roundtable": "Economic Training: Responsibility and Incentives"]

[Text] According to the data from random sociological research carried out at number of industrial enterprises,

approximately 80 percent of the workers and specialists interviewed feel that, during the training year that has ended, the organizing of economic training has not improved, but has been proceeding in the old way. Only 3 percent of the economic managers are satisfied with the level of economic knowledge that their workers have.

These sad figures speak for themselves. What, then, has been hindering the organizing of effective training in production economics? How can we get things moving? These questions were the topic of a roundtable discussion organized by the editorial board of *EKONOMICHESKAYA GAZETA* and the AUCCTU. Participants in the discussion included training organizers, workers from the ministries and departments, the branch training centers, the Central Committee and councils of trade unions, and instructors and students at socialist management schools.

**K. TURYSOV, AUCCTU secretary:**

After the adoption of the CPSU Central Committee resolution on the restructuring of the political and economic training of the workers, there were definite shifts toward the better in organizing the economic training of the cadres. However, the level of that work cannot satisfy us so far. Most labor collectives have not succeeded in resolving the basic tasks of the restructuring—combining economic training with professional training, changing over to the mass, continuous instruction of the cadres, and guaranteeing the profound assimilation by the workers of the basic principles of the new economic mechanism. A job that has been especially “spinning its wheels” is the economic training of the ordinary workers—the largest mass audience of students. A critical question here is how to provide people with a self-interestedness in constantly raising their level of economic knowledge and their professional skills. How can we make use of the experience that has been accumulated?

**The Situation Depends on Everyone**

**V. GERMAN, instructor at a socialist management school, chief of a casting shop at the Plant imeni Ukhomskiy (Lyubertsy):**

In my opinion, the resolution of these questions depends primarily upon the manager, and his attitude toward raising the cadres' level of proficiency. I myself am a shop chief and I remember how uneagerly I would release people to go to classes.

Now, with the enterprise's changeover to complete cost accountability and self-financing, the attitude toward training has changed: if we do not train the collective, the changeover will be a sham. Out of 15 foremen in our shop, 15 have already taken the necessary training. Out of 11 brigade leaders, six have completed full-time courses. The people themselves are striving to acquire knowledge. No one has to be forced to take the training.

**V. SVIRCHEVSKIY, head of the methodology laboratory for instruction in production economics, Ukrsovprof [Ukrainian Council of Trade Unions]:**

The Bolshevik Kolkhoz is located in Novosanzharskiy Rayon, Poltava Oblast. At one time it was a kolkhoz that operated at a loss. But recently the farm changed over to the rental contract. Thirty-three subdivisions concluded contracts with the administrators. The kolkhoz chairman and the chief economist acted as the initiators. They also headed the work of providing economic training for the cadres. The results were felt rather quickly. The collective got out of its slump, there has been a considerable reduction in the production costs, and the kolkhoz is getting a profit.

But, unfortunately, there have also been situations of another kind, when indifference toward raising the cadres' proficiency at all levels has resulted in large losses. For example, Kiev City Dairy No. 3 installed an expensive imported line for filling bottles with milk, with a productivity of 36,000 bottles an hour. And what has it been producing?—30,000 a shift. One of the basic reasons is the workers' low proficiency level.

Unfortunately, even people in the republic ministries have been underestimating the role of the cadre-training services. When the administrative apparatus was being reduced, it was chiefly those services that suffered. The republic Minzhilkomzhoz [Ministry of Housing and Municipal Economy], for example, used to have a methodology laboratory and a cadre-training department. But now those questions are handled by only one person. As a result, the entire situation is suffering.

**G. STRELA, secretary of the Central Committee of the trade union of workers in motor-vehicle, tractor, and agricultural machine building:**

I would like to approach the problem from a different angle. At the present time, people have been criticizing—for the most part, deservedly—the ministries and departments for “spinning their wheels” in providing universal economic training. But it is my opinion that the restructuring of the training is currently being inhibited to a greater degree at the enterprise level. At first, people there waited for instructions, statutes, and programs. Now they have all those things. But now what? Has anything changed? Very little. For example, many collectives have not yet adapted, as applicable to their own conditions, the Standard Statute governing the continuous professional and economic instruction of the cadres. The enterprises continue to ask for instruction manuals and recommendations. But where is the initiative?

**V. TSAREV, deputy chief of the personnel administration, USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry]:**

At our ministry we developed a target program for the continuous instruction of cadres in production economics, in which we attempted to answer practically all the questions, and we gave it local distribution. We drove out to the enterprises to see how it was being implemented. In one collective, something would be done; in another, things would be better; but in a third, absolutely nothing would have got moving. Voluntarily or involuntarily, you begin thinking that the organizational measures have to be reinforced economically.

**I. BORODAY, instructor at the Central Committee of the trade union of workers in textile and light industry:**

Much depends also upon the branch trade-union committees and the trade-union committees at the enterprises. But they are not always sufficiently demanding when holding economic managers accountable for the organizing of training. But wherever good monitoring exists and specific help is provided, things are going well. For example, we made frequent trips to the Kalinin Cotton-Fabrics Combine, and, working together, we thought about the best ways to organize the training of the cadres. And currently the situation at the enterprise has changed fundamentally.

**G. PANIKOV, deputy chief of the AUCCTU Department of Mass-Production Work and Wages:**

You're struck by the fact that in certain collectives the people cannot yet share what has to be done by whom. There have been frequent situations when the production training is held hostage by the technical instruction department, and the socialist management schools are held hostage by the trade-union committees. That is exactly the way, for example, that people acted at the Klintsovskiy Fine-Fabric Association, Bryansk Oblast. What kind of combination of economic training and professional training can one discuss in this instance?

The enterprises' independence does not remove the responsibility from the ministries or the departments for the methodological support of the instructional process, for reinforcing the training-materials base, or for rendering specific practical assistance to the collectives.

**Responsibility and Self-Interestedness**

**G. STRELA:**

But responsibility for organizing the training is not enough. We also need to give the students a self-interestedness in acquiring knowledge. Otherwise we shall not resolve the problem. It is the simplest thing, for example, to demonstrate convincingly, by means of specific examples, that under the new conditions the collective needs workers who are economically literate and professionally competent. Otherwise we might be left without anything to do. And this explanatory work should be carried out primarily by the trade-union organizations.

**L. PINYAYCHEVA, engineer at branch training center of the AvtoVAZ PO [Production Association]:**

I am deeply convinced that we shall not resolve anything until the brigades change over to the new management conditions, to complete cost accountability, to the rental contract. Then they themselves will understand that good economic and professional training is needed. Only this will enable them to find and use the new production reserves and to sense a need for knowledge.

**I. MAKANOVETSKAYA, chief of the instruction-course combine at the Kupavna Fine-Fabric Factory:**

Our enterprise has good traditions in organizing training. The management and the trade-union committee have always tried to meet us half-way, and have allocated the necessary funds. But currently we are encountering definite difficulties. The female workers do not want to raise their level of proficiency or to attend courses. The fact of the matter is that the graduates of the vocational-technical school, the young girls, are put in Category IV or V, and that is the ceiling. The higher categories are practically nonexistent at the factory. And so it turns out that there are no incentives for professional growth or advancement for the young people. Apparently USSR Gosobrazovaniye [State Committee for Vocational and Technical Education] has to analyze whether it is necessary to train for a prolonged period of time at the PTU [vocational-technical schools] workers of higher category for enterprises such as ours.

**S. SEMENOV, deputy administration chief, USSR Goskomtrud [State Committee for Labor and Social Problems]:**

I think that we are not using all the opportunities for encouraging people to raise their proficiency level. There are two paths here. On the one hand, it is necessary to increase the demandingness toward the worker with regard to his increasing his economic knowledge and improving his professional skills. In the final analysis, on the basis of labor legislation, this is a direct duty. On the other hand, it is necessary to raise the social prestige for highly proficient labor, to encourage people to strive for training. It is necessary to rely on the existing norms. These can be pay differentials for a high degree of professionalism, or increased rates in the pay scale. And why not, for example, when certifying the workplace, also certify the worker, to ascertain the extent to which his level of proficiency corresponds to the new labor conditions?

**V. TSAREV:**

Economic training must be a component part of the truly new production relations that are currently developing in the collectives, and must interact with them. Only then will that training "work." By way of an example, I

would like to mention our Moscow Low-Voltage Apparatus Plant, which recently became a cooperative. During a three-month period the labor productivity almost doubled, and the economic methods of administration are being successfully assimilated. And here is an interesting comparison. The workers at that enterprises were frequently asked if they knew about the Law Governing the Cooperative System. The answer was affirmative. And yet previously there had been few people who were interested in such documents.

**K TURYSOV:**

Practical life confirms that wherever true cost accountability, rather than formal cost accountability, is in effect, the people feel that they are the real owners of production and the training proceeds without any coercion and evokes the students' genuine interest. But when cost accountability exists only on paper and the statements made by the teacher are remote from the true state of affairs, there is no incentive for training. And then nothing helps—neither peremptory orders, nor persuasion. The processes of instruction in the new management principles and the introduction of those principles must proceed in parallel. They must supplement one another.

**Professional Teachers or Public-Affairs Propagandists?**

**B. LANDIKHOV**, chief of the Department of Mass-Production Work and Wages, Chelyabinsk Oblast Sovprof [Council of Trade Unions]:

Who should be a teacher? In Chelyabinsk we have too diametrically opposed points of view on that question. Some people say that the preference should be given to shop chiefs, brigade leaders, and foremen. Others say that it should be given only to economists. In the final analysis we came to the conclusion that each collective has to find its own version. In addition, many of our economists—and here I am expressing my own point of view—are not analysts, but accountants. So today “launching” into the brigade a shop economist is sometimes worse than sending in a foreman, who frequently is able in a more meaningful way to set forth the goals confronting the cost-accountable collective.

**G. STRELA:**

I also feel that it is not just economists who ought to be the instructors. First of all, there are not so many of them. Secondly, they do not all have the appropriate level of training. We need dynamic people who can be ardent propagandists, who can evoke interest in training.

**V. PRONINA**, chief methodologist, Main Instructional-Methodology Administration for Personnel Refresher Training, USSR Gosobrazovaniye:

Teachers are required first of all to be professionals in their field, if we are talking about instruction in production economics as a component part of refresher training. The time for work by enlighteners is past.

**G. STRELA:**

But that presupposes that the class should be conducted not by a single teacher, but by a group of specialists, each of whom has an excellent knowledge of his own problems.

**B. LANDIKHOV:**

We need a system for training instructors. In our oblast, in the instructional combines and at the trade-union courses, we train people who literally can be counted on the fingers of both hands. The trade-union courses will not be able to cope with the task of training instructors. It is necessary to use the opportunities provided by the political enlightenment houses at the party obkoms, especially with regard to rendering of methodological assistance and the teaching of pedagogics and psychology. This practice has proven its worth in past years, and there is no need to reject it.

**T. PETROVA**, teacher at a socialist management school, chief of the Planning Department, Kalinin Cotton-Fabrics Combine:

At our combine every teacher has, as it were, a “continuous” topic and teaches it alternatively in all the schools. The workers in the planning department deal with planning; those in OTiZ [Labor and Wages Department], with questions of the payment of labor; and technologists, with production topics. But the schools are managed by the brigade leaders and the foremen. They are responsible first of all for the organizational aspect of the classes. This approach has proven its worth.

**G. PANIKOV:**

At the Blagoveshchenko Shipyard imeni Oktyabrskaya Revolyutsiya, for example, on the initiative of the trade-union committee, the enterprise leadership gives the instructors at the socialist management schools two hours off from work each week in order to prepare for the next lesson. You will agree that this is visible concern.

And now if I may speak briefly about the payment for the classes. For the time being, at the overwhelming majority of enterprises, none of the instructors have been paid for this. Moreover, additional “home-grown” conditions frequently are established, which inhibit the implementation of the decree issued by USSR Goskomtrud and AUCCTU with regard to this question. Of course, the payment should be made in a differentiated way. Depending, for example, upon the level of the person's skill as an instructor, and the effectiveness of the classes.

For this purpose it would be beneficial to carry out at the enterprises the social certification of the instructors and to ascertain the students' opinion.

#### **Putting Textbooks on a Competitive Basis**

##### **K. TURYSOV:**

A very large number of complaints have been coming in from the outlying areas with regard to the instructional-methodology materials they have been receiving. Apparently, the practice that developed for preparing teaching aids, curricula, and class plans has not been proving worthwhile to a considerable degree. Take, for example, the development of these materials for the socialist management schools. This development, essentially speaking, is in three stages: standard, branch, and, finally, instructional curricula at the enterprises.

##### **G. PANIKOV:**

There must be more concern for making the instructional process more democratic. At the present time, the enterprise workers elect the director and approve the plans, but, essentially speaking, do not participate in determining the instructional courses or in selecting the instructors. And yet this is one of the basic ways to improve the organization of economic training.

**V. KHARLAMOVA, director of IPK [Institute of Refresher Training], USSR Ministry of the Construction Materials Industry:**

Of course, the development of curricula that take into consideration the specific type of production must be decided locally. Standard curricula can be only an orientation guide for the persons organizing the instructions. We people at IPK, for example, developed comprehensive curricula for instruction in production economics, and sent them out to the outlying areas. We look at the way in which they were being used and we came to the conclusion that there was scarcely any need for such thorough details. The labor collectives themselves must determine what they should study.

The experience of the Volkovyssktsementoshifer PO, Grodno Oblast, deserves attention from these positions. At first the specialists there studied the normative documents in detail, then analyzed the bottlenecks, and gave well thought-out recommendations for eliminating them. All the training in the shops and brigades, essentially speaking, was constructed on eliminating the production bottlenecks. The instruction curricula were prepared correspondingly.

##### **T. PETROVA:**

At our enterprise, when training new workers or providing refresher training, it has become a rule to introduce economic questions into the curriculum. In particular,

we have studied the possibilities for changing the enterprise over to the second model of cost accountability. That was very interesting. We see in this the basic trend for combining economic and professional training.

##### **K. TURYSOV:**

Nevertheless, in providing instructional-curriculum support, especially that for working cadres, an organization that must have its say is USSR Gosobrazovaniye. At the present time its influence has been felt weakly. Furthermore, a competitive basis is needed for development materials in instructional methodology. We have recommended to the ministries and the Central Committee of the trade unions that they announce contests for the best teaching aid, curriculum, and work game. But so far no one has reacted in any way to this recommendation.

##### **S. SEMENOV:**

The people at the enterprises expend a lot of effort and funds as a result of their inability to plan professional and economic training, because previously all those used to come down from above. But at the present time the collective itself must develop the optimal alternative and determine the real needs for the training of workers or the raising of their professional level. One continues to see the same old attitude to all of this: they take as the basis last year's figures, add a little bit onto that, and there's the entire plan. But this question is a very serious one. And so far there have been no recommendations from the ministries.

##### **V. PRONINA:**

It must be said that there still is a lot of confusion when organizing instruction in production economics. It is not entirely clear as to who is responsible for what. At present, the activities of the soviet, economic, and trade-union agencies in the branches and the regions with regard to the economic training of the cadres frequently do not fit into one another well, or duplicate one another. Everyone wants to do the monitoring, but what is needed is specific help.

Recently a sample statute governing the council for instruction in production economics at an enterprise was approved. That statute will help to introduce clarity into this question. A similar statute is needed for the regional council.

**YE. YUCHENKO, responsible secretary, council for the production-economics instruction of the workers, under Donetsk Oblast Ispolkom:**

Our council, for example, puts the main emphasis on rendering assistance to small enterprises. In each city and rayon, we determined the base enterprises which are, as it were, the lead enterprises for the collectives in

the particular region both with regard to the methodological questions and with regard to the training of instructors, and even for the mass printing of the methodological documentation for the training curricula. The council coordinates this work.

#### **K. TURYSOV:**

The coordination council for the production-economics instruction of the workers, under the Buro for Social Development, USSR Council of Ministers, recently approved basically the sample recommendations for distributing the functions of the economic, soviet, and trade-union agencies in restructuring the economic training. After checking at the enterprises and a number of ministries and departments, they will be modified and sent to the outlying areas for practical use.

#### **Comments by the Department of Economic Theory and the Training of Cadres**

As we can see, the participants in the roundtable discussion expressed various points of view concerning the causes of the situation that has developed with the restructuring of economic instruction. But they are all probably united by one thing: with initiative in the outlying area, without a creative, unformalistic attitude to the job on the part of the persons organizing the instruction, the economic managers, and the social organizations, nothing will ever get moving.

Broad rights have also been granted to the councils of labor collectives. They currently are deciding, in conformity with the Law Governing the Enterprise, questions of the professional and economic instruction of the cadres. And when those rights are not implemented, complaints about poor leadership from above begin to be heard. This attitude toward the job at hand cannot be called anything other than irresponsible.

It would seem that the participants in the roundtable discussion are right when they say that the students must have an incentive motivation for raising their proficiency level and increasing their economic knowledge. But in all instances, regardless of how that motivation has been aroused, it must be oriented toward the final practical result: the changeover to the new forms of organizing labor and providing labor incentives; the

introduction of relations of cost accountability; the increasing of professional knowledge; and the increasing of the production effectiveness.

Factors that take on special importance in this regard are the selection and training of instructors for the system of instruction in production economics, and the payment of their labor. This is a key problem in restructuring the economic training.

For the time being, there is an obvious shortage of skilled specialists. Or is it that the people in the outlying areas do not know how to find them? How, then, can we remove the acuity of the question? One of the methods that is used in many collectives is the changeover to the year-round operation of the socialist management school, from an 8-month class cycle to a 4- or 5-month cycle, and the assignment of skilled specialists in "continuous" topics to several schools or seminars. With this approach there will be an increase in the load placed upon the instructors, but the benefit resulting from the classes will also increase sharply.

The enterprises resort little to the aid provided to the primary organizations by the All-Union Economics Institute. And yet they have at their disposal large opportunities for selecting and training instructor cadres. And, of course, the instructors' labor must be given the appropriate psychological and material evaluation.

At the present time one of the most important sectors in the work is the generalizing and dissemination of the advanced experience in restructuring the economic instruction. In April of this year, for example, AUCCTU is planning to open up at the Soviet Trade Unions pavilion at VDNKh SSR [Exhibition of the Achievements of the USSR National Economy] a permanent exhibition that will deal with the experience of a number of enterprises in organizing the instruction of the workers in production economics. It will be used as the base for conducting the instruction of workers at the Central Committee and councils of trade unions, and organizers of economic training. It would also be desirable to organize such training in the outlying areas. All that is needed is to show initiative and persistence.

The restructuring of economic training must be carried out more dynamically, and must yield a tangible practical benefit.

## CIVIL AVIATION

### Minister Evaluates Aeroflot Performance, Future Plans

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[Interview with A.N. Volkov, minister of Civil Aviation, colonel general of Aviation, by A. Troshin, GRAZHDANSKAYA AVIATSIYA correspondent: "Restructuring—A Difficult Job"; date and place not given; first paragraph is GRAZHDANSKAYA AVIATSIYA introduction]

[Text] The country having entered the 4th year of the 12th 5-year plan, following the course of the 27th CPSU Congress and 19th All-Union Party Conference, the Soviet people are working at a stepped-up pace to intensify and further develop the revolutionary process of restructuring. Through combined efforts, the Party and the people have succeeded in achieving democratization of public life and making the economy healthier, and in moving forward in social, spiritual and other spheres. The economic growth rates have increased and the basic sectors of industry have become more stable. Production efficiency is growing on the basis of social orientation of the economic system, and workers' living conditions are improving. Civil aviation is also actively working on a fundamental restructuring of the economic system and improving public relations to develop new approaches to solving social-political and economic problems. In a conversation with a correspondent of the journal, A.N. Volkov, minister of Civil Aviation, colonel general of Aviation, speaks of the initial results of this great work and the sector's plans for 1989.

[Troshin] Aleksandr Nikitovich, exactly a year has passed since civil aviation enterprises converted to the new methods of economic activity. What has this year shown? What generalizations and conclusions can be drawn?

[Volkov] First I should like to emphasize that very serious and multiplanar work was done in the sector to prepare for implementation of the economic reform. This work encompassed a broad spectrum of problems: organizational, economic, technical, educational, moral-psychological, etc. After all, restructuring has touched all spheres in the life of the work collectives and has caused many things to be looked at in a completely different, new way, including things that were formerly considered unshakable.

Specialists in the ministry first of all made a detailed study of the results of the economic experiment carried out in 1987 in the Belorussian, Lithuanian and Komi administrations, the Domodedovo Production Association and at civil aviation repair plants. The experiment showed convincingly that the transition to cost accounting principles of carrying out production and developing

democratization, glasnost and self-management are having a positive effect on the economic and social development of the aviation collectives and are contributing to a rise in work activity and the interest in the end results of the work. Negative aspects were also revealed, of course, and they were also studied attentively.

The experience accumulated in the course of the experiment formed the basis of the reform, which began to be implemented beginning with January of last year. Its main idea was a fundamental change in the formerly existing administrative system, which was based on command-administrative or, to put it simply, pressure methods of direction. Instead of them, methods new in principle were to be developed—economic ones, setting up a barrier to the dictate "from the top" and opening up a broad scope for a display of initiative and creative seeking "from below." As a result, the sector made the transition to a less cumbersome and more efficient two-unit administrative system.

I shall briefly explain its essence. The ministry has remained the first, or higher unit, as before. This is, however, already a principally different stage in the sectorial structure. In the first place, the ministry staff has been reduced by 30 percent. In the second place, and this is the main point, the functions of the sectorial staff have been radically revised. Instead of the traditional fluctuating on the boundary of elementary supervision and petty surveillance, the aviation enterprise staff of the ministry is mainly engaged in the strategy of developing civil aviation, is working out and implementing a unified technical policy in the sector and is determining the most important directions for improving the qualitative indicators—flight safety, the standards of passenger service, etc. On this basis, the structure of the central staff has also been revised, and is differentiated according to the appropriate "blocks"—flight, economic, engineering, scientific, etc. In my opinion, all this opens up the possibility for the workers of the ministry to be engaged in work that is precisely for the general benefit, and does not create merely a formal, outward appearance of this benefit.

The second and main unit is the territorial administration, which has been granted the status of a production association. The aviation enterprises formerly included in the administrations have been reorganized into structural units. It must not be thought, however, that this is merely a simple pretext of change. Not at all. In accordance with the Law on the State Enterprise (Association), administration is now endowed with rights and powers of which there would have been no question before the reform. In the first place, it is a legal entity. In the second place, all the fixed capital is transferred to its balance, including the airplanes and helicopters, which makes it possible to concentrate its efforts and means in the directions that are particularly necessary. In the third place, the administration obtained the right, without turning back to the ministry, to distribute, among its

structural units, the state order, the fleet of aircraft, the fuel and other quotas. There is only one criterion here—not the administrative order, but the economic relations.

This restructuring of the administrative system has made it possible, on the one hand, to ensure the concentration of the airplane-helicopter fleet for the fullest satisfaction of the air service needs of the population and the national economy of the country, and on the other hand—to create the organizational-legal conditions for realization of the Law on the State Enterprise (Association) and put into practice the principles of full cost accounting. At the same time, of course, the special features of our sector, resulting from the specificity of the air transport process, are taken into consideration.

The course of the work to implement economic reform was thoroughly analyzed at the All-Union Applied Science Conference in Minsk and regional conferences of the command-directing staff and specialists in the economic services, and was widely discussed in the sector's press. Many suggestions and wishes were expressed, which we subsequently studied. In particular, the sectorial state orders were completely rescinded, extra revenues for nonspecialized paid services were adjusted, a new system for extra revenues and recommendations for intraproduction cost accounting were worked out and a number of other changes were implemented. In July of last year, measures to develop economic methods of administration were reviewed by the collegium of the ministry and the Presidium of the Central Committee of the Aviation Workers Trade Union. The decree which was adopted at that time essentially determined a developed concept for formation of the new economic mechanism in the sector. The plan of measures to carry out the resolutions of the 19th All-Union CPSU Conference became a comprehensive program of restructuring for all spheres of civil aviation. All this made it possible to lay a reliable foundation for the efficient work of Aeroflot, both last year and at present.

I shall name only a few points confirming this. First of all, the sector coped successfully with the state orders in 1988 for the entire products list. At the same time, the assignments were fulfilled not "at any price," as often happened in the past, but mainly through better economic management. Suffice to say that the entire increase in work volume was achieved exclusively due to a rise in labor productivity.

Further. Practically all the administrations began to cope energetically with the anti-expenditure mechanism. New approaches to reserves of commodity-material valuables, conservation of fuel-energy resources and the use of all possible equipment permitted an almost 100 million ruble reduction in the general sectorial expenditures for the year. After all, it is only quite recently that "overstocking" warehouses with various assets and tremendous reserves of uninstalled equipment hung like a

heavy weight on the sectorial balance, and no "threatening" orders from the ministry could shift things from a state of complete inactivity.

Another cause of satisfaction is the fact that the financial position of most of the administrations, associations and organizations of Aeroflot are notable for their stability. The profit plan for the year was overfulfilled. At the same time, this was achieved not only through fulfilling above-plan work. A reduction in its production cost played the most important role.

Today our sector has six planned-loss enterprises—the Magadan Administration, the Kamchatka Production Association, the North Caucasus Health Resort Association, TsUERTOS, TsPDU and the Aviatekhsnab Association. In 1988 a state subsidy was stipulated for them. Even here, however, a substantial reduction in direct losses was successfully achieved.

Transition to the new conditions of economic activity presupposes the introduction of new tariff rates and salaries for the workers and employees. The means to these ends, as we know, are not allotted from the State budget, but are accumulated by the work collectives themselves. It is all the more gratifying that almost half of the civil aviation enterprises have already made the transition to wages in the new way. Coming forth as pioneers in this work are the Belorussian and Estonian administrations, the Domodedovo Production Association, the Khabarovsk, Orenburg and Saratov aviation enterprises, the Aviastroy Association and the Glavagentstvo of the Ministry of Civil Aviation. The collectives of the Kirghiz, Tajik, Moldavia, Lithuania, Leninograd and Komi administrations also managed to achieve positive results. As a result, the average monthly wages of the aviation workers rose by approximately 15 percent over the preceding year. At the same time, the normative correlation between the increase in wages and the labor productivity was in no way destroyed.

In a word, the results of the sector's work in the past year "vote" for economic reform and graphically show that in civil aviation, just as in the entire country, there are no alternatives to restructuring—it is irreversible. We must not labor under too great an illusion, however. Restructuring is difficult work. It requires stepped-up work, initiative and an enterprising nature, and a high degree of responsibility for the section of work entrusted, not only from the ministry and the chief of the administration, but also from every rank-and-file pilot. In this sense, there are still many unsolved problems for us to overcome.

[Troshin] By the way, can you not, Comrade Minister, tell us about these problems, at least in general outline?

[Volkov] Why not. I have no secrets from the readers of the journal. On the contrary, the more aviation workers know about what worries the directors of the sector, the more chances of bringing weight to bear on the shortcomings and unsolved problems all together.

I would name as problem number one the inability of the directors of a number of aviation enterprises to realize fully the advantages of the new system of economic activity. The Law on the State Enterprise (Association) granted the work collectives almost unlimited rights, but they are clearly used inadequately. Let us say, for the success of the economic reform, it is exceptionally important to introduce intraproduction cost accounting. This is the direct prerogative of the enterprises. You can count the work collectives where internal cost accounting has been developed, however, on your figures. Our overall problem is to change radically the situation that has formed and to take each aviation worker to the level of a true owner of his production facility. We should break up as soon as possible one of the main inhibitors to the introduction of cost accounting—the dependence that has taken root, the egalitarianism and the certainty that no matter how the enterprise works, the state will guarantee the wages.

Closely connected to this problem is another: the adherence of a certain category of directors, both in the ministry and in the provinces, to administrative-command methods of administration. They are extremely unwilling to part with the arsenal of means and methods of work which the "directive" economic system produced. Meanwhile, the former orientation toward orders and instructions has today not only fallen in value, but has also been totally devaluated. Therefore, no matter how strong a person's nostalgia for the recent past, he will have to be done with it decisively and finally. Instead of administrative "pressures," the subdepartmental enterprises must offer skilled assistance and create the conditions for their mastery of the new methods of economic activity.

The role of our economic services and scientific institutions is particularly great here. They are called upon, in very brief periods of time, to provide all the work collectives with the necessary methodological recommendations and to equip them with the appropriate documentation. In this matter too, we have something to lean on. Meriting very close attention, for example, is the joint work of the specialists of the Main Economic Administration of the ministry, the scientists of the Kiev Institute of Civil Aviation Engineers and the management of the Anapa Airport on introducing new forms of labor organization based on collective contracting. The point in this is that such collaboration should become the rule, and not the exception. Only then will we be able to achieve efficiency in economic activity.

The basic discussion concerns improving the administrative structure. Unfortunately, by no means everything has been adjusted here, either. Take even the most topical problem of staff reduction. While the ministry staff, as I have already said, is reduced by 30 percent, this was only 5-7 percent achieved in the territorial administrations. At the same time, it is not as a rule the excess structural units that are reduced, as the reform requires, but the staff units, the executors. In this a certain

proportion of blame also falls to the corresponding administrations of the ministry, who have delayed in issuing the practical recommendations on improving the structure of the production services and are afraid to take on themselves the responsibility for their reorganization. Of course, let us not mince words, any structural change should be of benefit to the matter, and not to its detriment, but it must not be dragged out endlessly.

The bonus system existing in the sector also needs serious revision. Its main shortcoming is the fact that it is a poor stimulus for the aviation workers interest in improving the qualitative indicators, particularly the chief one of them—flight safety and the standards of air transport. Without a high level for these indicators, the entire activity of civil aviation loses its original meaning. The interests of individual workers in this matter are also insufficiently coordinated with the interests of the enterprise and sector as a whole.

The logic of developing the new methods of economic activity dictates introducing into production such advanced forms of its organization as collective, and after that, lease contracting. One often hears that, under the conditions of civil aviation, these forms of organization and wages cannot be widely used. What is the real situation? It appears that if the pilots understand that the transition to contracting or leasing is to their benefit, is fully realistic, and not thought up for the sake of a famous percentage of "coverage," they themselves will speak out for the innovation. Of course, it is not appeals from the rostrum that are needed for this, but brief, insistent and economically literate work in the labor collectives.

There are other problems needing a solution that could be mentioned. For example, the problem of the unprofitability of a number of enterprises has not yet been removed from the agenda. There have been no noticeable improvements in the development of the sector's material-technical and social base. The cooperative method of aircraft operation is being introduced intolerably slowly. The volumes of above-norm uncompleted construction are still great. Paid services for the population not included in the basic activity are being poorly developed. Not enough attention is paid to developing cooperatives and drawing the citizens into individual work activity in the interests of air passengers.

All of this attests to the fact that there is still a great deal to be done for the new economic mechanism to "get going" completely. The foundation, however, and quite a solid one, has already been laid. This imparts the certainty that the sector is on the right path, and the difficulties which it must encounter will be surmounted.

[Troshin] Aleksandr Nikitovich! Letters to the editors suggest that, despite the many positive changes in the work of the sector, civil aviation still owes the Soviet people a great deal. The aviation workers have not yet

succeeded in fully satisfying the demand for air transport, particularly in the peak summer period. What is it—a fatal inevitability or the result of incomplete development?

[Volkov] That is a legitimate question, and the journal readers are right to pose it to the civil aviation directors. Actually, this not the first year that Aeroflot has been forced to refuse its services to almost 15-20 million potential passengers. The people want to make use of rapid air transport, and we refuse them, as they say, and they are forced to lose time on trains or other less rapid forms of transport. This is particularly impermissible for the remote regions of the country, with difficult access. Even those who live in the central regions, however, are not very happy to lose half a day in line for a ticket or to be refused in general.

Is there a way out of the situation? Undoubtedly, this problem cannot be solved in one stroke, but neither do we have the right to mark time. The main thing, in my opinion, is to allude a bit less to the so-called objective difficulties, and to persistently seek out and put into action unutilized internal reserves. Of course, there are strict limits to aviation fuel and a chronic shortage of engines, and the delays caused by industry in deliveries of new airplanes place the sector in an extremely difficult position. The ministry is making tremendous efforts to change the situation and "loosen up" these "bottle necks," but a great deal also depends on the workers of Aeroflot themselves, on their responsibility and degree of organization and on a genuinely masterly approach to the matter.

Let us touch, for example, on seat occupancy. How many reproaches do we receive concerning the fact that it is impossible to obtain a ticket for a run and yet there are unoccupied seats in the plane cabins. It is difficult to take exception to this: the truth is the truth. Few of the pilots, however, think about the true "price" of even one unoccupied seat. Meanwhile, by filling it, Aeroflot, with the present scales of transport, could put an additional 3000 persons into the air in just a day. After all, this equals almost 20 runs for planes such as the Tu-154.

If seat occupancy is increased on all the runs made by just one and only one percent, in a year another million persons could be transported. Even though such reserves, as is said, lie on the surface, by no means everyone pays attention to them. As never before, the total saving of a kilogram of precious kerosene, or increasing the efficiency of using aircraft is taken into consideration, even with a negligible increase in their daily flying.

I mention this not to heap the blame for the poor management and carelessness on the aviation workers. Not at all. Many valuable initiatives originate in the sector's work collectives. The overwhelming majority of the Aeroflot workers are worried about the situation.

The conditions, however, in which our country is placed today, require maximum output and tireless creative seeking from every Soviet citizen.

In the coming year, Aeroflot will transport 126 million passengers along its air routes. This will noticeably exceed the assignments of the five-year plan. As before, particular attention is being paid to developing air connections with the Far North, Siberia and the Far East. A number of new air routes will be opened for this purpose, and the traffic frequency on almost 70 existing routes will be increased. The greatest increase in transport is outlined from Moscow to Petropavlovsk-Kamchatka, Vladivostok, Yakutsk, Vorkuta and Novyy Urengoy. At the same time, the aviation fuel quotas have been set at the level of the five-year plan. Consequently, operations will again be carried out under quite difficult conditions. We must prepare ourselves for this from the very beginning of the new year.

There will also be difficulties with the air service for the national economy. This year an expansion is outlined for new types of work in agricultural production, power construction, the timber industry, in gravitational prospecting and other sectors. As before, not everywhere have interrelations been set up with the customers. As never before, the ecological problems have now increased sharply. All this requires approaches new in principle to organizing and carrying out the national economic assignments, and the demand is growing from each worker in "small-scale" aviation.

[Troshin] I wonder how Aeroflot's international relations will develop? What new things will restructuring bring into this sphere?

[Volkov] Air ships under the USSR state flag are today making regular air runs in almost 100 countries of the world. In turn, the planes of over 30 airlines are flying to us from abroad. Our collaboration is also developing fruitfully with the pilots of the CEMA member countries and socialist-oriented states. Our interrelations with capitalist airlines have become very beneficial recently. One of the most graphic examples of this is the joint operation of Aeroflot and the Pan American airline—Moscow-New York—using the American wide-bodied Boeing-747 airplane, begun last May.

The new trends in USSR foreign policy, however, and the expansion of economic, scientific, cultural, tourist and other contacts with various countries require increasingly active improvement in civil aviation work. Among the primary problems which we must solve, I would name those such as the sector's transition to the ability to pay its own way in currency and an independent entry on the foreign market. We attribute particular importance to establishing direct production ties with the companies and firms of other countries, including the organization of joint ventures.

The first step along this path was the creation, by Aeroflot and the well-known Irish airport administration firm, Aer Rianta International, of the joint commercial venture, Aeroferst. On the basis of an agreement made, a "duty-free shop" for duty-free trade was opened at the Sheremetyevo-2 Airport, which is mutually advantageous for the partners and is very convenient for passengers. In addition to organizing duty-free trade, Aeroferst also engages in painting the airliners, for which a special hangar was built at Shannon airport, and it creates and operates units to de-ice airplanes. We hope that our mutually advantageous contacts do not stop at this.

A major joint project is outlined by Aeroflot, the Moscow National Bank and the Belgian Besix Construction Company. It specifies constructing, at the Sheremetyevo-2 airport, a comfortable hotel for transit passengers who wish to remain in our capital for a few days. Since the existing hotel is designed only for short-term service for air travelers, the construction of the new hotel will help to solve many problems.

Sheremetyevo-2 also needs a modern shop for onboard catering. We arranged a unique auction to attract foreign firms to take part in modernizing the existing shop and constructing a new one. The Lufthansa (FRG), Scandinavian SAS, Yugoslavian JAT and English British Airways airlines and the American Marriott firm responded to the proposal.

Close contacts have been established with the French company Airport de Paris, which is engaged in designing airport structures and developing technology to serve air passengers. Together with our Aeroprojekt, specialists from France prepared variants of the new air terminal complexes at the major Soviet health resort airports of Sochi and Simferopol.

The joint undertakings of Aeroflot with Pan American, the Canadian IMP firm, the French KOPREST and AKKOR firms and other foreign firms are very promising. It is a question of constructing hotels, tourist centers and other facilities designed to serve air passengers.

As can be seen, we have big plans. Carrying them out calls for strengthening the air service base at Aeroflot and heightening its competitive quality on the international air transport market.

A leading role in this work is assigned to the International Commercial Administration, created in July 1988, which is entrusted with the duty of coordinating Aeroflot's foreign economic activity, selecting the most competitive proposals from foreign partners and assisting the territorial civil aviation administrations with commercial and currency-financial problems.

[Troshin] You have informed our readers in great detail, Aleksandr Nikitovich, of the economic transformations in the sector. What is being done in the Aeroflot collectives to democratize social life, make the moral-psychological climate healthier and create reliable conditions for fruitful work and full-value leisure for the pilots?

[Volkov] As a participant in the 19th CPSU All-Union Conference, I shall remember all my life the high party nature, broad and open discussions and strict exactingness in which this forum of Soviet communists took place. The words of Mikhail Sergeyevich Gorbachev on the changes in the spiritual life of the Soviet people are particularly imprinted in my mind.

"We can see how society has taken heart," he said. "The people have sensed their own responsibility and are being freed from apathy and estrangement. The wind of renewal is tempering the moral health of the people. Democratization has released a powerful flow of ideas, emotions and initiative. The affirmation of truth and glasnost is purifying the social atmosphere, opening up the people, liberating consciousness and stimulating energetic activity."

I note with satisfaction that the positive processes called forth by restructuring are taking place in the civil aviation collectives. The people speak boldly and openly of shortcomings, come out with constructive proposals and proclaim their rights at the top of their voices, with no fear of being incorrectly interpreted. Many people have been very interested in the new forms of work and are making an active search for creativity. The role of work collectives and public organizations has grown. The style and work methods of the command-directorial staff and the political and party workers have changed noticeably. On the whole they have confronted the needs and worries of the pilots and have begun a deeper investigation not only of production, but also of social problems.

Nevertheless, to be realistic, we have taken only the first steps along the path of democratizing the life of the aviation collectives. On the one hand, some people have perceived democracy as all-permissiveness and a time of endless meetings. These "supporters" of restructuring have begun to abuse glasnost and the patience of their comrades at work in the name of achieving their own egoistic or narrow group interests. On the other hand, a number of directors, even on the scale of administration chiefs, have proved incapable of working under the new conditions and have lost the trust of the pilots. Blind faith in the magical power of the order and the inability to convince people and to behave as a personal example for them have put these people on the spot.

[Troshin] Can you explain this idea more specifically?

[Volkov] Certainly. Let us begin with those whom I called, in quotation marks, supporters of restructuring. There is no need to list them by name, they are well known in the work collectives. Many of them attach

themselves to so-called action committees, various informal associations and other independent organizations. In principle I cannot see anything disgraceful in belonging to some sort of "group." If a person craves public self-expression in the name of the interests of a matter, he should not be hindered. On the contrary, he deserves every sort of support. What is bad is when, with activity in full swing, the situation is poisoned in the collectives, and urges on illegal actions and undermines the authority of the normative documents that regulate the life and activity of the sector. This is particularly intolerable with respect to the Manual on Flight Performance, the Handbook on the Operation of Aircraft, the rules on air traffic control, etc. Nevertheless, one often encounters irresponsible appeals for revisions and for a free interpretation of certain clauses in directive documents. It goes without saying, the instructions and manuals should be improved, on the basis of accumulated experience and the requirements of practical work, but until they are officially replaced by different ones, any unauthorized interpretation, and especially any refusal to carry them out, borders on a crime. No one has the right to forget this, no matter how "convincing" the "arguments" look that have surfaced on the wave of democratization and glasnost of the "innovators."

Now about the directors who did not manage to retain their positions, when the work collectives obtained the right to decide who would be their leader. To our great shame, we have had many of them. For example, the pilots expressed a decisive lack of confidence in V.M. Alymov, V.I. Pilipenko and N.A. Solovev, former administration chiefs, N.G. Vayde and V.D. Karpachenko, directors of the aviation repair plants, and others. The misfortune of these chiefs lies in the fact that they appeared deaf to the topical problems of the work collectives, and promised one thing in words and actually did something else. While in the period of the people's lack of glasnost they got away with it, now the people do not want to be submissive executors of another's will. They themselves are taking on the task of putting order in their own house.

[Troshin] After all, though, Comrade Minister, there are other examples, when the directing positions freed for objective reasons, by the will of the collective, are not occupied by the aspirants who are regarded in the ministry as the most suitable, but by quite different people. Is not the danger of clique-formation, or even worse—mutual responsibility—being overlooked here?

[Volkov] That is a reasonable question. In reality, the work collectives by no means always unconditionally support the "official" candidates for a certain position. This happened, for example, in Archangelsk, where V.M. Popel, co-pilot of the An-26 airplane, who was not in the reserve for advancement, was elected commander of the unified air detachment. G.M. Rafikov, earlier relieved of the position of administrative chief for negligence in work, went to the leadership of the Uzbek Administration, and other candidates were blackballed. V.A.

Khodakovskiy, who up until then had been acting dean of the faculty, was named director of the Riga Institute of Civil Aviation Engineers, and the candidate for the Administration of Educational Institutions did not obtain the necessary number of votes. These examples could be continued.

What can be said about this? Well, first of all, we should proceed from the fact that normal healthy processes are taking place in the sector to tear away the old, outlived methods of work and the types of leadership corresponding to them. Restructuring has made us re-evaluate all the former values, and what does not meet its strict criteria naturally gives way to fresh forces. This is one aspect of the matter.

Another lies in the fact that the free choice granted the work collectives today can still be used by some groups of interested people to achieve fully determined goals. I do not wish to speak of the newly elected directors that I have named as examples, for time itself will judge whether or not they are capable of justifying the trust placed in them, but the danger of clique formation and even mutual responsibility in analogous situations cannot, of course, be eliminated. Frankly speaking, I share the worry that you expressed concerning this.

Finally, the third aspect. The fact that the positions of the work collectives and the ministry often appear opposed, indicates the serious shortcomings in the selection and placement of personnel. Therefore, the staff workers in the sector could not make a detailed investigation into the deeds and moods of the pilots, could not engage thoroughly and seriously in making up a reserve for advancement and could not understand who was formally and who was actually the leader in the collective. Our political workers, and directors of party and social organizations deserve a serious reproach for this. After all, if the candidacy that they support is rejected by the overwhelming majority of pilots, this means that they could not correctly evaluate the situation and have the appropriate influence on the formation of public opinion.

It must be noted that the "election campaigns" take on the greatest keenness in collectives with particularly unfavorable conditions for the work and everyday life of the aviation workers. The people have already learned well that today's economic policy for the party has a clearly expressed social orientation, and therefore expect from the elected directors a transition of this policy into the stream of specific, practical actions.

I will immediately make one stipulation: on the whole for the sector, the material-technical base requires serious reinforcement. As for housing, about 330,000 pilots and members of their families are in need of it. All of this, naturally, causes justified dissatisfaction among the Aeroflot workers and creates fertile ground for the actions of extremist-attuned elements.

The ministry is taking measures to correct the situation. A comprehensive purposeful program of development for the land base in the period up to the year 2005 is being worked out. In accordance with it, it is estimated that in the 13th Five-Year Plan alone, about 1.5 billion rubles will be allotted for "land" needs. Housing construction is being activated.

At the same time, we must turn the attention of the directors of the administrations and enterprises to the poor work done on drawing their own resources into the social and production development of the work collectives. The economic reform offers a possibility for enterprising economic workers to construct housing and facilities for the public sphere through withholdings from production capital investments, and by the economic method, and to expand individual and cooperative construction. There are examples of this at the Lvov, Minsk, Tyumen and other aviation collectives. Some of the directors, however, have not yet taken an active stand on this problem, are showing no initiative and are mainly hoping only for funds from centralized sources. Passive, temporizing tactics such as these are worthless. They radically contradict the spirit of reform. By leaning only on it, we can scarcely provide each aviation family with a separate apartment by the year 2000, and this is impermissible.

In speaking of the housing shortage, I should particularly like to emphasize the need for strictest adherence to the principles of social justice in its distribution: punctual adherence to order of priority, open discussion of all aspirants and a respectful attitude toward the letter and spirit of the law. Without this, we can not avoid situations of conflict and will in no way receive the support of the people. Let us remember the indignation caused in the Aeroflot community recently by settlement of an apartment house in Moscow along the Konakovo thoroughfare. Even though the horrors about this house were to a great extent artificially aroused, there could have been no such hullabaloo if no violations had been committed.

In summing up what I have said, I should like to emphasize that despite a number of negative points, the social life of the sector as a whole gives every basis for drawing the most optimistic conclusions. The processes of democratization and glasnost are gathering strength with increasing assurance, and are becoming the customary norm in the work collectives.

[Troshin] One last question, Aleksandr Nikitovich. When one is in the civil aviation subdivisions, one involuntarily turns one's attention to the fact that a dangerous distortion has begun to show in the consciousness of some aviation workers: in some places the pursuit of high economic results seemingly deadens attention to the main indicator of the sector's work—flight safety. What would you advise with respect to this?

[Volkov] In importance, this question deserves to be first, for the problem of the safety of each run is truly the main one. If in some places the striving toward high economic effectiveness contradicts measures to ensure flight safety, a battle alert, to put it in military terms, is immediately announced. This is because it is a question not merely of work—people's health and lives and their faith in the reliability of our civil aviation come before everything else.

On the other hand, these moods can appear only where the essence of the economic reform is not completely understood and its tremendous advantages not fully valued. After all, the new conditions of economic activity and the transition to cost accounting and self-financing open up unprecedented possibilities for stimulating high-quality work from the pilots, make it possible to maneuver means and resources freely and, finally, free one's hands for sensible initiative and enterprise. This is exactly what is needed to achieve stable and reliable work from the aviation enterprises. The work collective that cannot make use of the "capital" invested in the new economic mechanism gets a poor mark. It seems to me, however, that such "distortions" in the minds of the pilots are by no means the rule, but the rare exception.

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#### Specialists Evaluate IL-96-300

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[Article: "The IL-96-300"; first three paragraphs are GRAZHDANSKAYA AVIATSIYA introduction]

[Text] The experimental long-distance mainline Il-96-300 passenger airplane rose into the sky. The aircraft was created by a collective of designers under the direction of G.V. Novozhilov, academician and general designer, in close collaboration with the Voronezh Aviation Production Association, as well as with the related institutes and enterprises of the aviation industry.

"The joint work of specialists of the Ministry of Civil Aviation and the Ministry of the Aviation Industry is continuing. On the agenda is accelerated fulfillment of a group of land and air tests of the airplane and its systems, as well as of the necessary ground equipment." The editorial inset to a detailed report on the new airplane ended with these words. The material was published in the March 1987 issue of the journal.

Almost two years have passed. In this time the aircraft has become a perceptible reality—it has been embodied "in metal." At the end of last September it made its first flight, and the take-offs followed one after the other, sometimes several times a day. The Il-96-300 is earning its travel authorization for existence—it has begun a qualitatively new stage in its development. Therefore, we decided to return to the theme: to remind the reader of

the special features of the aircraft, to speak of the impressions of those who have already climbed to the sky in it and to present new, more detailed data.

Airplanes with the "Il" brand name have been operating successfully in Aeroflot for a long time. The collective of the OKB [experimental design bureau], which has over 55 years of experience in creating various airplanes for civil aviation, has to its credit practically all types and all classes of air ships: piston, turboprop, turbojet, short, medium and long haul. Therefore it is fully in accordance with principle that mature, efficient scientific and technical ideas were realized in the Il-96-300 airplane and that modern technological principles were used. The choice of the parameters and the level of technical improvements attained in the new aircraft promise the achievement of the assigned flight engineering features.

What predetermined the emergence of an air ship of the class of the Il-96-300?

Viktor Alekseyevich Isayev, chief engineer of the GosNII GA [State Scientific Research Institute of Civil Aviation] tells us:

The issuing of the technical assignment for the airplane was preceded by research on the special features of the present stage of development of domestic civil aviation and on the perspectives for a rise in the volumes of passenger transport. It can probably be said that the first result of the concept elaborated was the appearance of the medium-route wide-bodied Il-86 airplane. This type of air ship permits the successful combination of a large passenger capacity and a substantially higher level of passenger comfort (than in narrow-bodied airplanes). The latter is particularly valued for long-distance, extended flights. Thus, the idea of creating a long-distance wide-bodied airplane was not a random one.

Doubts were expressed, it is true: would the airplane be ensured a full load on foreign routes of up to 9000 kilometers, for which the Il-96-300 is now calculated (and the designers are studying the possibility of increasing the maximum flight distance with a full load). Specialists feel, however, that the new plane will always be provided with work. Where the Il-86 is flying today, on long routes with intermediate landings, the long-distance Il-96-300 will be used. It will make it possible to decrease the flight time, reduce the fuel consumption and increase passenger comfort.

Long-distance runs are an important, basic "specialty" of the new plane. Nevertheless, auxiliary variants of its use are being worked out. For example, it appears possible to make foreign "paired" runs (that is, with a fuel reserve for the return flight), let us say, to Western Europe. Eliminating a fuel fill-up at the foreign airport will save currency (by approximately 16 percent). If we are getting ready to actually compete with the leading air

companies in the world, such flights will help us greatly. It is characteristic that economic estimates show an undoubted advantage in "paired" runs, even with half a load of passengers.

There are other interesting variants for the use of the aircraft. Let us say, the "axle-spoke" method (titles, of course, are conditional, they come into use while the scientific development is in progress). The essence of the method is that to the "axle"—the transcontinental run of a large-capacity passenger plane—runs of local airlines are "attached", and at the intermediate stops, the passengers can transfer without losing time and continue on in the necessary direction. In principle this is the same as a trip from one end of a large city to another: first we rush along on a high-speed subway train and then, from the station closest to it, we relatively quickly reach our destination on a bus or tramway.

To put it briefly, we are sure all the possible aspects of use of the new air ship can and should be worked out, ensuring the maximum economic effect.

These are the thoughts and ideas that preceded the origination of the airplane. Next was the technical assignment, which stipulated a high technical level for the airplane, including maximum standardization of the engines, onboard equipment, systems, units and assemblies. These requirements to a definite extent affected the compositional and structural features of the plane and determined its basic technical characteristics.

In its exterior appearance, the Il-96-300 resembles the Il-86: the traditional system of a cantilever monoplane with low-set wing seemed sufficiently optimum. In general, the experience acquired in developing the first wide-bodied airplane was used to the maximum. Any decision, however, was weighed repeatedly, and only the optimum one was selected.

The fuselage of the Il-96-300 is identical in diameter to the fuselage of the Il-86 but is five meters shorter. The structure of the fuselage is essentially unchanged. The innovation is the elongated wing with supercritical airfoils and vertical wingtips, increasing the lift-drag ratio.

The structure of the power torque box of the wing was worked out by using monolithic-precast panels with a higher level of calculated stress than the Il-86, while providing the required strength, service life and endurance. This was achieved by using new, improved materials in the structure, with heightened fracture strength and low-cycle fatigue, with a low crack growth rate and high tensile strength. To reduce the number of lengthwise and crosswise joints, which are the main source of fatigue cracks, long and wide semimanufactures are used in the airframe. Another special feature of the wing is the large number of honeycomb structures used.

The area of the vertical tail assembly for the Il-96-300 has grown, through a height increase of 1.5 meters (this means, that taller hangars are needed for the Il-96-300). The need for a larger area for the vertical tail assembly is caused by the requirement of ensuring directional stability if one engine fails.

The landing gear of the Il-96-300 consists of three basic supports, placed in back of the center of mass of the plane, and a front support. Each of the three supports is fitted with a four-wheel bogie with brake wheels, and the front support has two nonbraking wheels. All 14 wheels are identical in size, 1300 X 480 millimeters, with a tire pressure of 11.5 kilograms per square centimeter.

Great attention was paid to improving the local aerodynamics (optimizing the shapes of the streamlined housings and various mechanical connections or, if possible, sealing the chinks between the moving and nonmoving surfaces). The lift-drag ratio can be increased by a special program of fuel burning: it is kept in cantilevered tanks, providing rear centering and a reduction in the balance resistance of the plane.

The weight efficiency is determined by the mass of the airplane. The creators of the Il-96-300 used the latest achievements of material science to improve this extremely important structural parameter: light, strong metal alloys, composition materials, long semimanufactures, improved fastenings, etc. The mass of the airplane could be reduced by using active control—systems to increase the service life and systems to damp the elastic vibrations of the wing. Incidentally, an innovation was used here that has not so far been encountered in any domestic aircraft: the use of external ailerons (they take no part in controlling the plane) to relieve the wing, during gusts of wind or rough air, of the loads that reduce its service life.

The fuel system works automatically, but if necessary, can be manually controlled. The fuel is located in nine shell wing tanks, eight of which are in the cantilevers of the wing and one in the center section. The system is made separate for each of the four engines. The feed compartments are constantly filled with fuel, which ensures a reliable supply of it to the engines under all flying conditions.

The arrangement selected for the fuel system and the use of jet pumps make it possible to create a lighter wing structure with increased service life, since a minimum number of excisions in the wing power panels are required for its units.

The main features of the air conditioning system for the Il-96-300, which distinguish it from the similar system in the Il-86, are recirculation and the presence of a centralized electronic system for automatic regulation. The air in the conditioning system comes from the operating engines. With a single-stage bleed-off, the units of the assemblies bleeding off the air ensure a feed of 10,000

kilograms of air into the cabin, which, allowing for recirculation, makes it possible to feed each passenger from 25.7 kilograms an hour (in the 300-seat layout arrangement) to 32 kilograms an hour (in the 235-seat arrangement variant).

An electrical impulse cyclical action de-icing system is used to protect the forward edges of the wings and the horizontal tail assembly of the Il-96-300 airplane from icing up. An air-heating constant action de-icing system is used to protect the air intakes of the engines from icing up. The forward edges of the air intake are heated with hot air, drawn from the compressor of the operating engine. The glass of the crew cabin is protected by an electric-heating de-icing system.

The ideas incorporated into the structure have found their true contours. The refining of the elements of the new airplane has gone on, and in the course of it, modern methods of research based on the use of computers were widely used. Finally the day came when the parts for the aircraft arrived at the assembly shop.

Aleksandr Vasilyevich Yemelyanov, brigade leader of the final assembly shop of the experimental plant, says:

The airplane was truly born in our shop: to the as yet empty fuselage we joined the wing and the tail assembly, and mounted on it the systems which were being tested at that time. We assembled the first example of the Il-96-300 in record time. Our motto was this: "With Speed and Quality." During this period the shop was a five-time winner in socialist competition.

The Il-76 and Il-86 and their various modifications have passed through the hands of our brigade, but this plane is the "fastest." What can be said about it! There is a great deal that is new. Different technological processes, work methods and equipment. Take just the wing: one-piece, solid. After all, there has never been anything like it. The joining is of course more complicated. Special equipment is needed. Or the assembly of the electrical connections—quite a different principle—instead of soldering—compression. This is used for the first time in our country. In general the electrical circuit is much more complicated—a whole sophisticated weaving of wires.

Everyone worked with enthusiasm, however—with inspiration. Without exaggeration, everyone tried to put part of his soul into the aircraft. Many improvements were proposed, and the designers (we worked side by side with them in the shop) adopted some of our comments and introduced the changes into their decisions. For example, our suggestion on changing the spacers of the braided cables along the fuselage and in the landing gear was adopted. In general, we climbed all over the airplane—the layout is successful, we think, and it will be easy to service.

Two years of our lives were devoted to the new aircraft. It is so beautiful, you cannot help but like it! Of course, not everything is smoothed out, there will be finishing work—but the main work is done. Done conscientiously. We have taken care of the passengers, too—it is certain that they will be pleased.

The layout of the passenger cabins specifies different variants, including one with 300 passenger seats in tourist class and another with 235 seats of mixed class and seats with increased comfort. The seats in the tourist class variant have been installed with a pitch of 870 millimeters, in three sections with nine seats in each row, with two lengthwise aisles, each 550 millimeters wide. The passengers are placed in two salons—66 in the front and 234 in the back.

The arrangement with 235 passenger seats differs from the first variant by the presence of two forward salons: the first class salon for 22 extremely comfortable passenger seats with the pitch of the seats 1020 millimeters, and the "business class" salon for 40 passengers. Additional snack-kitchen equipment is installed to serve the first class and "business class" passengers.

Soft, diffused lighting has been developed for the passenger salons. The salons are equipped with a video sound system and varied sanitation and emergency survival equipment for passenger comfort. The windows are spaced at frequent intervals—with light-filtering curtains. The snack-kitchen complex provides the passengers and crew with two meals on an extended flight.

The two large cargo sections on the lower deck are equipped for rapid cargo loading and unloading in standard luggage and cargo containers. Ground equipment standard for international airports is specified for loading and unloading.

Here is an innovation. This word has been encountered more than once in our account. How, though, can you keep from repeating it, when really, in many of its designs, the structure of the Il-96-300 has no analogies? It uses unique systems and onboard equipment. They are considerably more improved and reliable than the existing ones. This makes possible not only a considerable reduction in the mass of the airplane, but also a rise in the level of automation and flight safety and operational efficiency. Particularly to be noted is the complex system of issuing information to the crew on the operation of all the systems with a colored picture on the displays of the crew's cabin, a new electrical remote control system for the plane "by force" and an automated control system for take-off-landing mechanization.

The onboard set of piloting-navigating equipment provides almost complete automation of the air navigation in difficult weather conditions over any regions of the earth, and performance of an automated landing under category IIIA ICAO [International Organization of Civil Aviation] conditions. Having this onboard complex on

the Il-96-300 makes it possible for a flight crew of three persons to control the plane: the captain of the airplane, a co-pilot and a flight engineer.

Stanislav Grigoryevich Bliznyuk, chief of the flight service of the OKB imeni S.V. Ilyushin, honored test pilot of the USSR (it was he who took the Il-96-300 for its first flight), recalls:

Our crew of testers was large in number. It included my assistant Anatoliy Nikolayevich Knyshov, navigator Valeriy Alekseyevich Shchetkin, flight engineer Vsevolod Pavlovich Gorovoy and flight electrician Valentin Nikolayevich Novikov. The specialists were very experienced and highly qualified. They had known the aircraft from the moment when its contours had only just appeared on the work tables. Even before all the design ideas were on the actual airplane, they were preparing for the first memorable take-off on the test stands, on the trainers.

I will say straight out: the Il-96-300 is a new generation of aviation equipment. For the pilot—the indicator system is basically different from before. All the parameters are on the screen. For us this type of system is an innovation. The difference here is not only quantitative—the perception of the information is different.

In general the form of contact with the instruments is changing. I do not foresee any particular difficulty for the pilots in mastering it, but I think that it will be easier for those who have already accumulated a mass of knowledge and experience in flying heavy airplanes. It will be relatively simple to relearn from the Il-86.

What may complicate the matter is the absence of trainers. A comprehensive pilot trainer is in general only a "daydream." Without a trainer, mass development of the new plane will be made difficult, although generally possible. One of the scientific research subdivisions at our firm is at least partially solving the problem—but this "independent activity" is of no benefit in the matter.

Do I like the airplane? It goes without saying. The aircraft will fly, I am convinced of it. Everything that we have managed to check up to now confirms the preliminary estimates. The flying parameters are within the assigned limits. It is an aircraft that is very easy to control—the control system is "sophisticated," it responds well to action and there are no gaps. Both the subjective and objective data show: the crew will quickly "get used to it" (for example, this can be judged by the minimal rudder range). If we speak of feelings, on the second flight we felt completely confident. All the specialists who fly with us say unanimously that the aircraft will definitely please the passengers: the onboard comfort is greater than on the Il-86, the engines and the air conditioning system make less noise and the vibration is less. This means that the flight will be more comfortable and more pleasant.

Georgiy Yevgenyevich Dolgushev, a leading specialist in systems design, noted:

Two completely new principles are used in the aggregate of all the airplane's systems: a display using electron-beam tubes and electric remote control. The introduction of this type of display is related to the change in the overall technology for control of the airplane by a reduced number of crew members. For long-distance, extended runs, this would mean, with the former indication principle, a substantial rise in the stress of the work. On the Il-86, for example, there are about 120 instruments on the board, which the pilot must monitor regularly. In practice, however, this is in many cases not required—information only on deviations from the norm is sufficient. This is the way it is done on the Il-96-300. Light and sound signals are used to draw the pilot's attention when necessary. The color of the signal suggests the need for certain actions: red requires immediate intervention, yellow is a warning, a call to attention, and blue is a simple notification.

All the information on the work of the onboard systems, as well as the data necessary for piloting and navigation, are indicated by a unified display system, consisting of the system of the screen indicator and the comprehensive signal information system. The screen indicator system is included in the piloting-navigation complex. Its four colored indicators on electron-beam tubes are located on the left and right sides of the instrument panel (two indicators for the captain of the ship and two for the co-pilot). Each pair consists of a comprehensive piloting indicator and a comprehensive indicator of the navigation situation.

The indicators of the comprehensive information signal system are located in the middle of the instrument panel. The right-hand screen is mainly designed to indicate the working parameters of the engines, and the left—for signal information. The system has memory storages which make it possible, after completion of a flight, to study the information on the failures and malfunctions. If necessary, a printout blank is issued with a list of the systems and units that have failed in flight.

In general, the use, on the Il-96-300, of multi-channel reserve systems with automatic cut-off of the faulty channels mainly relieves the crew of any actions if failures arise. The display system informs the crew, and only in certain cases does the crew have to duplicate the work of the automation manually. Only when late switching on of the most critical systems (engines, second and third firefighting stages) can substantially affect the safety of the flight, is the automatic system not used, and the decision is entrusted to the crew.

The control system uses an electric remote control method of transmitting the command signals from the control position to the actuating mechanism.

In the longitudinal and cross channels, an electric remote control system ("by force") controls the elevators, the inner ailerons and the inner sections of the vanes interlinked with the ailerons, ensuring the automated load of the control levers. In case the main electric remote control linkage in the lengthwise channel fails, there is a duplicating mechanical linkage. Only the electric remote control system ("by position") controls the external vanes, and there is no duplicating mechanical linkage at all.

The operating principle of the electric remote control system "by force" lies in the fact that the signals from the force sensors, installed on the control levers, are transmitted along the wires to the electrohydraulic steering units, the rods of which move in proportion to the amount of force applied to the levers. The rods of the steering units are connected by the mechanical linkage to the slide valves of the boosters, which deflect the steering surfaces. If the electric remote control system is used "by position," the magnitude of the command signal depends on the magnitude of the deflection of the control device.

The Il-96-300 uses the horizontal and vertical tail assembly that has proven itself on the Il-86, and the boosters and control linkage in the stabilizer and the fin have been modernized. In the course channel the fin and rudder of the Il-96-300 also correspond to the fin and rudder of the Il-86. Just as in the longitudinal channel, the electric remote control system for the sections of the rudder ("by force") at the section from the pedals to the rudder units of the automatic load system is duplicated by a mechanical linkage.

Great attention was paid to providing a failure-free control system, which is ensured, as has already been noted, by the reserve of the electric remote control mechanical linkage, as well as by the use of uncoupling and centering springs and the presence of devices to disengage the control columns and sticks. Like the Il-86, the various control surfaces are divided into sections, each of which deviates by one or several drives (boosters). The reserve of the drives increases the operational reliability of the control system.

The rudders, ailerons, vanes, air brakes, leading-edge flaps, flaps and stabilizer, as well as retracting and lowering the landing gear, braking and turning the front wheels, switching on the reversing device for the engines and opening and closing the doors of the cargo hatches are controlled by a hydraulic system, consisting of four separate systems, independent of each other, the pressure sources of which are hydraulic plunger pumps, installed on the engines.

Boris Aleksandrovich Smoltsov, the leading specialist on piloting-navigation equipment, adds:

Today, very high demands are made on the equipment by means of which the pilot "communicates" with the airplane. The precision of air navigation is particularly important. After all, the Il-96-300 will fly in regions with great route density, and over water, where there are no ground points to safeguard the flight. This means that precision, one can say, serves as a guarantee of reliability. The task is this: to go without fail to a given point and to stay there without fail (and the weather during the flight may also change). Only the computer equipment on board can ensure fulfillment of the task. The digital equipment combines well with the indication system used. The onboard complex is a family of compatible computers, which solve the piloting and navigation problems. A number of foreign planes use small displays with a smaller information volume. When electromechanical instrument pointers are used, which do not have the information necessary at a given moment, they only bother and distract the pilot. They must in some way or other be "got out of the way," by using certain additional devices. On the Il-96-300—there is no "excess information!" There is only the information that is necessary, and moreover, graphic and multi-color. It is even possible to draw on the screen, attaching a "picture" to the conditions for flight, landing, etc.

It is simpler to organize the monitoring in a digital system—it can be intensified, the functions expanded and self-monitoring introduced. It is easier for man to communicate with machine—the computer reports all the necessary information to you and suggests the decision if necessary.

It is the computer equipment that makes it possible to facilitate the work of the pilot and automate the air navigation. The navigation system used in the Il-96-300 makes it possible to program the entire flight and landing, including that at alternate air fields.

True, communication with the computer must be learned, and the crew must therefore have special training.

The crew of testers from GosNII GA was preparing for flights on the new aircraft from the moment that the technical assignment for development of the airplane was originated. It included Nikolay Ivanovich Yurskov, Yevgeniy Yevgenyevich Pankevich, flight engineer Yakob Ivanovich Nikulkin and navigator Viktor Vladimirovich Vyazgin (he would take part in tests at the first stage). Everyone went through a full training cycle at the test stands. In addition, Nikolay Ivanovich, who was included in the group of civil aviation specialists, went to England and familiarized himself with the structures and special features of piloting A.320 and Boeing-757 airplanes, which employ similar principles.

All the specialists noted that good working rates had been adopted for the mastery of the Il-96-300, and were carried out intensively from the very beginning of the flight.

Viktor Alekseyevich Isayev, chief engineer of GosNII GA, speaks again:

After the first flights, the finalizing of the construction began. Specialists of GosNII GA constantly "kept their fingers on the pulse." Strictly speaking, as early as the mock-up stage, a list of measures was drawn up to clear up their comments. Associates of the NETs AUVD [not further identified] were actively involved in the indicator system. GosNII GA took over the stand testing for lightning and fire protection of the airplane.

Viktor Alekseyevich also noted the delay in developing the stand equipment, due to which many tests which should have been made on the ground will have to be carried out on board. This prolongs the development of the airplane and makes it more expensive. One way or another, however, the work goes on, and on the agenda are plant tests with the participation of civil aviation specialists. Sooner or later the time will come when the workers at the operation enterprises will become familiar with the new addition to Aeroflot's air fleet.

The units serving the various functional systems in the process of operating the Il-96-300 are located in the same places as on the Il-86. For example, the main units of the air conditioning system are located, as in the Il-86, in compartments under the center plane section of the wing. The pipelines and service units are in the same areas as on the Il-86, in the wing and fuselage. The above also pertains to the control systems of the airplane and the engines, the electrical supply, fuel and hydraulic system, etc. At the same time, the group principle of arranging the service apparatus and units is retained.

The main special feature of the Il-96-300 from the standpoint of its technological operating properties (as compared with the Il-86) is the presence of further improved and developed built-in monitoring systems, which detect and identify malfunctions during technical service. These systems gather information on the work of the onboard functional systems and equipment (right up to individual components) in flight.

The principle of combining regular service and repair operations is carried out on the Il-96-300. This makes it possible to do without long-term and expensive downtimes for the plane for capital repairs. Over 90 percent of all the units and assemblies are recommended for operation according to the technical state (up to a dangerous failure or a pre-failure condition). Compilation of the documentation in this case is naturally preceded by very extensive work on studying and analyzing the development of the defects and the possible consequences of failures. The system of prediction and built-in monitoring used on the Il-96-300 helps to determine a pre-failure situation during operation. The system of localizing the failures with the output of information on the indicators and print-out devices will be an additional aid to the engineers and technicians.

Serious attention was paid to increasing the convenience and reducing the labor-intensiveness of the technical service: to ensuring free access to the centers and assemblies and to making them easy to remove and replace. There is a reduction in the proportion of equipment which must be taken out and tested. Now it is enough to replace a unit with one that is known to be correct, and to send the faulty one for detailed testing and repair in the laboratory or at the plant.

The efficiency of technical service also depends on what spare parts must be kept in reserve. The plane's developers have made an estimate of the necessary spare parts according to the planned work volume. The types, regular intervals of inspection and labor-intensiveness of both the planned and the unplanned work are determined. The latter is according to the estimated levels of reliability of the items. Naturally, these data will be more precisely defined during the tests.

Incidentally, this approach can also be called new: formerly, service problems did not overly worry the designers. Now, however, as the data show, the labor-intensiveness will be substantially reduced. It is anticipated that the specific labor-intensiveness can be cut by over half as compared with the airplanes now in operation in Aeroflot.

The designers have expressed general desires as to who will operate the airplane. It is a battle with a surplus! That is, to have fewer airplanes, but to use them more intensively. To hold a plane for operational service not over 45 minutes. For this, we must create the conditions and the interest of the aviation technicians, achieve a uniform load and stimulate combining occupations. Finally, no above-norm accumulation of spare parts must be permitted. In this case, even such a complex (and naturally, very expensive) airplane as the Il-96-300 must be highly profitable.

Indeed, as we can see, intensive work is continuing on the Il-96-300. The Il-96-300 will inhabit the skies.

#### Il-96-300—Basic Data

|                                                                                |           |
|--------------------------------------------------------------------------------|-----------|
| Engines (PS-90A), number, take-off thrust, ton-force                           | 4 X 16    |
| Maximum number of passengers                                                   | 300       |
| Pitch of the seat installation, in mm                                          | 870       |
| Maximum commercial load, in tons                                               | 40        |
| Practical flight distance with commercial load 30 tons and fuel reserve, in km | 9000      |
| Practical flight distance with commercial load 15 tons and fuel reserve, in km | 11000     |
| Mass of equipped airplane, in tons                                             | 117       |
| Take-off mass of airplane, in tons                                             | 216       |
| Altitude of flight, in kilometers                                              | 10-12     |
| Cruising speed of flight, in km/hr                                             | 850-900   |
| Fuel consumption when cruising, in kg/kg of thrust/hr                          | 0.56-0.58 |
| Required take-off distance, in m                                               | 2300      |
| Required landing distance, in m                                                | 2000      |

|                                  |         |
|----------------------------------|---------|
| Final approach speed, km/hr      | 260-270 |
| Length of airplane, in m         | 55.35   |
| Maximum height, in m             | 17.57   |
| Wing span, in m                  | 57.66   |
| Wheel span of landing gear, in m | 10.4    |

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#### Aerial Surveying Procedures Questioned

18290142a Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 11, Mar 89 p 19

[Article by flight mechanic N. Smagin: "A 'Monopoly' for Aerial Surveying: What Does it Cost the State?"]

[Text] Novosibirsk—For years it has been basically the Myachkovskiy Unified Aviation Detachment of the Central Regions Administration of Civil Aviation—UGATs—that has been concerned with our aerial photography. It is based in Moscow. Aircraft regularly fly from here for thousands of kilometers: to Siberia and the Far East, including Yakutia, Chukotka and the Tomsk and Tyumen regions of the North. We often read admiring statements from journalists in this connection: they say, look at what a romantic occupation the aerial photographers have! They are lucky—they are serving the entire country. They are feasting their eyes on the beauty of the mountains, the deserts, the tundra, the taiga and the steppes!

But as strange as it seems, no one has questioned the economic expedience of such flights. But it is the source of more and more concern to those who are directly associated with this type of work in aviation.

It is not necessary to think up anything here. It is enough to look at the annual analysis conducted by the Ministry of Civil Aviation. We have studied the one dated 20 April 1987; it summed up the 1986 results. I will stipulate right away: we have no analysis of the results in 1987. Either the ministry did not send it out to the local units, or our West Siberian Administration is simply hiding the papers from the crews. But then we will suddenly begin comparing and calculating how much it cost.

So it follows from analysis of the work for 1986 that more than half the areas covered by an aerial survey were in Siberia and the Far East. Out of this number only 39 percent of the work was performed by crews based directly in Siberia—in Novosibirsk. Practically all the rest was "flown" by An-30 aircraft from the Myachkovskiy Aviation Detachment. They were helped just a little by crews from the Ukrainian Administration.

What is this practice leading to? Here are some figures. Up to 15 An-30 aircraft from the Myachkovskiy Aviation Detachment and nine from the Novosibirsk detachment are taking part in aerial surveys in Siberia and the Far East. Some 225 flying hours must be spent and over 200 tons of fuel must be consumed just for the Moscow aircraft to get to Novosibirsk. Let us add: every "Myachkovskiy" aircraft has to fly (and it flies!) to the capital once every season for scheduled maintenance. That is, the expenses cited above must be doubled.

Even one who is not a specialist realizes that the Myachkovskiy and Kiev Detachment aircraft are flying more without a load than they are working for an end result. And inasmuch as the "hour of accrued flight time" determines the grade in the sector, the final evaluations with all the benefits that follow from this depend directly on the total number of hours spent in the air.

Moreover, there is also so-called official nonoperational flight time. This means aircraft and equipment flown off to the places of work, and it is naturally more for those who fly farther from their base to the survey location. So according to our calculations, if only the crews from the Novosibirsk Aviation Detachment were assigned to conduct aerial photography operations beyond the Urals we would be able to save over 1,200 tons of fuel every year.

Further. We are all working with customers. They also have to travel to Moscow continuously. Novosibirsk and Krasnoyarsk timber industry employees and customers from Omsk, Tomsk, and the Tyumen North often ask Novosibirsk airmen for help. And we are prepared to help them, but the portfolio for orders is in the Ministry of Civil Aviation. It dictates its will to the customer and it must be confessed that the more profitable projects are given to the person close by the ministry, not the customer.

This is the situation. It has taken shape for years. And naturally, the question arises: is there an alternative to such an impractical and wasteful approach? There is. One of the alternatives was suggested back in 1985: discontinue the unnecessary concentration of the aircraft fleet in Moscow and expand the base in Siberia, close to the work areas. No reaction is apparent yet from the ministry.

We in turn sent our own suggestions to the ministry in May 1987. They concerned the efficient assignment and use of An-30 aircraft and the need to expand the base in Siberia. The proposals were corroborated by estimates.

The response from L. Ilchuk, chief of the Aviation Work and Transport Operations Main Administration, was reassuring: our proposals were considered timely and required a solution. It was announced, in particular, that the GosNII GA [State Civil Aviation Scientific Research Institute] has been assigned to conduct an economic

substantiation of the advisability of establishing an association in Novosibirsk. But right here, as if he had remembered suddenly, the author of the response considered it necessary to repeat the old ministerial argument about an inadequately developed material and technical base locally. A familiar tune. The ideology of every possible concentration of forces and facilities around the capital's aviation centers, which are literally choking from the abundance of orders, has been built and continues to be built precisely on this. And who, we ask, has been preventing development of the necessary base in local areas for years?

Referring to the fuel shortage, the ministry is planning less and less work for the Novosibirsk detachment. But then, the Myachkovskiy detachment has no problems with fuel, if we judge by the same plans. Although the 2 years of experience by the cost-accounting aerial survey group No 5 of the Novosibirsk Aviation Detachment has demonstrated that local crews of An-30 aircraft can accomplish 1.5 times as much work in a season with the same amount of fuel as they accomplished previously and that the ground services engaged in photo processing are fully capable of keeping pace with the airmen without additional personnel. And there is more than enough of the work itself!

Comrade Ilchuk's interpretation in his response to our proposal on a heavier workload for An-30 aircraft in the period between aerial surveys surprised and puzzled us. He believes that restriction of their operation is necessary for... "maintaining their service life." In understanding the intensive use of one aircraft in a year and the total service life set for An-24 aircraft of the same type, it is not difficult to calculate how many years the service life will be maintained. It turns out to be over 100 years! What is this—a joke or incompetence?

And finally. They adopted the "Economy" program in the ministry in response to the well-known CPSU Central Committee and USSR Council of Ministers decree on improving the utilization of raw material and fuel and power resources. In August 1987 a ministerial directive was issued on resource economy in civil aviation. It basically repeats the decisions on optimizing the use of airplanes and helicopters that were adopted earlier but not carried out. You read these and other documents and your heart fills with joy: how well they understand a proprietary interest in economy in the sector! But in fact? Are the paper slogans and "measures" being combined with what thousands of persons in the sector see each day? After all, the same empty runs by aircraft for aerial surveys demonstrate best of all how thousands of tons of precious fuel are flying, in a very real sense, right out the exhaust!

**An-26 Flying Laboratory Based at Penza**  
*18290142b Moscow VOZDUSHNYY TRANSPORT in Russian 28 Feb 89 p 1*

[Interview with N. Vinichenko, chief of the Flight Scientific Research Center of the TsAO [Central Aerological Observatory], USSR Goskomgidromet [State Committee for Hydrometeorology], by VOZDUSHNYY TRANSPORT correspondent V. Torishnyi: "One More 'Cyclone'"]

[Text] There is a completely new job for the An-26 aircraft received recently by the Penza Unified Aviation Detachment.

The inscription "Tsiklon" [Cyclone] is inscribed on its side. This means that the aircraft has a most direct relationship to the Central Aerological Observatory (TsAO) of the USSR Goskomgidromet. It also has been modified accordingly for its assignment in accordance with the technical mission of this organization's specialists.

The long-standing hopes of aerologists and scientists at several different enterprises, including the OKB [Experimental Design Bureau] imeni O. K. Antonov, have been realized. Monitoring tests were conducted at the base of the GosNII GA [State Civil Aviation Scientific Research Institute] flight testing complex.

"Thus far," states N. Vinichenko, chief of the Flight Scientific Research Center of the TsAO and candidate of physical and mathematical sciences, "operations to increase the amount of precipitation have only been conducted in the laboratory, so to speak, for purely research purposes. Now we can fill the orders of the agroprom [agroindustrial complex], if not in the full amount, on an industrial scale in any case."

[Torishniy] I have had occasion to see how employees of the organizations responsible for clearing the snow from Moscow streets have engaged in similar operations with precipitation. They leased aircraft in Myachkovo...

[Vinichenko] I must say, although I risk offending my colleagues, this is a primitive method by and large. Our An-26 "Cyclone" differs first of all because it is equipped with a computerized measurement complex which is able to combine the solution of navigational problems with the processing of data on basic meteorological parameters and their changes in time. This makes it possible to "go out" more precisely to the place where it is time to put the SDU—the aircraft cloud-seeding units—into action.

[Torishniy] To the best of my knowledge, they disperse granules of so-called dry ice, the same substance we can see in the trays from which they sell ice cream.

[Vinichenko] And this is quite harmless. Dry ice is just carbon dioxide that has become a solid in certain processing. However, its effect on stratus clouds, as many experiments have confirmed, makes it possible to increase the amount of precipitation. The cloud-seeding units on the An-26 are fundamentally new. There are two on the aircraft. Each one is supplied with a half ton of the reagent, for 4 or 5 hours of work. And the aircraft remains pressurized when it is dropped.

[Torishniy] Why was Penza selected as the base for the "Cyclone?"

[Vinichenko] Our observatory has an experimental base there. With housing. With a weather station. So it is more convenient for the Penza airmen to contact us in carrying out agroprom orders than for aviators from any other city. And they, we can hope, are accruing quite a few hours in the "Cyclone," which naturally will bring the detachment a certain amount of profit.

## RAIL SYSTEMS

### Details on Ryzhkov Meeting with Railroad Leaders

18290109 Moscow GUDOK in Russian  
24 Feb 89 pp 1-2

[Unattributed article: "Transport and Economics—Meeting of CPSU Central Committee Politburo Member and USSR Council of Ministers Chairman N.I. Ryzhkov with the Executives of the Country's Railroads"]

[Text] As has already been reported in the press, a meeting between CPSU Central Committee member and USSR Council of Ministers Chairman N.I. Ryzhkov with members of the collegium of the USSR Ministry of Railways [MPS], the chiefs of the country's railroads, metros and repair yards and scholars was held at the Kremlin on February 10.

Opening the conference, Nikolay Ivanovich Ryzhkov said:

[N.I. Ryzhkov] I am glad to meet with you. The last time we met was two years ago. Today I can say that the CPSU Central Committee and the government have a positive regard for the work of rail transport. Your business is going much better in recent years.

I don't have to tell you what rail transport means for the Soviet Union. Our infrastructure is under-developed, and there are not enough good roads in the face of our enormous scale. The lion's share of the shipping of domestic economic freight under these conditions falls on the shoulders of the railroad workers. And if you work poorly, then I can say with all authority that the economic and social life of our country is simply paralyzed.

We thus value the improvements in the operation of rail transport. But that does not mean that we do not see your shortcomings or that we have no fundamental complaints against you.

We are not satisfied with the state of affairs in passenger transport either from the point of view of the organization of train traffic or from the point of view of passenger service and the attitude toward people. This is one of your greatest shortcomings and your great debt to the people. We are unfortunately not yet seeing any major shifts in this matter, they are not taking place, and this most serious problem is not being thoroughly resolved.

We are trying to pester the executives of the ministry less, we are trying to see that they resolve these issues independently. But we are systematically encountering difficulties in the shipment of general freight. And we unfortunately have to get involved in this matter and be occupied with such problems as the export of gasoline, coal, timber and equipment. And a smoothly running mechanism should be in operation here. The lack of one, in my opinion, is a very major shortcoming in your work.

I will not dwell on other problems, you know them and are working on many of them. But there are many outward problems associated with material and technical supply. The country unfortunately sometimes cannot provide resources, equipment and materials in the quantities you need. There are both objective and subjective causes for this. Today we will be considering those issues that are hindering the operation of railroad transport.

[N.S. Konarev, USSR Minister of Railways]: We remember our meeting of October 1986 and the decisions that were made then. They helped us reinforce our positions in the national economy and resolve many tasks that had been posed.

The railroad workers were able to handle the targets for the principal indicators over the three years of the five-year plan as well as the plan for 1988. But there are many shortcomings in our work, and we are not satisfying the shipping needs of the national economy and the population nonetheless. Our main mission is to overcome this.

The position of those who, playing with numbers and referring to new methods of economic operation, are proposing that we ship less was subjected to sharp criticism at an expanded session of the MPS Collegium, the sector council and the presidium of the central committee of our trade union. It is our conviction that under conditions where the principal sectors of the national economy are operating at top speed, the volume of shipping that is being stipulated by Gosplan barely satisfies the requirements of the national economy. We are obliged to ship everything needed by the people, industry, construction and agriculture. Regardless of whether or not this or that freight is part of a state order or not, it should be shipped.

We have a respectful attitude, and cannot have any other attitude, toward the targets stipulated in the five-year plan. No one has abrogated the five-year plan, and the control figures established therein must be fulfilled without fail. We thus have a critical attitude toward the 1989 targets. Freight shipments should total 4.225 billion tons in that year according to the five-year plan, while in 1990 we have to reach 4.3 billion. The target has been set for 4.12 billion tons for this year. That volume cannot, in a number of cases, provide for the domestic economic requirements for shipping this or that freight.

We cannot allow that. And we are thus seeking a corresponding growth in shipping volume. But on the railroads, knowing all of this, they have adopted even lesser amounts of shipping. Why? The desire to obtain greater profits beyond the plan is having an effect.

[N.I. Ryzhkov]: There can only be profits beyond the plan if there is production of output beyond the plan—beyond the five-year plan targets.

[N.S. Konarev]: Unfortunately, not all railroad executives are taking that into account. The desire to earn more profits above the plan turns into reductions in shipping volume. In our collegium resolution we stipulate the targets with reference to the compulsory fulfillment of the five-year plan. And we assign great significance to this.

We are devoting most steadfast attention to mobilizing resources and improving the financial condition of the sector. The sector has obtained some 1.152 billion rubles of profits beyond the plan over the three years of the five-year plan. We were able to pay off 1.2 billion rubles of credit, which we were not counting on doing for a long time. We were able to improve a number of items in the financial plan. But there is still much to be worked on to see that the banks are reckoned with on time and that we have more funding for the development of our own facilities. We have begun to monitor all issues connected with the financial status of the sector, and we will be working seriously on them.

The reinforcement of the material and technical base has especial significance in providing for the growing shipments and raising the efficiency of operations. We are evaluating our requirements realistically proceeding from the interests of the national economy. A program for the modernization and technical retooling of the railroads has been prepared on the instructions of the CPSU Central Committee Politburo and the USSR Council of Ministers. It has been sent to all interested organizations, including Gosplan. We ask that that program be considered and that opportunities for its implementation be found.

Practice has shown that the decision to convert rail transport to economic accountability [*khozrashchet*] and self-financing is in need of serious corrective measures. They were developed with reference to industry without regard for our specific nature.

The question of rate scales cannot be skirted in refining the documents that should be guiding us in economic accountability and self-financing. A negative attitude has taken shape toward our proposals today, first and foremost at Goskomtsen [State Committee on Prices]. And we cannot tolerate errors on this issue.

What is happening with the rate scales? The price of products is going up while the price of shipping is going down. Some 150 billion rubles has been deposited in

other sectors of the national economy thanks to this over the last 40 years. There are thus no funds to finance the essential development of rail transport.

We are impatiently awaiting the approval of the Railroad Statute. Why do we assign such importance to this document? The Leninist requirement for the centralization of rail transport must also be observed under the new conditions of economic operation. No railroad can operate alone. It works only as part of a complex, in the closest possible mutual contact with other railroads.

[N.I. Ryzhkov]: What then, is there an opinion for dividing up the railroads?

[N.S. Konarev]: Such issues have come up in the Baltic, there have been serious squabbles. It has been proposed to split up the railroads and not pay for the fixed assets created using centralized sources. We were specially considering this issue at a session of the collegium.

[N.I. Ryzhkov]: Everything is moving toward consolidation and powerful integration everywhere. Only thus is it possible to survive. And here they are trying to return to dis-integration, to fragmentation, they are demanding that we even break up the railroads. Can this really be a serious discussion? Can we really approach it thus, being dragged backward?

[N.S. Konarev]: Not in any case. The railroad should be a unified and state one.

In conclusion I would like to note that the climate in the sector is a healthy one, people are inclined toward serious work and the utmost reinforcement of discipline, increases in efficiency and the most rapid possible elimination of shortcomings.

[I.L. Paristyy, chief of the Moscow Railroad]: The chief result of the past year was that we thoroughly felt the effects of the new mechanism of economic operation. It is namely thanks to its influence that the shipping plan was completely fulfilled for the first time for all types of freight. Labor productivity has grown appreciably. The incorporation of progressive technologies has made it possible to free up some 35,000 people for other work. Labor productivity will grow by 32-33 percent by the end of the five-year plan.

A third of the operating volume of the Moscow Railroad falls to passenger transport, which increases by an average of 10 percent in the summertime. The construction of new trunk lines linking Moscow with the Caucasus and the Crimea is projected. But the growing passenger flows must be assimilated today. We are as yet meeting this task only by lengthening passenger trains from 18 to 24 cars in each train. The Moscow Railroad is technically prepared for this, and it is up to the other railroads.

We have accumulated many shortcomings and unsolved problems in organizing the supply of fresh agricultural produce and consumer goods to Moscow. And perhaps the chief problem is interaction with trucking.

[N.I. Ryzhkov]: And haven't you thought of creating a transportation firm? The excessive attraction toward specialization has led to many contradictions in our economy. We must look at this and think seriously about it. There are data that testify to the fact that only combined transport is efficient. We are now working on that problem. The approach is equivocal. We think that if the chain "field—transport—warehouse—store shelves" is further broken up, it will make no sense. Each juncture is just new losses. This chain must be unified somehow. When some ideology matures on this issue, we will discuss it.

[O.A. Moshenko, chief of the Baltic Railroad]: Our railroad serves the western part of the country and, regionally, Estonia, Latvia, Lithuania and Kaliningrad Oblast. The discussions on a break-up are continuing. It is being proposed that the railroad be divided up and leave the MPS system, and that something of their own, self-contained, be created within each republic. A second variation is that the railroad break away but remain in MPS. We have a technologically unified loop. Locomotives are repaired in Estonia, railcars in Latvia, and the railcar flows are closely intertwined. The break-up of the loop will worsen operations. There was a separate system about twenty-five years ago. But life forced us to combine. The utilization of all resources, including the rolling stock, improved by one and a half times as a result. Our position is that there should be a unified loop in the Baltic region.

The participation of our enterprises in regional economic accountability is acquiring particular significance under contemporary conditions, and today we are transferring all of our income to the state budget, whence returns money for the republic budget. The republic does not feel our contribution, we stand off to the side somewhere. The republics are raising the issue—and we agree with it—that the railroad should participate directly in the republic budgets to a certain degree.

[N.I. Ryzhkov]: The basic provisions of this problem have been formulated. They will be the foundation for the future Law on Territorial Economic Accountability. It is being proposed that each enterprise, regardless of departmental affiliation, should contribute funds to the development of its own region. We will begin instituting this system in 1991. Tell me, you have one railroad but you serve three republics. Will you be able to provide for regional economic accountability without disrupting the whole system of rail transport in the Baltic region?

[O.A. Moshenko]: The railroad and its divisions are economically accountable enterprises. In principle, every division could participate in regional economic accountability. But the status of the divisions must be confirmed and the principles, forms and measures of this participation defined.

[L.I. Matyukhin, chief of the Gorkiy Railroad]: We serve 12 oblasts and the autonomous republics of the Non-Chernozem Zone. We experience the greatest difficulties with passenger transport, especially suburban, at the major rail centers of Gorkiy, Kazan and Kirov. The misfortune is that we have been unable to increase capacity. We did not receive a single electric locomotive last year. Just one train is planned for this year. People are speaking sharply about services, about the quality of service, and how can they be provided for in the face of the existing state of our passenger cars? The deliveries of modern rolling stock must be increased.

[N.I. Ryzhkov]: We are attentively considering the situation in passenger transport. But the Kalinin Railcar Building Plant should put more of them out. The Riga plant began to modernize only under great pressure, and it is being propped up, after all. Maybe it is time for the railroad workers in the system itself to start being occupied with these issues. This situation simply cannot be tolerated any further.

[N.S. Konarev]: We considered this question at the collegium, and we are making use of our capabilities.

[L.I. Matyukhin]: The state of the track troubles us a great deal. Some 2,500 out of the 7,000 km [kilometers] of track are in a sorry state today. We tolerate accidents and crashes. We can't get by with patching alone. We need rails, fastenings and machinery.

The Moscow—Sverdlovsk line has been electrified today. But we are not taking advantage of the possibilities of this locomotion to the fullest due to a lack of electric locomotives. We work with old ones, and even passenger trains are driven by old electric freight locomotives. And that affects safety as well as the quality of the transport. We earnestly request that the corresponding ministries and departments be obliged to take immediate steps to fulfill the plans for the delivery of everything badly needed by rail transport.

[N.I. Ryzhkov]: I would like to direct your attention to how the railroads are making use of the resources given to them. Look at what you are doing with metal byproducts, unnecessary equipment and rails, look around yourself. You need rails. But why do you have such an indifferent attitude toward metal? We are extracting ore, building blast furnaces and polluting the environment instead of collecting the scrap metal for resmelting and making the same rails. Learn to respect metal! The name railroad, even the word "metal rails," compel much. Who else but you can be an example in this matter!?

[A.M. Kozhyshko, chief of the Donetsk Railroad]: One of the most important areas for the development of our railroad is strengthening the railcar repair bases. The achievements of the Yasinovataya Depot-Yard are well known. We have set about organizing the factory repair of passenger cars. Some 20 railcars were repaired at the

Mariupol Passenger Depot last year, this year we will do 60 and in three years it will be 250. The quality of the repairs is higher than at the plants, and moreover the cost is lower.

We must consider the question of the operations of the Kerch ferry in connection with the growth in freight traffic to the region of Armenia. Some 8 passenger trains and 30 freight cars were ferried there before, and today they say it will be just two trains. It is up to Minmorflot [Ministry of the Maritime Fleet].

[A.A. Zaytsev, chief of the October Railroad]: The Leningrad—Moscow line is a high-speed loop. High-speed traffic cannot be allowed to die. We are waiting for high-speed electric trains from the Riga plant, and we have to build an electric-train depot for them. But Mintransstroy [Ministry of Transport Construction] is not undertaking these projects. We have agreed with Finnish firms that they will make the zero cycle. We are looking for foreign currency ourselves to pay them. We need about 20 million rubles in hard currency. The railroad profits from the operation of our railcars on the Finnish side totals 10 million rubles, but we only get 10 percent of it.

We are devoting a great deal of attention to the track workers, and matters are changing for the better. About a thousand people a year left the railroad before. This year 1,000 people came for track work. It was decided to release women from this heavy labor altogether. The wages of the track workers have now been raised 24 percent, and their growth rate is twice as high as the average across the railroad. This is correct. Today people are saying they have two questions: will these wages be maintained, and when will there be fastenings? They are undersupplied by the metallurgists—bolts, terminals, washers, even spikes.

[I.A. Shinkevich, chairman of the sector trade union central committee]: There are many social problems in rail transport. We are solving some of them ourselves, but there is a series of issues in which we are asking for assistance. We are having great difficulties in providing railroad workers with food and consumer goods. We are not asking that we be put in a privileged situation. Today the funds for foodstuffs are allocated through the local soviets, and we are getting shortchanged all the time. We thus are asking that we be allocated as much funding centrally as is allotted per person in any other sector. We will be able to distribute it properly and provide the track workers with food.

The housing question. Construction has increased by one and a half times over the last three years. Whereas in 1985 32,000 apartments were constructed, there were over 48,000 last year. We are putting up over 60 percent of the housing using our own manpower, 30 percent is being built by Mintransstroy and the rest by other ministries.

[N.S. Konarev]: We have increased construction and installation work by 45 percent over three years and assimilated 700 million rubles last year, while a billion is planned for 1990.

[I.A. Shinkevich]: We have 500,000 people on waiting lists, but we have surrendered 40 percent of the housing to the local soviets.

[N.I. Ryzhkov]: The number of people on waiting lists has dropped?

[I.A. Shinkevich]: It has decreased almost not at all, new people are coming in and new problems are coming up in housing. Why are the local soviets taking housing space away from us? After all, transport has its own trade, medicine and education. And we have to provide their workers with housing.

The social problems are most acute among the track workers. This is the most difficult subsector in rail transport. Out of the 400,000 people employed in it, 180,000 are women. Their labor is hard, manual, the tools weigh 20-30 kilograms. The decree of the USSR Council of Ministers on increasing the production of track machinery was good. Unfortunately, however, all the ministries that should fulfill it are expanding operations too slowly.

[N.I. Ryzhkov]: We must have reports at a presidium session on how this decree is being fulfilled. Some ministries are fulfilling their obligations while others are lagging sharply. This must be investigated. We aren't a volunteer fire department.

[I.A. Shinkevich]: And now about the new forms of labor organization—the collective contract. We have very few stations where it is in effect. What is hindering it? Planning "from where we left off" has pushed us into a corner. Today we should convert all track workers to this form of labor organization, but we do not have enough wage funds—200 million rubles.

[N.I. Ryzhkov]: You have exceeded the planned wage fund. Put things in order, or else the banks will stop payments.

[I.A. Shinkevich]: A final question. There is a very difficult profession in transportation, that of yardmaster. He needs high qualifications and many skills. And the productivity of marshaling yards and freight stations drops if we are understaffed with that category of worker. There are 31,000 yardmasters in all in transport. We have done some research: only seven percent work for 25 years, the rest cannot keep up with the rate of operations. Maybe it would be possible, as an exception, to allow them to retire at 55?

[N.I. Ryzhkov]: I will talk about deductions of housing. The situation in the country is complicated. A multitude of decisions were made over decades on housing deductions—for the military, physicians, teachers, trade workers... Each is right, but the enterprises suffer—sometimes up to 60 percent of the new apartments are deducted.

Today, according to the State Enterprise Law, no one has the right to take from collectives money they have earned, especially from the social-development fund. The major portion of the funds for housing construction and social and cultural matters are concentrated at the enterprises. But we will have to deduct housing as before until the republics and local organs are converted to economic accountability and self-financing, albeit on a smaller scale. When everything is on full economic accountability, when the enterprises hand over their share to the local soviets for the budget, any deductions of housing will cease. Each should earn and each should build for himself.

[I.N. Vorobyev, chief of the South Urals Railroad]: We are experiencing an especially acute shortage of gondola cars. Give us at least the standard. Almost six thousand gondola cars pass through the railroad and about a thousand should provide their own.

There are many unresolved issues in the social sphere. Our line stations today are dying villages with century-old housing. We are trying to create the essential conditions so as to concentrate operations at 60 major stations. The problem is aggravated, however, by the high traffic intensity, a human eye is needed at each station, and that means appropriate conditions for labor and everyday life. And there are 400 such stations on the railroad.

I understand that we are obliged to help agriculture. We railroad workers do not have the right to stand to the side, and we should strengthen sidings and grain receiving stations and reinforce our own facilities in the interests of the agro-industrial complex. But we need help. First and foremost with grain cars, of which there are not enough.

[Ye.G. Dubchenko, chief of the Moscow Metro]: Our metro is the most intensive in the world. Its intensiveness is 4.5 times greater than the Paris Metro and twice that of London. We have 42 trains per hour on a kilometer of the line here, while they have 32. And that is bad, of course. We transport 40 percent of the passengers of Moscow. That is 7.6 million people daily. We transported 2.6 billion people over last year. And many unresolved issues have accumulated. One of them is pension support for track and facilities workers. There are 1,000 of these people, and they have worked only at night for decades. And that circumstance must be taken into account somehow in allotting pensions for them.

A second unresolved issue is the modernization of the rolling stock. Two of our railcars caught fire in 1987 due to design deficiencies. This is causing a great deal of anxiety. There are some 400 trains running underground, and each has two thousand people. The railcars must be redesigned quickly. We have coordinated a draft USSR Council of Ministers resolution on this issue with 24 ministries, but no one has been able to get it since May of last year.

[N.I. Ryzhkov]: There are many discussions regarding metro fares. Today the country's metros, including the Moscow metro, are losing money. This is becoming a drag on their development. We are thinking of transferring the financing of metro construction to local bodies. And we are encountering resistance. Everyone wants a metro, and that is right, but we must think about at whose expense it is built. How do we act in this regard?

[Ye.G. Dubchenko]: Already now the cost of transporting a passenger is 5.5 kopecks, and in the year 2010, if everything that is planned is executed and the overall length of the line is 470 km, it will cost 2.5 times more. There will be almost no additional income for us, while the expenses will be enormous.

[N.S. Konarev]: It seems to me, first of all, that what must be done is to formulate a fundamental position. The discussion concerns the metros in 12 cities. And the resolution of issues in their development of income, prices and fares must be shifted to the local soviets and us.

[V.G. Inozemtsev, rector of MIIT [Moscow Institute of Railroad Transportation Engineers], corresponding member of the USSR Academy of Sciences]: Transportation is a science-intensive sector, and we scientists feel a responsibility for solving its problems. There are many discussions about track facilities today. It is right to pose these questions. Our country is in the lead in from the point of view of technical solutions. We have tested Japanese, French and American rails. Ours are better—but only in the event that all of the technology of their manufacture is upheld. We are in the lead in the electrification of transport. We have developed many progressive solutions here. A considerable portion of them, unfortunately, have not been assimilated by industry. A large quantity of electronic equipment ensuring the operating safety of trains is being produced. There are developments making possible the creation of instruments to diagnose the state of the rolling stock. A new automated signals system has been created. It gives the engineer information on the situation on the six sections lying ahead and makes possible a material economy of power. An automatic braking control system has been developed. The reliability of all of these devices depends on the elemental base to a considerable extent. We get what goes into broad circulation. We are asking that this issue be resolved.

A good experimental base is needed to accelerate technical progress in rail transport. And now the question of dissolving the experimental testing ground at Shcherbinka, where 353 million rubles have been invested, has come up in connection with the fact that Moscow has gone out beyond the ring road.

It seems to us that a more profound forecast of high-speed traffic is needed. The time is not far off when the principal European countries will be linked by trains running at speeds of 250-270 km/hr. We understand all of the difficulties of the national economy, but we cannot lag behind.

[N.I. Ryzhkov]: We cannot live one day at a time. We must look at least ten years ahead. Either we will be separated from the rest of the world or we will be integrated.

[V.B. Belovodskiy, chief of the Lyublinskii Mechanical Casting Plant]: You have had the opportunity to satisfy yourself personally under what conditions we are working, Nikolay Ivanovich. After your visit we resolved many issues, and the collective took heart. The question of night wages was resolved. We are converting to new wage and salary scales. The supply of food and industrial goods for our workers has improved. In general, much has been done.

[N.I. Ryzhkov]: That's not because I came. It is far from going around the enterprises and passing out presents. That day I visited three plants, and yours produced the most terrible impression. I at once recalled my younger days, we had the exact same sort of foundry, but forty years have gone by since then! All the plants must be helped.

[V.B. Belovodskiy]: The plant has not been modernized a single time for many long years. The Moscow Soviet is demanding the removal of our production. Today we assemble a workforce first and foremost by offering housing. I.S. Silayev came to the plant twice after your visit and held a conference that attracted five ministers. They all concluded that the plant is in need of modernization, and leave the casting here since the enterprise is a specific one. A draft decree was prepared and all of the necessary consents were obtained, but once again the Moscow Soviet is not only demanding the removal of foundry production, but also the complete reconfiguration of the plant for the output of products essential to the city, since some 80 percent of our products are shipped to other regions today. We are very much asking for the resolution of this issue.

[B.D. Nikiforov, deputy minister of railways]: We have already discussed the difficulties in passenger transport. The majority of the people do not want to ride in open cars today, they prefer compartments. And we have a great shortage of those. We were recently at the Kalinin Railcar Building Plant. Much has changed for the better there in recent years. There are plans for new cars. They

have been able to change the compartment plan. Four berths will be normal there, and in peak months, six. They are seeking out ways of producing an additional 200-300 railcars in 1990 without large capital spending.

[N.I. Ryzhkov]: How many compartment cars are needed to satisfy the desires of the passengers?

[B.D. Nikiforov]: The ratio today is 30 percent compartment cars and 70 percent the rest.

[N.I. Ryzhkov]: We must double the share of compartment cars. This is not only an additional quantity of railcars, but also greater comfort for the passengers.

[B.D. Nikiforov]: For me the impression has formed that prospects for the output of electric locomotives have been lost at Minelektrotekhprom [Ministry of the Electrical Equipment Industry], and that we can get along without them. The fleet is getting older, and the replenishment is proceeding at a clearly inadequate pace.

It looks like Minelektrotekhprom has thrown electric locomotives to the winds of fate. While we are finding a solution with Mintyazhmash [Ministry of Heavy, Power, and Transport Machine Building], with this ministry we are not.

[A.P. Ivanov, chief of the Far East Railroad]: The railroad collective has fulfilled the plan overall. But we were let down by the coal miners of Primorye and things are bad in imports. We have been unable to raise shipping quality. One reason for that is the poor line speeds. Load intensity is rising faster than rail quality. We are replacing them, at a minimum, after nine months of operation.

We are expecting a serious increase in freight traffic with the opening of Vladivostok and the other cities of Primorye. And we are counting on the BAM.

[N.I. Ryzhkov]: How many pairs of trains are running on the BAM each day?

[N.S. Konarev]: Three. The BAM is our salvation. The principal tunnel will be ready in 1992, and we will be talking quite differently about the BAM then.

[A.P. Ivanov]: About freight deliveries to Magadan and Kamchatka. We have been unable to straighten out these shipments for three years. There was poor delivery in January—April, and when mass shipments start, all of that freight is to the side, the cars stand idle.

[N.I. Ryzhkov]: Why not increase the volume of these shipments in the first quarter? I understand it is difficult there, that the ice situation is bad. But here we can ship even in the fiercest cold. I would ask Gosplan and Gossnab to consider this question.

We will conclude here, comrades. I should say that we must have these meetings more often in practice. Maybe meet once a year, after results have been summarized. This would make it possible to have objective information at first hand on the situation on the railroads and to hear your opinions on this or that problem.

I am satisfied with today's meeting. Many questions have been cleared up for me to some extent, and I think for those comrades in attendance as well. It will make it possible for us to look anew at some of the problems we have.

The operations of rail transport are a vital issue. Today there is essentially no equivalent alternative to the railroads. The railroads are defining the socio-economic life of the country even in the face of the enormous work of truck and air transport and the maritime and river fleets.

The CPSU Central Committee and the government are devoting particular attention to the development of rail transport. We note with satisfaction that the railroad workers have begun to work more steadily than several years ago. It's a thing of the past, and there have been many discussions in this hall. The government was discussing the situation in rail transport every week, the minister made promises, a mass of questions was posed, but everything went badly. Today there are fewer discussions and they have begun to work better, in more stable fashion, although there are very many problems.

We know them, although some problems are not felt acutely, perhaps. And we must take them up in fundamental fashion. We are charging the corresponding ministries and departments, as well as the apparatus of the Council of Ministers, with carefully considering several fundamental issues. We are not able to discuss all the issues, but some should be reported on to the presidium.

These include first and foremost the supply of rails. It is time at last to remove this problem. We have been talking about rails for ten years, and there is no solution. The metalworkers should work as they ought and be occupied with the quality of the heat treatment of rails. Why don't they even last a year? What is going on here must be deeply investigated.

Metallurgy operates very sluggishly and in difficult fashion. They have their own problems, and it is within our power and interest to help them. Collect all scrap metal. We were two million tons short in scrap metal last year, and that is four million tons of rolled metal.

Millions of people travel on the railroads. You are in the social and ideological spheres as well as the material one. You transport people, and they see whether there is order in the country or not. They look and they see what sort of disorder there is on the railroads and all around. Your service is backfiring, you cultivate neglect of affairs and the popular good, not just metal.

Questions of transport machine building must also look at. This concerns electric locomotives first and foremost. We have been going around the Novochoerkassk plant for several years. Neither the oblast nor Minelektrotekhprom need it. This must be investigated.

The situation in the manufacture of track machinery must be evaluated very strictly. I well remember how two years ago we were discussing this issue and got the ministries and their executives to promise to do everything to free the women from the yellow jackets and heavy work. The time has come to answer for these promises. We will put the question to the Presidium and give a serious evaluation of these people.

The situation with passenger cars must be considered as well. Only here is there such a concentration of reserved-seat cars—70 percent. We owe the people something here. I understand that there was a war and postwar difficulties, but it is time to become civilized. We must move step by step toward a more modern type of railcar. I realize that not much can be done over one year. A certain time is needed, but a program of action is needed today. I think that Gosplan will do some work in this area. And MPS should also organize the production of cars. One or two plants must be found and their reconfiguration begun. We have decided to convert a series of defense plants to the output of products for the domestic economy. We must look here at how to set up the production of passenger railcars. I think we must work seriously on a program for the development of rail transport overall.

The country's railroad should be unified. And it is time to put a stop to discussions of "sawing" it into pieces. It must be explained that this is stupidity, those who are trying to throw us back into the 19th century must be repelled.

It is good that you have begun leveling off the financial situation in the sector of late as well. The situation in the country is very difficult and complex. You have noted that the state budget deficit, which totals 35 billion rubles, was mentioned at a session of the USSR Supreme Soviet for the first time. A series of features appeared after the session whose authors asserted that the deficit is equal to 100 billion rubles. If you grasped the report of Comrade Gostev at the session, it was clearly stated how much, from where and for what purposes the state is borrowing 65 billion rubles. The fact that this money was taken from the loan fund is an economically substantiated occurrence. It would have been lying there, but we put it into circulation. The government has at the same time prepared very serious measures to revive the financial situation in the country. Reductions in centralized capital investment and other expenses are projected so as to eliminate the budget deficit and normalize the financial situation.

A shortage of material resources also keeps the national economy from functioning normally. We have shortages in practically everything except money, and it should be the other way around. Everybody has money, and its material coverage is insufficient. This concerns both the production sphere and the consumer market. A paradoxical situation has taken shape: the growth in goods turnover in the country last year was a record—24 billion rubles—but it did not weaken the pressure of the effective demand of the population in the market, people are still left with a large quantity of money, there are not enough goods and services for them. We have as yet been unable to balance the consumer market, income and expenses.

These are universal tasks, and today they have moved to the forefront, and the government is engaged to the maximum extent in how to adjust these processes. It is a quite complex matter. Whereas earlier it was resolved using administrative methods—don't give wages—today it must be managed using economic methods. All must be retaught today, including the ministers. We hold sessions of the Presidium every Wednesday, and I see that the ministers have begun looking much more deeply into the economy. But life is outstripping us, we are always catching up with this or that process. This is our shortcoming, and we must work on it seriously here.

I think there are still many reserves in the economy of your sector, you have many remnants of material values beyond the standards. Look at what could be used for financial revival and for the consumer market.

We will be strictly following the correct ratio of the growth rates of wages and labor productivity. Stay within the standards, otherwise bank sanctions will be employed. There can be no compromises here, we will not be able to pay money that is not covered by material resources. We must balance everything and right the situation.

In conclusion I would like to thank you for the great labor that you are contributing to the cause of reinforcing our economy, and I wish you new successes.

**Conference Examines Rail Performance, Problems**  
*18290096a Moscow GUDOK in Russian 15 Feb 89 p 1*

[Article by V. Sluzhakov: "For Outward Prosperity"]

[Text] A network selective meeting, in which G. G. Vedernikov and V. K. Gusev, deputy chairmen of the USSR Council of Ministers; L. A. Gorshkov, deputy chairman of the RSFSR Council of Ministers; deputy chairmen of the republic councils of ministers; and the directors of ministries, departments and enterprises participated, was convened yesterday.

Such an impressive meeting was no accident. It was caused by one thing: Despite outward prosperity, the branch's fulfillment of its volume indicators during

January and the first 10 days of February and the situation with loading and unloading operations remain extremely tense. The lack of rhythm in deliveries is disrupting the work of industrial enterprises. Scarce rolling stock is being immobilized. A railcar has become hard currency, without which many questions on the country's economy cannot be solved.

Transport—this is the life of a state. However, despite the government's concern with the state of affairs and the efforts made, we have still not managed to achieve the desired improvements. More than a million tons of coal have not been exported from Kuzbass, Ekibastuz and Karaganda. Wood and fertilizer lie like dead weights.

Petroleum products are causing special alarm. The sowing time is approaching and there are not sufficient fuel stocks. The Council of Ministers has examined this question twice, but neither the railroads nor the consignors are carrying out the decisions.

The following item. References to the shortage of tank cars have become a peculiar type of crutch and a parable in language shops. Some petroleum refineries have been compelled to halt production at times. Along with this, approximately 20,000 tank cars on wheels—and even more, according to the estimates of specialists—are immobilized every day because of the shortage of petrochemical and food products.

The problem has become so acute that specific quotas have been given to industrial enterprises to restore 1,900 tank cars. However, barely more than 200 have been put into circulation. Moreover, railroad workers were ordered not to accept unemptied tank cars. However, reports from the local area again abound with scandalous matters. There is the impression that enterprises do not know where to put petroleum products and that they are buying them extravagantly and that the railroad workers are diligently helping them.

The Ussuriyskiy Butter and Cream Combine did not pour off 15 tons of black oil; the Ventspil'skaya Oil Tank Farm—the same amount of fuel; the Ivanovskiy Chemical Plant—35 tons of an unknown chemical product; the Kargalyk'skaya Oil Tank Farm—almost 20 tons of diesel fuel; etc.

A simple conclusion thrusts itself upon us: The attitude corresponds to the free product. "How will they make both ends meet? What about costs?"—these puzzling questions, which have been addressed to the directors of the above listed enterprises, remain unanswered. Although—even without a reply—it is clear that cost accounting has still not become an antidote and barrier to the expenditure and waste of irreplaceable natural resources.

There is no sense in listing the other sore points on the path of a railcar. They are well known to GUDOK readers: the increase in demurrage during loading and unloading and at technical stations.

At one time it was stated that loading and unloading were falling off sharply on days-off. An abundance of figures confirmed this cycle that was contrary to the rhythm of transport operations. However, no other ways were mentioned to solve the problem except administrative ones.

V. M. Skvortsov, the chief of the Sverdlovsk Railroad, was subjected to sharp criticism. The railroad was not exporting lumber and fertilizer. The director of the Ministry of the Timber, Pulp and Paper, and Wood Processing Industry implored, for god's sake, that railcars be sent to get the paper that was in short supply. Let us recall the desperate step of the Kondopozhskiy Pulp and Paper Mill which refused to give paper to GUDOK and attracted attention to itself by this. All these authentic gestures of despair are evidence of the complexity and acuteness of the situation in mutual relationships with clients.

Honestly speaking, all of this would not have been heard by itself. However, is it an impasse situation? On Monday, while on a business trip in Moscow, A. Z. Vorovik, the chief of the Ussuriyskiy Refrigerator Depot, dropped in on the editorial board. Having read the story of the paper in GUDOK, he declared without a shadow of doubt: We will transport it from every enterprise, even in accordance with decreased tariffs. Only let the ministry permit it. You see, some sections are now without work.

Only one thing moved them: The collective is working using the second cost accounting model and is planning to shift to a lease. Perhaps, they will allow it in the Ministry of Railways and then one problem will be solved on an economic basis. Vorovik is not casting his words to the wind.

**New Moscow Metro Stations Open**  
*18290096b Moscow SOVETSKAYA ROSSIYA in Russian 3 Jan 89 p 4*

[Article by V. Romanchin: "The Subway Is Hurrying to Otradnoye"; first paragraph is SOVETSKAYA ROSSIYA introduction]

[Text] Yesterday, the three new stations on the Serpukhovsko-Timiryazevskiy radial began operating for the first time. They were handed over for operation on the very eve of the New Year, and the blue expresses have now begun running on a section with a length of 4.4 kilometers.

Passengers, who arrive in the capital's Savelovskiy terminal, remember how many difficulties they had to undergo to reach the city center. First, it was necessary to

squeeze into overcrowded public transport, travel to the subway's Novoslobodskaya Station, and then come out somewhere on Pushkinskaya, using a system of passageways.

V. Badyuk, an operational attendant on the Moscow subway, says: "The opening of the three new stations: Tsvetnoy Bulvar, Mendeleyevskaya and Savelovskaya, has permitted the Novoslobodskaya subway station to be significantly relieved. We have now connected the last of the capital's terminals—Savelovskiy—with the city center by underground transport. It is possible to travel through the entire city from its southern outskirts to its northern rayons through Chekhovskaya without transferring."

It is always interesting to take a short trip around the new subway stations. For example, the Tsvetnoy Bulvar Station will now be one of the deepest in Moscow. The Neglinka River once flowed through its location. That is why the builders had to resort to the unusual dry assembly method during the construction of its entrance hall.

The Mendeleyevskaya Station has been executed in a completely different style. It reminds one of white marble arcades. A picture of D. I. Mendeleyev is on the central wall.

The last of the three new stations is Savelovskaya. It greets passengers with a mosaic panel on which the history of the development of transportation is depicted. I asked Ye. Tikhomirova, the chief of Savelovskaya Station: "How did things go the first working day?"

Yekaterina Aleksandrovna said: "Passenger traffic was very heavy. It was evident from everything that passengers, arriving at the Savelovskiy terminal, were in extreme need of our station. So that there would not be any congestion or hold-ups, we turned on three of the four escalators for entry in the morning. Some difficulties were experienced: It was a new collective. The builders still had to finish some items—but it was the very first days. In the future, it will be easier."

#### **January Rail Performance Highlighted** *18290093a Moscow GUDOK in Russian 2 Feb 89 p 1*

[Article by the Statistical Administration of the Ministry of Railways: "The Starting Month Has Been Completed"]

[Text] In January railroad transport overfulfilled the plan for the total shipment of national economic freight and coped with the state order list. Out of 25 shipments of locally planned freight the lag occurred in 8.

A total of 1.936 million tons, including about 600,000 tons of hard coal, 574,000 tons of ferrous metal, more than 500,000 tons of ore, 300,000 tons of grain and remilling products, and 244,000 tons of timber were transported in excess of the plan.

Out of locally planned freight the biggest plan overfulfillment was attained for building materials—3.7 million tons—and for foodstuffs and industrial goods—more than 8,000 railroad cars.

A total of 20 railroads coped with the shipment plan. The following made the biggest contribution to total transportation results: the Belorussian Railroad—881,000 tons; the Southwestern Railroad—506,000 tons; the Lvov Railroad—716,000 tons; the Southern Railroad—630,000 tons; the Dnepr Railroad—1,186,000 tons; the Donetsk Railroad—1,178,000 tons; the Southeastern Railroad—487,000 tons;

Among the railroads that did not cope with the plan the biggest lag occurred on the following: the October Railroad—385,000 tons; the Azerbaijan Railroad—207,000 tons; the Transcaucasian Railroad—865,000 tons; the Kuybyshev Railroad—408,000 tons; the Virgin-Land Railroad—885,000 tons; the Central Asian Railroad—447,000 tons; the Sverdlovsk Railroad—560,000 tons; the South Urals Railroad—514,000 tons; the Kemerovo Railroad—1,077,000 tons.

In January the total transfer of railroad cars increased by 1,300 railroad cars as compared with last year. The established normative was overfulfilled by 2.2 percent. A total of 20 railroads coped with the assignment. Those that overfulfilled normatives by 6 to 12 percent include Belorussia, Volga, Southern, Donetsk, and Azerbaijan railroads. Among railroads that did not ensure the amounts of the total transfer the biggest lag occurred on the following: the Transbaykal Railroad—4.9 percent; the Far Eastern Railroad—3.5 percent; the Central Asian Railroad—3.3 percent; the Northern Railroad—3.2 percent; the Alma-Ata Railroad—3 percent.

Ten railroads ensured an acceleration of the railroad car turn-around-time as compared with January 1988 and such railroads as Krasnoyarsk, East Siberian, West Siberian, Alma-Ata, Moldavian, and Lvov fulfilled the set normatives. Considerable losses in the railroad car turn-around-time occurred on Transbaykal (the turn-around-time was slowed down by 21 hours), North Caucasian and Volga (by 18 hours), West Kazakhstan (by 10 hours), October (by 9 hours), and Baltic railroads (by 8 hours). This led to a slowdown of almost 7 hours throughout the network.

On the average, 600 railroad cars more than the set norm were unloaded in 24 hours. A total of 14 railroads coped with the assignment. However, the rest—especially

October, Baltic, North Caucasian, Azerbaijan, Kuybyshev, Virgin-Land, South Urals, and Transbaykal railroads—where unloading norms were not fulfilled, had a considerable surplus of local freight.

A 100-percent fulfillment of the freight and passenger turnover plan was ensured. This positively affected the sector's economic results. Labor productivity per worker employed in transportation exceeded planned labor productivity by 0.5 percent, increasing by 0.6 percent as compared with January of last year. Transportation costs correspond to the planned ones.

### **New Automated System Aids Container Operations**

18290093b Moscow GUDOK in Russian 7 Feb 89 p 2

[Article by A. Lyapin, deputy editor of the newspaper PRIDNEPROVSKAYA MAGISTRAL, Dnepropetrovsk: "Six Years of Red Tape"]

[Text] How quickly time flies! It seems that the following news spread only recently: The latest automated system—"Akkord-gruz"—operates at the Dnepropetrovsk Freight Station. It is designed for the management of freight operations on container sites. The application of the complex makes it possible to automate the search for containers, about 700 of which are placed on a site, to manage loading, and to control delays.

Six years have passed. Is it possible to sum up the results, to calculate the economic effect, and to share advanced experience? It turns out that it is not. There are many reasons. The passivity of managers of participating enterprises is the main one.

A total of 47,000 rubles were paid for the equipment. The people of Dnepropetrovsk spent some tens of thousands more on the construction of two posts, where it was installed. They rested content with this. The electronic computer complex manufactured at one of the Yerevan plants and the STROP communication system developed at the All-Union Scientific Research Institute of Railroad Transport often failed, but there was no permanent service personnel.

Managers of the signalling and communication subdivision, to the balance of which the equipment was transferred, did not rush to get down to business. In turn, station workers did not teach all acceptance and transfer officers the rules of use of this novelty. Many preferred to work according to the old method.

This continued for 4 years. In September 1986 M. Vorobyev, chief of the Dnepropetrovsk Railroad Division, issued an order concerning the disruption in the operation of the "Akkord-gruz" system. In particular, the order noted that the automated system was not activated. V. Radchenko, chief of the station, dodged its operation and did not work on bringing the staff of transfer and acceptance officers up to full strength. Chief

engineer V. Fedin did not teach them how to work according to the new technology. N. Shchebet, chief of the signalling and communication subdivision, did not accept it for operation.

By way of an order it was suggested that V. Radchenko finally organize the work of transfer and acceptance officers with the use of this equipment. The subdivision manager was required to accept "Akkord-gruz," ensuring efficient control over the complex. For the red tape penalties against the station chief, the chief engineer, and the head of the container site were announced.

It seemed that one month or two would pass and, as the saying goes, everything would be in its proper place. However, the state of affairs did not change. Neither instructions nor reprimands helped. A "dialogue" between man and machine was not held. But conferences continued and decisions were adopted.

Not long ago I visited a freight yard, which last year station workers completely transferred to the mechanized subdivision. In the building of post No 1, I met with A. Pakhomov, an electrician at the signalling and communication subdivision, V. Volovenko, his colleague, and V. Makar and A. Kazerin, young acceptance and transfer officers. All of them noted that the system could operate efficiently if managers and the workers themselves were interested in this.

A. Pakhomov, as the saying goes, demonstrated the miracles of this equipment. In only a few seconds a special printer gave out information on delays of containers and on the number of those taken out in a shift.

"It's a pity, there is no unity of views," Pakhomov said. "Not everyone likes this novelty."

"We use it willingly," V. Makar and A. Kaverin supported him. "But many other acceptance and transfer officers still prefer to rush about the site, searching for the necessary containers."

On the day of my stay at the freight yard the STROP apparatus did not fail.

"And if it begins to pink, do you use portable radio stations?" I asked the workers.

"No, they operated only for 2 weeks and then a command was received from the management of the mechanized subdivision not to use them."

I telephoned A. Abkov, chief of the subdivision, and asked him to explain the situation.

"We took away the radio stations, because A. Klyuchka, deputy chief of the signalling and communication subdivision, announced that the workers of this enterprise would not repair them."

Comments, as the saying goes, are superfluous.

In December V. Vodolazchenko, chief engineer of the Dnepropetrovsk Railroad Division, held a regular conference. This time he suggested that managers of subdivisions come to an agreement about assigning rates for service personnel consisting of several people. Differences of opinion arose again.

### Transportation Construction Ministry 1988 Performance Reviewed

18290093c Moscow GUDOK in Russian 8 Feb 89 p 1

[Article by N. Isingarin, deputy minister of railways: "To Strengthen Contacts With Builders"]

[Text] In 1988 subdivisions of the Ministry of Transport Construction made a significant contribution to the strengthening of the material and technical base of railroad transport. They utilized 2.133 million rubles for construction and installation work. With due regard for fulfillment in terms of bank credits this is 23 million more than the plan. The commissioning of 487 km of new lines and 503 km of second lines was ensured and 1,176 km were electrified. The commissioning of dwelling houses of a total area of 677,600 square meters, of kindergartens for 5,040 places, of schools for 3,917 places, and of polyclinics for 1,390 visits per shift was ensured.

If to evaluate as a whole, last year organizations of the Ministry of Transportation Construction slightly accelerated the rates of work on main steel line construction projects. This is a positive result of the further strengthening of business cooperation among ministries, road administrations, and trusts. Unfortunately, however, the attitude toward orders of railroad workers is not equally serious everywhere. A number of trusts and construction administrations did not cope with the plans adopted by them.

The biggest lag—within 6.2 to 3.9 million rubles—was allowed by Zabaykaltransstroy, Mosmetrostroy, Sevkastransstroy, Abakantransstroy, and Dneprotransstroy trusts and of 6.2 million rubles, by the Tyumenstroyput Association.

With the total fulfillment of the housing construction plan the commissioning of 10,000 square meters on the Virgin-Land Railroad, 7,300 square meters on the Northern Railroad, 6,500 square meters on the Volga Railroad, 4,600 square meters on the Krasnoyarsk Railroad, and 4,000 square meters on the Transbaykal Railroad was not ensured. The commissioning of a kindergarten on the Barzas Station according to the title of the new Anzherskaya-Barzas line was disrupted.

Therefore, I consider the alarm expressed on the pages of the GUDOK newspaper in the articles "It Is a Shame To Look in the Eye" (27 January) and "The Method Is New,

the Approach Is Old" (3 February) fully justified. Unfortunately, despite the general overfulfillment of last year's plan, the situation created on a number of railroads over many years has not changed. Despite the acute need of railroad workers for housing and social, cultural, and domestic projects, subdivisions of the Ministry of Transport Construction are building very few of them. For example, in 1988 they commissioned one-half of the housing commissioned by organizations of the Ministry of Railways.

There is an especially unsatisfactory picture in the overall titles of new lines, second lines, electrification, and junction development. An analysis of the utilization of funds on several dozens of such construction projects was made at the end of 1987. Although the figures are from 2 years ago, please believe that their order has not changed today. In the titles of construction of new lines the utilization in section A made up 69 percent and in section B, 24 percent; in the laying of second lines, 55 and 9 percent respectively; in electrification, 51 and 15 percent.

Such a situation leads to the fact that the spent capital investments do not always give the necessary return, the traffic and carrying capacity of lines increases slowly, and the conditions necessary for the maintenance staff of railroad workers are not ensured.

On the basis of this analysis the Ministry of Railways and the Ministry of Transport Construction adopted a number of measures aimed at strengthening the economy of the railroad network, primarily in housing and social, cultural, and domestic projects.

For this purpose ministries, railroads, and trusts developed specific measures for commissioning social sphere projects at Sverdlovsk, Volga, West Kazakhstan, October, and other main lines, coordinated them with local bodies, and approved them. Unfortunately, however, these measures are also being disrupted.

For example, on the West Kazakhstan Main Line, according to the joint directive "On Measures for Ensuring an Overall Construction of Second Lines on the Saksaulskaya-Turkestan Section, which was issued in March 1987, last year it was necessary to utilize 4.3 million on projects for nonproduction purposes and to commission 5,930 square meters of housing. However, organizations of the Ministry of Transport Construction accepted for the plan construction and installation work worth only 2.6 million rubles with the commissioning of 4,600 square meters. This they did.

However, railroad workers did not receive the 1,330 square meters, on which they counted initially. This year, according to the same directive, it is necessary to carry out construction and installation work worth 7.4 million and to commission 16,000 square meters of housing, but contract organizations undertook to build only 6,500.

According to the schedule approved by the Ministry of Railways and the Ministry of Transport Construction, on the basis of overall titles last year it was envisaged to commission 16,400 square meters on the Volga Railroad, but less than 10,000 were commissioned. Only one-half of the plan for construction and installation work was fulfilled. This year, according to this schedule, transport builders should deliver 34,300 square meters, but in the meantime only 14,600 were accepted for loading. On the Sverdlovsk Railroad, according to the "Schedule of Completion of Housing and Social, Cultural, and Domestic Project Construction" drawn up 2 years ago, 22,600 square meters should now be commissioned on the new Surgut-Korotchayevo and Korotchayevo-Yagelnaya lines, but Tyumenstroyput accepts only 3,200 square meters for fulfillment.

In general, the newspaper also gave a correct evaluation of the reasons for the lag in the construction of social sphere projects according to the titles of electrification of the Transbaykal Railroad. In 1984, for the purpose of the most rapid and overall solution of problems connected with electrification, subdivisions of Glavbamstroy [Main Administration for the Construction of the Baykal-Amur Main Line] (the former name of the present PPSO Bamtransstroy) were additionally enlisted in work, the privileges of the builders of the BAM [Baykal-Amur Main Line] itself being extended to them. However, this did not give the desired effect. PPSO Bamtransstroy constantly disrupts the annual assignments for the electrification of the Transbaykal Railroad. A total of 31.8 million rubles were not utilized in the construction of production projects there during past years.

The same situation exists with respect to the construction of social projects. For example, in 1985-1987 only about 14 percent of the funds allocated for this in all electrification titles were utilized. In 1987 two ministries developed a program for a sharp increase in the rates of construction of projects for nonproduction purposes. This year the plan for section B was almost tripled as compared with the previous year.

Although this plan was not fulfilled completely, last year can still be considered decisive. After all, as many funds were utilized as during the previous 3 years. The commissioned living space increased 1.5-fold as compared with the preceding 3 years. Moreover, this tendency is consolidated in this year's plans. A total of 25.6 million rubles, with which 32,000 square meters of housing should also be built, are assigned for projects for social and domestic purposes.

Nor were disagreements avoided. Builders did not accept dwelling houses at Daktuy and Magdagachi stations, kindergartens at Tygda and Daktuy stations, and municipal service projects at the Yerofey Pavlovich Station for this plan.

One specific feature. From the allocated sum 8.8 million were included in the plan of the road construction trust. I do not think that it is bad when the railroad construction trust joins the construction of title projects of the social sphere. The point is that electrification on the Transbaykal Station is carried out at the expense of funds allocated by the Gosplan. This means that, utilizing the capacities of its builders, the railroad receives additional capital for the social development fund.

If the affairs on this main line are evaluated, it should be stated that the turn to the social sphere began there, but everything was too neglected. Now it is necessary to rectify the situation through the joint efforts of builders and railroad workers, primarily of Tsentrobamstroy, Bamstroypu, and Zabaykaltransstroy trusts and of the railroad administration and departments.

The Main Administration for Planning and Capital Construction, the Main Economic Administration of the Ministry of Railways, and I, as deputy minister in charge of capital construction matters, should work more persistently and purposefully with the Ministry of Transport Construction. A great deal depends on railroad administrations, which have direct contacts with construction trusts. A prompt preparation of documents and construction sites, the solution of financing problems, different agreements with local bodies, the granting of "windows" and the work front, the delivery of equipment, and a rapid solution of other problems arising in the course of construction depend on our specialists. Nevertheless, the position of managers of construction organizations is the chief thing, especially as they have acquired independence in the formation of plans as of last year, and the situation can become even worse if they understand this right as the possibility to get away from the construction of social sphere projects.

In the last few years we with the Ministry of Transport Construction have reached greater mutual understanding. Now, however, the chief thing depends on managers of construction organizations. Trusting them, at the same time, it is necessary to increase the accountability of those who do not fulfill the plan or under any pretexts try to get away from the construction of railroad projects.

The set of measures, which were adopted jointly by clients and contractors, last year made it possible to accomplish the first task—to ensure in a full volume the utilization of funds allocated for transport development and, basically, to realize the program for commissioning production and social sphere projects. The first steps were taken to make up for the lag allowed in the construction of projects for nonproduction purposes.

Now we must develop all the good that was achieved last year and, thus, attain the fulfillment of assignments not only in terms of gross output, but also of the plan list, giving priority to the construction of social sphere projects.

**Parts Shortages Endanger Line Safety**  
*18290101a Moscow GUDOK in Russian 14 Feb 89 p 2*

[Article by TASS correspondents B. Gertsenov, A. Dragan and A. Kakovkin, Druzhkovka—Ryazan—Moscow: "A Scarce Bolt—The Problems of Railway Lines"]

[Text] Since the times when it was accepted to conceal accidents on the railroad, many have formed the persistent impression that fires, crashes and the demise of people are the lot of the capitalist countries. Glasnost and openness have shown that tragedies happen here too. Some of them can be written off as objective circumstances—natural disasters, for example. But no less a share falls to the subjective factor, explained by the vexing dynamics of the aging of the steel mainlines that has taken shape in recent years. As a result, one out of five kilometers of rails and one out of twenty switches require immediate replacement, since they have reached their wear threshold.

*The cars of a passenger train derailed at the Altayskaya Station of the West Siberian Railroad...*

*Traffic is stopped along the main line of the Transbaykal—a switch that has broken down is hurriedly replaced...*

*Rail breakage occurs on the Kirov—Balezino stretch of the Kuybyshev Railroad...*

Telegrams with similar contents arrive daily for the executives of the MPS [Ministry of Railways]. Specialists investigate and study the causes and are concluding more and more often that the equipment and devices are aging faster than they can be replaced with new ones.

This crisis situation did not develop overnight. It has been calculated that when capital investments over the course of the past twelve five-year plans for the development of the railroads comprised about 10 percent of national income, the sector had an adequate reserve to satisfy shipping requirements, even during the most unfavorable war years. But when capital investment fell to two percent or less beginning in the middle of the 1970s, the steel mainlines proved to be more and more in first a pre-crisis, and then a crisis, state.

It would be logical to conduct the capital repair of track more intensively in such a serious situation. And how do matters in fact stand? We addressed this question to the chief of the Main Track Administration, N. Mitin.

"It is difficult to stop the aging of the mainlines," Nikolay Fedorovich answered, "the machine builders are putting us in a spot. They cannot make the simplest part—a bolt."

Why? Posing this question, we went to the enterprises and organizations taking part in creating, at first glance, a very simple part.

Your eyes cannot take in all at once the enormous territory with the glazed roof overhead and the walls shutting out the severe winter cold. Not a shop, but a whole stadium the size of two soccer fields. But here, in one of the new shops of the Druzhkovka Metalware Plant, the machine builders were not undertaking a sporting game. Five years earlier the Ryazan Press-Forging Equipment Plant had supplied them with a line for the production of terminal and swage-head bolts.

"We installed it, tested it and tried to hand it over, but there was a misfire," recalled enterprise Chief Engineer A. Kovlyashenko. "We couldn't get any output then."

All right then, failures do happen: the equipment was new, had just been designed, there was no experience in operating it. Five years passed, and protocols of measures were compiled more than once, deadlines were set for eliminating unfinished business, but they couldn't figure it out: the protocols exist, but the bolts do not.

Imports are coming to the rescue, it is true. Four foreign lines are operating without a hitch alongside the infamous offspring of the Ryazan plant, putting out 33,000 tons of parts a year. But MPS needs way more of them. That is why they have reserved these "soccer fields" to set up another four Ryazan assemblies.

In answer to our question of why there has been such an unprecedented delay, the chief engineer of the supplier plant, N. Baranov, answered thus: "The new line was created according to the developments of the workers at the Moscow Central Bureau for Forging Machine Building and several enterprises. Moreover, all eleven automated assemblies on the line are experimental. Naturally, after start-up some of them simply didn't work. Now the customer—the Druzhkovka Plant—and the executors have to exert themselves some, but no initiative has been forthcoming from either one."

The chief engineer, like current Director V. Kerbs, got their jobs after the delivery of the "raw" equipment to Druzhkovka. They are directly to blame that the equipment has stood idle for a whole five-year plan nonetheless.

The Ryazan workers properly got around to a new assembly just last year. They quickly manufactured four modernized assemblies for their brethren. They are planning on receiving the needed equipment as early as March, assured N. Baranov.

Summing up all of these facts, one comes to the trite idea that the shortage of even such trifles as a bolt arises due to the disjointed interests of individual enterprises and agencies.

After a scenario on this topic was shown on Central Television at the end of December, proposals started coming in to MPS from enterprises and cooperatives that were ready to manufacture bolts and washers...

"And we are ready to link up with any enterprises that can help us," said N. Mitin. "Today the enterprises of Minchermet [Ministry of Ferrous Metallurgy], who would be engaged, even if at contract prices, in processing scrap metal beyond the state order and supplying scarce steel for these bolts, still have to answer. We are full of scrap metal, and if Gosplan lets us use part of it for these purposes, we will supply raw materials to any metallurgical plant."

The words and plans of the executives responsible for the bolts for the railroad are permeated with optimism. It seems that under the conditions of an intensive restructuring of the economy, the railroad workers will find an opportunity to interest the metallurgists and machine builders in the output of scarce bolts. And an interest in the needs of namely that customer will finally be manifested among the producers.

#### **BAM Support Facilities Problems Noted**

*18290101b Moscow GUDOK in Russian 16 Feb 89 p 2*

[Article by BAM Railcar Service Technical Department Chief A. Ugryumov, Tynda, under the rubric "Reply": "Are They Safeguarding Each Other?"]

[Text] The placement of the Baykal-Amur Railroad into permanent service is projected for this year. One can judge how ready the railcar facilities are for this by the fact that less than 50 percent of productive capacity has been built through today. The only railcar depot in Tynda has been under construction since 1984, and over that time only 15 percent of its projected cost has been assimilated.

Sections of the start-up complexes are being turned over with the minimal quantity of facilities intended for the transit of trains. They are, as a rule, landing among the ranks of long-term construction projects. The decoupled-railcar repair shop in Novyy Urgal, with a surplus of 402,000 rubles, was not included in the plan for 1988. The same situation has taken shape with the railcar facilities on all sections of the railroad.

A compressor station, railcar-inspector warming stations, a routine decoupled repair station and the mechanization of non-decoupled repairs have been under construction at the Severobaykalsk Station since 1985. All of the construction sites in Severobaykalsk have stood empty since July of last year.

A letter written by railroad workers was printed along with an article in the newspapers BAM and AVANGARD concerning the railcar depot in Tynda. The acting manager of the Tyndatransstroy [Tynda Transport Construction] Trust, Comrade Sokolov, gave assurances at the time that the "yearly plan for the facility will be fulfilled" (BAM newspaper, 23 Oct 88). What was the result? The construction workers did not manage to handle the plan last year.

The compressor station and closed decoupled-railcar repair shop have become long-term projects in Urgal.

The plan envisages the installation of instruments for detecting overheated axle bearings (PONAB). The apparatus has not been installed at many operational locations, however, due to the lack of accommodations for it. And only on the Tynda—Lopcha section have the buildings been turned over for equipment installation.

What are the reasons for the wanton practices in the construction of BAM facilities? First of all, privileged financing makes it possible to turn the plan into a system of construction gross output, where some operations requiring labor expenditures and good management by the command staff are covered by mechanized ones at other sites. Second, groups of customers of the BAM Construction Board on the scene do not monitor the unconditional fulfillment of the work according to the construction title lists and do not impose fines and sanctions on contractors for late completions so as not to put themselves under the gun in the event of disruptions in the equipment delivery schedule. That is how they safeguard themselves.

The plan for construction and installation operations for railcar facilities was not fulfilled in 1988: only 1.276 million rubles out of 2.139 million, or 59.6 percent, were assimilated.

#### **Engineers Question Use of SMET System**

*18290103 Moscow GUDOK in Russian 22 Feb 89 p 2*

[Article by MPS [Ministry of Railways] Traffic Safety Main Administration inspector A. Nureyev: "The New in an Old Key—Technical Progress or Playing at It?"]

[Text] *The incorporation of a SMET system (multiple-unit remote-control system) on cars of the Moscow metro took place in 1988 at the Planernoye electrical depot.*

*Today 11 Yezh-3 cars are equipped with it, although initially this equipment was intended for electric locomotives and not metro cars. The engineer's cab has become more crowded and his working conditions have worsened due to the installation of this cumbersome equipment. The addition of the apparatus and the circuit breakers does not ease the work of the engineer, sooner the reverse. This is especially manifested in cases of the poor working order of the rolling stock.*

*Something else is also troubling: with the incorporation of the system the engineers have lost the capability of using the so-called "counter-current" braking that was employed in emergency situations when all other braking systems fail.*

*The impression is being created that the incorporation of these devices was required not to raise the operational reliability of the rolling stock, but for some other purpose.*

*It is surprising that a number of workers received awards and incentives for such an insufficiently worked-out system.*

*We feel that this incorporation does not correspond to the requirements of the modern day.*

*Planernoye electric locomotive depot engineers A. Nabutovskiy, Yu. Dyakov, N. Polyakov et al (24 signatures in all).*

**Our correspondent asked inspector A. Nureyev of the MPS Traffic Safety Main Administration to comment on this letter.**

"The engineers have set everything out correctly," he said. "The system is cumbersome and exceeds noise standards. The apparatus in the engineer's cab blocks access to the end door, essential for exit in emergency situations. In brief, the system has more shortcomings than merits.

"Most surprising, however, is that testing of the functional capabilities of the SMET is being done on metro cars, although VNIIZhT [All-Union Scientific Research Institute of Railroad Transportation] developed it for mainline electric locomotives. This system in its pure form is not suited for the metro. And what is even more surprising and incomprehensible is that the breaking-in is being done on cars that have been removed from production. Why not on new ones? Because the manufacturer—the Mytishshi Machine Building Plant—did not consent to it.

"So what is the sense of installing new apparatus on rolling stock that will soon have served out its time? This is not an idle question—after all, last year alone some 205,420 rubles were invested in the assimilation of SMET, and the expenditure of another 70,000 rubles is planned for this year. Another special laboratory for the incorporation of SMETs with an annual wage fund of 24,000 rubles was created at the end of 1987 by directive of Deputy Minister B. Nikiforov. These are large sums. It is difficult for the metro to explain such generosity in the face of the current difficult financial situation. The return on the invested funds is still not appreciable, although the developers have calculated a simply fantastic anticipated annual impact—just under a million rubles."

An interesting detail regarding what A. Nureyev is relating. SMET testing was conducted in the summer of 1988 in clear violation of traffic-safety requirements. It is enough to say that the doors of the cars opened spontaneously, and the circuitry for "go" and "brake" was not hooked up. The chief of the Moscow metro, Ye. Dubchenko, nonetheless handed over a train for testing passenger transport by Order No. 1037 of 29 Jul 88.

"When I demanded a halt to the operation of the train," said A. Nureyev, "Deputy Minister B. Nikiforov ordered the removal of the ban. Pressure was essentially applied. And only the intervention of Deputy Minister G. Kozlov, chief of the MPS Traffic Safety Main Administration, make it possible to instill order and ensure the observance of safety rules."

This whole story brings bitter reflections. Imagine you are a passenger on an airplane on which testing of some new system is being conducted on a regular flight. You feel a cold shudder? And now imagine that the doors of the airliner suddenly open up spontaneously... How is it? But why did such a situation become possible on the metro? Why are new devices figured out in tunnels—where the slightest defect is fraught with serious consequences for the lives of people—rather than on special proving grounds?

**Passenger Service Complaints Examined**  
*18290119A Moscow SOVETSKAYA ROSSIYA in Russian 26 Feb 89 p 1*

[Article by T. Arzanova and V. Romanchin under the rubric "At Your Request": "A Train Ticket"]

[Text] *It would seem there is still a little while before the next station rush hour, but as the letters to the editor show, the passions surrounding passenger transport on the railroad do not subside. "Whereas before a shortage of tickets was felt only during the summer months," writes V. Pogorelov of Murmansk, "today you can't always get a seat even in winter." "Can it really be that common cars stuffed to the limit with people are the main 'conquest' of our rail transport?" asks O. Kiyatkovskaya from Voronezh. "If MPS [Ministry of Railways] is unable to instill order, can we really take seriously the competence of the people answering for passenger transport?" demands Muscovite S. Voronkov.*

Will anything change in the organization of passenger transport in the coming summer season? We put that question to the Deputy Chief of the MPS Passenger Main Administration, L. Ryabukha: "We prepare for every peak period in advance," elaborated Leonid Sergeyevich. "We prepare the railcar fleet and strive to improve passenger service. But everything doesn't always depend on MPS alone. Our anxiety is sometimes felt to be departmental, we are accused of seeking out reserves poorly. And what needs to be done, if we take the biggest sore spot—it is the shortage of railcars. There are thousands of cars running on the country's railroads today that have served their time and are functionally and physically obsolete.

"Gosplan has shut its eyes to the production of domestic railcars for many long years. We have just one plant—the Kalinin—as a result, which puts out just a few hundred cars a year. That is a drop in the bucket."

*And how do they look at this problem at Gosplan? Is the situation really so hopeless?*

"Yes, the need for deliveries of passenger railcars has not been fulfilled of late," said USSR Gosplan Deputy Chairman and Chief of the Composite Department for Transport and Communications A. Bevzenko. "That situation has existed for 13 years now. What is the reason? I am not trying to give excuses for the country's planning body, but I would say that we are fulfilling our task of including them in the plan in good time, allotting funds and figuring production capacity. And next there remain the two brothers, unfortunately step-brothers rather than natural ones, MPS and Mintyazhmash [Ministry of Heavy, Power, and Transport Machine Building], who should fulfill the decisions made intandem. But MPS is not demanding enough of Mintyazhmash as a client, they wait years for the fulfillment of their order and write angry letters. And they need to act, not write. To make strict demands under the law of those who disrupt the deliveries.

"Now on whether you will be able to buy a passenger train ticket peacefully in 1989. Reserves are being sought today to supplement the railcar fleet. MPS has even decided to retrofit one of its own plants for the output of passenger railcars. But coach bodies are needed for that, and Mintyazhmash doesn't have enough for themselves."

*And so, a distinctive Gosplan—MPS—Mintyazhmash triangle has formed on issues of passenger service for the population.*

"As I remember, we are the acute angle in this triangle," said Chief Specialist A. Akimov of the Railcar Building Department of Mintyazhmash. "The plan for railcar output really is not being fulfilled. There is not enough capacity at the Riga plant, and the Demikhov is just getting on its feet. The Kalinin could perhaps manage its plan targets, but it suffers constant interruptions in materials: now there is not enough glass, now generators, now plastic. The disruptions in supplies foul up production. How can we get out of this difficult situation? It is a difficult question. And here Gosplan cannot shift the blame from the sick to the healthy. Improvements are also needed in the very planning system itself."

**Our commentary:** According to the data of USSR Goskomstat [State Committee for Statistics], research on passenger flow during the peak summer period for passenger transport revealed the following figures. Almost half of those polled noted the unsatisfactory technical and sanitary state of the railcars, and almost a quarter of the passengers addressed rebukes to the factory cars. There were especially many complaints on the Southwestern, Krasnoyarsk and Southern railroads.

It is an unhappy picture, bluntly speaking. And the answers of the three representatives of the major bodies on whose shoulders responsibility for passenger transport lies are moreover also not very reassuring. MPS makes excuses, Gosplan denounces, and Mintyazhmash shrugs helplessly. It turns out that the problem of the railcar or, more accurately, the full railcar of problems will be a wall to millions of passengers this year as well. It is time to stop the responsible organizations and their executives from pointing at each other. Wouldn't it be better to join together and solve the problems?

#### **Automated System Aids Kazakh Railroad Operations**

18290119b Alma-Ata KAZAKHSTANSKAYA PRAVDA  
in Russian 5 Feb 89 p 2

[Article by KAZAKHSTANSKAYA PRAVDA correspondent S. Yeremeyev, Aktyubinsk, under the rubric "A Crisp Rhythm for Transport": "Without Increasing Personnel"]

[Text] *When the West Kazakhstan Railroad "lost" a railcar just a year ago, finding it was like looking for a needle in a haystack. Today the location of any of the hundreds of thousands of cars can be determined in just a few minutes.*

*What miracle brought this about? There was, it turns out, no miracle at all: modern computer technology has been placed in service to the railroad.*

"But 'seeing' this or that railcar is not the main thing for us," said railroad IVTs [Information and Computer Center] Chief K. Kozhakhmetov. "Our computer system makes it possible not only to observe the transport process, but also to monitor it and control it. That is what's important."

The ASOUP—Automated Systems for the Operational Control of Shipping—is a powerful brain center with dozens of subscribers. Judging from the multi-colored schematic, it exists at practically all the stations of the West Kazakhstan Railroad.

"Today we have 142 subscribers," elaborated IVTs Chief Engineer V. Kapshuk, "and the number is constantly growing. And the system started in 1986 with five information stations."

From 5 to 142 is real growth. And qualitative as well as quantitative—in the sense of equipping the terminals with teletypes, displays and microcomputers. All of this equipment is quite expensive, what is the return from it? After all, it cannot be concealed that production stuffed with electronics is encountered where, as a consequence of mismanagement, there is no gain at all from the electronics.

"It's not that way here," assures railroad Technical Department Chief N. Sapa. "Judge for yourself: the system, not yet completely formed, has already had a respectable economic impact on the railroad—over a million rubles."

And this was just over a comparatively short time span. The improvements and expansions are moreover woven into the growth in its efficiency. Take last year and the year before for comparison: railcar idle time in freight operations was reduced an average over two hours. Or something else: railcar idle time at technical stations was reduced an average of 0.22 hours. Seemingly no big deal: a fifth of an hour. But if you take into account how many railcars are in circulation, the number you get is colossal! It's not for nothing they say that time lost is everything lost. A gain in time in transport turns into a gain of time in many other sectors, if not all sectors, of the national economy.

In order to evaluate the mechanism of restructuring on the railroad, let's look at a picture from the recent past. Here a train is passing through a station, as usual, with various freights. The task of the station workers is to decouple several cars and send the rest along to their destinations. While the duty officer searches for "his" cars according to the documents, while the appropriate documents and voluminous documentation are filled out, the train will sit there. The minutes turn to hours. And the idle time means enormous losses overall. But they do not feel them; after all, that's how it was everywhere. And when the computers came to the station, they received them without any particular delight. Or even more, with mute resistance. Who, they say, needs it? It's a pain!

No other attitude could be expected under the conditions of universal computer illiteracy. But it was also impossible to be reconciled to such an attitude. Here is what happened: the process engineers inspect some cranes, conduct short training classes for people in computer interaction and monitor the results of classes as if normal. They return to Aktyubinsk and the transmission of information gradually dies out. What is going on? It turns out that the station chiefs were not very exacting in the operation of the new machines, insofar as they did not take them seriously. They were much more accustomed to working with heaps of paper than managing a computer efficiently.

So that the negative attitude toward the innovations did not become a typical one, the railroad administration decided the conservatism must be broken once and for all. The normal operation of the ASOUP was put under the paramount monitoring of the chief of the West Kazakhstan Railroad, Yu. Panov, and his first deputy, B. Rodionov.

At the operational computer center they were already concerned with how to move further ahead. The issue was the mass equipping of workstations with professional personal computers.

"The transport workers have not yet gotten engaged in earnest with this," related IVTs Chief K. Kozhakhmetov. "And just the first steps have been taken in the country: according to our data, on the Southwestern Railroad and in Fastov.

The West Kazakhstan Railroad trails the Alma-Ata and Tselina railroads in the loading and dispatch of freight. It does not have progressive electric traction either. But in what we have been discussing, they have dashed ahead, and quite sharply. It is no accident that the Ministry of Railways has presented the ASOUP of the West Kazakhstan Railroad at the USSR VDNKh [Exhibition of the Achievements of the National Economy]. Something to be proud of!

"But that is not the main thing, after all," feels IVTs Chief K. Kozhakhmetov. "The main thing is that we are receiving machines this year able to perform over a million operations a second, six times more than now. So we will grow, increasing shipping volume, without increasing personnel."

## MARITIME AND RIVER FLEETS

### Minister Outlines River Fleet Tasks

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[Article by L. Bagrov, RSFSR Minister of the River Fleet: "The Tasks Are Complex but Totally Fulfillable"]

[Text] Working under the new conditions of cost accounting, the shipping companies, enterprises and the sector as a whole have ensured fulfillment of the plan for transport both for 1988 and for the three years of the current five-year plan. During this period, 1699 million tons of cargo were delivered to the national economy, including 73 million tons above the goals of the five-year plan. In this case the average yearly growth rates for transport for 1986-1988 were 30 percent higher than in the 11th Five-Year Plan. Problems of carrying cargoes to the regions of the Far North and full-volume delivery of agricultural products and equipment for important construction projects were solved. State orders for operations activity were fulfilled.

The entire increase in work volumes in basic activity was ensured with a more than 6000-person reduction in the number of workers. There was a 21.2 percent growth of labor productivity. This is twice the established goal on the whole for the five-year plan. At the same time a very important principle was observed—labor productivity growth rates outstripped the average wage increase. All this made it possible on the whole to implement the transition of the workers in the sector to new wage rates and salaries.

In three years the profit for all types of activity rose from 570 to 700 million rubles, i.e., we succeeded not only in stopping the drop in profit in the 11th Five-Year Plan,

but in ensuring a 22 percent increase in it. Certain shifts occurred in capital construction in the direction of expanding the social sphere. In 1986-1988, 1,141,200 square meters of total housing area were put into operation, which is 32 percent higher than the same period in the preceding five-year plan. Solid withholdings have been made for the economic incentive funds and favorable conditions have been created for solving the social program and modernizing and expanding production.

All this was achieved through incorporating the new economic mechanism and through the self-sacrificing, conscientious work of the river workers, such as State Prize winners P. Khamitov, captain-engineer of the Volgo-Don-5064 Motorship of the Kamsk Shipping Company and A. Kalyagin, captain-assistant engineer of the Motorship Navashinskiy Sudostroitel of the Volga United Shipping Company, prize winners of the Soviet trade unions imeni N.I. Chadeyev, N. Chumakov—captain-engineer of the Motorship Moreplavatel Lisyanskiy of the Volga United Shipping Company, E. Tinkelman—chief of transport service and fleet traffic of the Northwestern Shipping Company, V. Kholodilin—captain-assistant engineer of the OTA-811 of the Amur Shipping Company, A. Loginov—commander-assistant engineer of the suction dredge Northwestern-303 of the Volga-Baltic Waterway Administration imeni V.I. Lenin, and N. Suvorov—captain-engineer of the Motorship OT-2011 of the Yenisey Shipping Company.

The potentials offered by the new system of economic activity, however, have been far from fully utilized.

In the last three years, of the 51 million tons of increase in dry-cargo transport, shipments of the most important types of products rose by only 11 million tons. It is not by chance that in 1988 not one of the shipping companies fulfilled the transport plans adopted for the entire products list. The total volume of transport, excluding internal extraction of construction materials, has increased only negligibly since the beginning of the five-year plan.

The rate for solving the financial-economic problems only through excessive operation of the river channels and other reservoirs is erroneous and can lead to serious complications. Graphic evidence of this is the activity of the Ob-Irtysh and West Siberian shipping companies and of the ports of Tomsk and Salekhard. Introducing new conditions of cost accounting did not lead to a radical, sudden change in the use of the fixed production capital. With a 6.3 percent average yearly growth in 1986-1988 of fixed production capital for the fleet, the average yearly growth in transport was 3.6 percent and in income—3.8 percent. For the Volga United River Shipping Company, with a 5 percent growth in fixed capital, the average yearly growth in transport was only 4.7 percent, and in revenues from transport—2.5 percent; for the Northwestern Shipping Company, respectively—11.4 percent, 3 percent and 7.2 percent.

With the retardation in the yearly rates of drop in capital-output ratio from 4.3 percent to one percent on the whole for the ministry, as we can see, it was impossible to stop the reduction in capital-output ratio.

The indicators of gross productivity deteriorated for all types of fleet. For this reason alone, the loss in transport volumes is about 9 million tons with revenues of 26 million rubles. This is the result not only of deteriorating navigation conditions, but also mainly of the seriously uncompleted work of the operations staff and ship captains. The greatest reduction in load for the entire cargo fleet was permitted by the Volga United, Kama and Volga-Don shipping companies, and the West Siberian, Lena United and Volgotanker—for non-self-powered tonnage.

Because of the increase in idle times while awaiting cargo operations, the losses in transport operations constitute about 4 million tons and 11 million rubles of revenue. This tendency is taking place in most of the shipping companies. At the same time, the use of gantry cranes on the job is: at the Volga United Shipping Company—21 percent, the Kama—32 percent, the Moscow—26 percent, the Volga-Don—32 percent and the Ob-Irtysh—28 percent.

As the result of insufficient attention paid to the development of transport by the cost accounting groups of the fleet, they have not yet exerted a substantial influence on the overall indicators of fleet use. In the total volume of revenues from cargo transport, the relative proportion of the cost accounting groups constitutes: in VORP—12.2 percent, Moscow—4.8 percent, Vyatsk—10.8 percent, Volga-Don—9.7 percent and the Irtysh and Yenisey shipping companies—about 13 percent.

On the whole for the ministry, only half of all the cargoes are transported by advanced technological methods, which cannot be deemed justifiable. These transports constitute less than half on the Moscow, Kama and Volga-Don shipping companies. There is a particularly low relative proportion of them on the Lena United, Western, White Sea-Onega, Sukhona, Northern, Belaya and Vyatsk.

Foreign experience in river fleet operation attests to the fact that the most economical form of transport organization is made up of pushed consists, particularly large-load ones. The optimum ratio of the haulage and tonnage is particularly necessary for this, however. While in the United States, the number of barges falling to one pusher is 8.6 units, in our country it is only 2.2 units. In 1985 the proportion of the self-powered fleet in total tonnage was 38.7 percent, and in 1988 it rose to 39 percent with a corresponding reduction in the non-self-powered fleet. The total capacity of the pushers engaged in cargo transports was reduced from 33.4 percent in 1986 to 33.2 percent in 1988.

This situation is caused not only by the interest of the USSR Shipbuilding Industry and foreign shipbuilding enterprises in constructing expensive equipment with a large relative proportion of completing items, and a self-powered cargo fleet, but also by the attitude of a number of leading shipping companies such as the Northwestern, White Sea-Onega, Volga-Don and Volga United, as well as by the Main Economic and Main Scientific-Technical administrations of the Ministry of the River Fleet.

Specialists and scientists acknowledge that one of the main directions in scientific-technical progress in river transport is the creation of pushed consists for work in lake and coastal-maritime regions. The advanced ideas are being carried out extremely slowly, however. It is with regret that we must note that, because of the irresponsible attitude of the directors of the Teplokhod Plant, the Northwestern Shipping Company and the Sudoremont Scientific Production Association, the periods for creating coupling devices and supplementary equipment for ships in order to conduct experiments under the conditions of lakes Ladoga and Onega were not met, and the work was put off to 1989. The Main Scientific-Technical Administration failed to show the proper sense of responsibility in solving this important problem.

The Central Committee of the Ministry of the River Fleet permitted the transition to the new wage conditions of 86 percent of the enterprises in the production sphere. The number of those working under these conditions is 93.2 percent of the total number of workers subject to the transition. At the same time, with the transition by the shipping companies, the economic incentives were not fully utilized, and the level of explanatory work was low in the labor collectives on questions of establishing a staff number of shore workers and in particular, a sailing complement to improve the structure of enterprise management. This is attested to by the complaints and letters of the workers. Considerable reserves to seek additional means of introducing new wage rates for salaries through improving the norm-setting for labor went unutilized, which is indicated by the large percentage of fulfillment of the output norms, which differ sharply from those presented by the enterprises in the accounts. Specifically, with respect to those working completely under the new wage conditions for shipping companies in 1988, the percentage of fulfillment of the norms was: Kubana—159, Northwestern—142.4, White Sea-Onega—132.7, with the estimated being 115-120 percent. As a result, on the whole for our ministry, these percentages dropped only by three points, which cannot be regarded as normal.

With respect to the results of improving the administrative structure in the center and in the provinces, a reduction of 2200 persons was achieved in size of the staff and number of administrative subdivisions. This work has not been completed, however. So far there have

been no recommendations on transition to cost accounting relations of the production administrations of the ministry with the shipping companies, basin route administrations and other subdivisions in the sector.

Proposals to create large unified ports, which include structural subdivisions located on the territory of a specific oblast, are being put into practice slowly. In Tomsk Oblast, seven ports and landing stages continue to function independently, in the Sukhona Shipping Company, within the limits of a single oblast—4 ports, in the Northwestern Shipping Company in Vologod Oblast—3 ports, and in the Moscow Shipping Company, within the limits of Yaroslavl, Moscow, Ryazan and Vladimir oblasts—2 ports in each oblast.

The experience of the association of industrial operations enterprises in Syktyvkar, Krasnodar, Tavda, Cherkassk, Tara and other places merits attention. At the same time, the solutions to these problems are not always adopted in a situation of broad glasnost and in consideration of the opinion of the work collectives of the enterprises. For example, because of the lack of coordination between the actions of the administration and the council of work collectives, the solution to the problem of unifying the REB [repair operations base] imeni Stepan Khalturin and the Port of Kotelnich was delayed.

Problems of unifying the enterprises of the shipping companies, the ursses [administration of workers' supply] and the BUP [basin route administration] are being worked out extremely slowly. Today many operating enterprises on the Oka, Yana, Kubana, Pregol and a number of other basins can barely function normally outside the route subdivisions without damaging the common cause.

The Committee of the River Fleet to Improve Administration of RSFSR River Transport discussed the problem of turning over individual route enterprises to the jurisdiction of the shipping companies, and it was particularly recommended that the Kubana Technical Section of the Volga-Don Canal imeni V.I. Lenin route be under the jurisdiction of the Kubana River Shipping Company. Sectorial science (TsNIIIEVT) [Central Scientific Research Institute of Economics and River Transport Operations] was entrusted with reviewing the question of unifying the shipping companies and the route enterprises and giving proposals on the whole for the sector.

The RSFSR Committee of People's Control, in a resolution of 20 December 1988, noted serious shortcomings in planning the basic activity, which was fully turned over to the shipping companies, in establishing stable economic norms for the structural units, and unsubstantiated centralization by the shipping companies of the resources of the structural subdivisions. The right to stimulate high end results is either not utilized or is interpreted in a distorted way. Sometimes a bonus is

awarded only for planned indicators, even without taking into account the production level already achieved, which naturally leads to a reduction in the outlined work volumes, especially since the enterprises themselves have the right to set the plans.

The plan for cargo transport, reduced as against the available production capacities, was adopted for 1989 by the Northwestern Shipping Company (3 million tons lower than 1988), the Volga United (0.6 million tons), the Moscow (1.6 million tons), the West Siberian (1.8 million tons), the Amur and also the Kama and Vyatsk shipping companies. The position of the management of the Ob-Irtysh Shipping Company is particularly unclear. Having fallen into a situation of economic crisis, it is accepting the transport volume for 1989 with a reduction of 1.4 million tons as against 1988.

Plans for transport work and profit, respectively, were also lowered. For example, the Volgotanker Shipping Company, which obtained 26.6 million rubles of profit in 1988, has adopted an indicator of only 23 million rubles for 1989. The Moscow Shipping Company, Kama, Northwestern, Yenisey, Lena United shipping companies and others did the same thing.

This attests to the extremely low level of economic operations in these shipping companies and at the enterprises and, naturally, leads to complicating their financial condition.

The collegium has already evaluated this approach and an amendment of the planned assignments is expected very shortly.

The RSFSR Ministry of the River Fleet was one of the first of the transport ministries to convert, in 1986, to the new conditions of cost accounting, and in 1988—to full cost accounting and self-financing, but problems of introducing the new forms of cost accounting were not completely worked out by either sectorial science or by the economic subdivisions of the ministry and the shipping companies. As a result, in the fourth year of the five-year plan, most of the production subdivisions were not ready to operate according to the new model of cost accounting and lease contracting.

The work of our planning institutes in accordance with the second model in 1988 and of the NGO [navigation-hydrographic support] and GVTs [main computer center] on full cost accounting only emphasized our shortcomings and in no way, other than an unjustifiably sharp rise in wages, was their experience noted for anything. It is clear that this is an extremely serious matter and there must be major preparation for it. An analysis of the results of the work and economic practice shows that a steady improvement in the economy of each enterprise and sector as a whole can be ensured only on one condition—bringing the principles and essence of cost accounting to each work collective, each worker.

It must be said straight out that the positive results in the sector's economy are in largest measure the result of carrying out, in 1986-1988, the obvious potentials, mainly lying on the surface (contractual prices and rates, rescinding seasonal discounts, surcharges for delivering PGS [sand-gravel mixture], etc.). The increase obtained in the three years of the five-year plan was almost fully provided through increasing revenues, and the reverse-expenditure mechanism was scarcely put into action.

Therefore, the actual course of development and improvement in the economic mechanism confirms the need for a transition to a normative distribution of income (second model of cost accounting) and lease contracting. In implementing this transition, we should clearly present the fact that each succeeding step in cost accounting leads, on the one hand, to intensifying the measures for material incentive and on the other hand—to stiffening the economic responsibility for the work results. This is particularly painful with a deterioration in the indicators.

For example, while the Ob-Irtysh Shipping Company operates in accordance with the second model, the losses to the wage fund in 1988 constituted 16 million rubles. Even the sector as a whole could only compensate for these losses in five years.

The problems of converting to lease contracting must be solved with particular care and full economic substantiation. It must be taken into consideration that individual subdivisions within an enterprise can be converted to lease contracting only on condition that the head organization—the lessor—is the guarantor of its wage funds and all the payments to the leased collective. The decision on leasing should ensure an improvement (increase) in material incentive for the workers only through an actual improvement in the results of the work. Naturally, the conditions of the lease should specify a system of mutual accounts, which would correspond to the rule of payment for labor.

The "General Methodological Positions on Lease of the State Enterprise by the Work Collective" and "Provisional Recommendations for the Use of Lease Contracting at Enterprises and in Organizations of the Production Sectors of the National Economy" were brought to the enterprises of the sector. On the basis of the standard statutes, TsNIEVT and LIVT [Leningrad Institute of Water Transport] were entrusted with working out models and methodological recommendations to introduce contracting and lease interrelations in the labor collectives in the fleet, at the ports and at industrial enterprises.

The Krasnyy Don Plant of the VDRP [Volga-Don River Shipping Company] has accumulated a certain amount of experience in collective contracting, by working with this method since 1 April 1988. The ministry, in conjunction with the shipping companies and the sectorial institutes, is working on preparing for the transition of

individual enterprises to the second model of cost accounting and lease contracting. Production facilities with a completed cycle are the best prepared to carry out practical testing of the lease relations.

In accordance with the decisions of the work collectives, the Neva Shipbuilding and Ship Repair Yard, the ports of Novgorod and Zyryansk and the Kuba River Shipping Company intend to make the transition to the second model of cost accounting in 1989. The main administrations of the ministry are committed to helping these collectives.

The second of the most important problems facing us is the transition from self-financing, which we are now practicing, to the so-called self-self-financing, or to full, independent functioning without counting on any State subsidies.

Many shipping companies, as before, count on acquiring a fleet with its cost paid through budgetary sources, as was proposed for ships of imported construction and from yards of the USSR Ministry of Shipbuilding. Because of the deficit in the republic's State budget, however, the situation has changed sharply, and in 1989 about 100 million rubles will be allotted from the budget for these purposes by the RSFSR Ministry of the River Fleet.

We must all clearly determine our attitude toward this important problem, since the fleet ordered in 1989 and 1990 is already arriving, and it must be redeemed.

An analysis of the use of the economic incentive funds of the shipping companies and enterprises shows that the budget deficit in 1989 for payment and runs of the fleet and for financing shore objects is difficult, but can partially be covered through internal resources, as well as by bank loans obtained at the sites. Our ministry's recommendations for the fleet, which the shipping companies should redeem in 1989, have been given.

We must now think seriously about the prospects for financing the fleet and the route services through budgetary sources. Evidently, in the 13th Five-Year Plan, there will be no centralized capital investments and budgetary allotments for these purposes. The rates for cargo transport have in practice been approved and do not fully compensate for the budgetary financing. In these conditions, a primary task is to implement, above all, measures for a sharp improvement in the use of the fleet, prolonging its periods of service and also working out a system of payment for the use of the water routes of the Russian Federation. The shipping companies, to develop the material-technical base, must use bank loans under the conditions of self-financing. This matter is very complex for a seasonal sector. We cannot manage our development without drawing loans.

The financial position of each shipping company, enterprise and sector as a whole should be evaluated from a new standpoint, in consideration of the circumstances that have formed both within and outside of the sector. We can no longer be patient, when entire enterprises are working at a loss (the ports of Kotlas, Baykal, Kurensk, Kriushinskaya, Borskaya Repair-Operations Base, etc.), when such major directions of work as passenger and individual cargo transports yearly drag the economy back, when above-norm reserves of commodity-material values have hardly been reduced, but the indebtedness of the enterprises is constantly growing, and when the damage from accidents has again begun to increase. This list could continue, but it is better for each director and the council of each work collective to make a careful analysis of the activity of each enterprise and draw the conclusions.

Can we really accept as normal the uncontrolled growth of expenditures in 1988 in operations activity (transport plus 63.9 million rubles, or 6.3 percent, cargo work—plus 21.8 million rubles, or 6.1 percent).

The result was a reduction in the profitability of transport on the whole for the sector, and even worse for individual shipping companies: the Northern, White Sea-Onega, Moscow, West Siberian, Ob-Irtysh, Pechora, East Siberian.

The measures taken made it possible to satisfy more fully the demands of the population for transport, and in the three years of the five-year plan to increase the revenue from the work of the passenger fleet by 22.5 percent. So far, however, the entire passenger complex continues to operate at a loss. The losses constitute about 16 million rubles, including 21 million rubles from passenger station activities and 5 million rubles from transporting cargoes on passenger ships. Unfortunately, neither the shipping companies nor the ministry actually have a comprehensive program to eliminate the unprofitable nature of this economic activity.

The practice that has formed of economic interrelations in the system of allied shipping companies cannot be regarded as normal. It has created a system in which for all shipping companies, and particularly the Volga United, which has a surplus fleet, it is unsuitable to convert to leasing, since the lease rate does not cover the expenditures to maintain them. It seems expedient this year to establish a value for the lease rate, based on the average cost of maintaining the ships of the inland waterways participating in interbasin transport, the proportion of distributed expenditures and at least 10 percent of the accumulations. For a system of allied shipping companies this value may be 27.2-27.5 kopecks per tonnage-day for dry-cargo motor ships instead of the 21.6 kopecks now in force. In our opinion, allied shipping companies leasing the fleet from VORP should go to this increase in rate, or acquire the ships needed in accordance with the established procedure.

Extraction and delivery of nonmetalliferous building materials occupies a considerable place in the sector's activity. The serious nature of the problems arising in ensuring this important work is set forth in the appropriate normative documents. Fulfillment of the road construction programs in the Nonchernozem zone and of housing construction requires, on the one hand, providing them with high-quality building materials in increasing amounts, and on the other—we increasingly often run up against the problem of introducing only ecologically pure and nondetrimental technology.

Sand-gravel materials are extracted at 500 quarries, mainly by industrial systems which pay inadequate attention to environmental protection problems. It is precisely for these two reasons that the Ob-Irtysh, East Siberian and West Siberian shipping companies find themselves in a critical position today with respect to extracting and delivering nonmetalliferous raw building material. The Moscow, Irtysh, Vyatsk and Western shipping companies are close to them, and have difficulties in literally every basin. The problems arising can be solved only if each director takes a very serious attitude toward them, particularly on the basis of creating non-detrimental technology for the work and of completely utilizing the amount of raw material extracted, obtaining the maximum revenues for a high-quality product. Underevaluation on the part of the ports, shipping companies and the corresponding administrations of the ministry of the need for an outstripping solution to all the problems of prospecting and extracting sand-gravel raw material from bed deposits is inadmissible.

In 1988 over 8 million rubles were directed to nature-conservation measures, but they proved to be very inefficient. The volumes and quality of the geological prospecting work did not satisfy our needs to increase raw material reserves. In the last three years, for example, the Port of Kazanskiy spent about 2 million rubles, but only 86 million cubic meters of new deposits were obtained, that is, practically the size of the working. On the whole, the problem of extracting and delivering nonmetalliferous raw material should be solved only with the full coordination of the local authorities.

The state of affairs with our capital construction continues to be complex. With the fulfillment of the plan for three years of the five-year plan with respect to putting into operation fixed capital, total apartment house area, plans for capital investments and construction-installation work in 1988, a step backward was taken in a number of directions. The plan for introducing fixed capital was fulfilled by only 95.1 percent, and for capital investments—by 97.2 percent.

The Volgotanker, Vyatsk, Yenisey and Lena United shipping companies failed to cope with the assignments set to put new apartment houses into operation. The deadlines were not met for putting into operation a start-up complex at the Port of Nadym, completion of construction of the Samus, Malyshevka and Borskoye

REB for the fleet and the river passenger station at Volgograd. The purchasers, however, in a number of cases are late in releasing the construction sites and turning over the planning documentation and do a poor job of completing sets of equipment and cable products (Ob-Irtysh, East Siberian, Lena and Volga United shipping companies).

Underfulfillment of the plan for the most important construction projects in 1988 was applied to the decision made by the directive organs for a sharp (13 percent on the average) reduction in the construction volume for 1989. This made it impossible to make up for the lagging behind permitted last year and required the temporary shut-down of a number of construction projects. USSR Gosplan, having reviewed the state of affairs, made the decision to close the estimate on Urengoy, stop work at the ports of Nadym, Yakutsk and Ocetrovo, the REB imeni Kalinin and the Tara REB for the fleet. As a result of this, the volume of uncompleted construction, allowing for the construction projects put on hold (64.8 million rubles) was 165.9 million rubles, which is double the norm.

Given the difficulties that have formed with project financing and the anticipated introduction this year of rigid sanctions for the existence of above-norm amounts of "incomplete projects" in production and construction, the ministry recommends that the shipping companies pay particular attention to prompt completion of the projects begun and sharply limit the number of newly begun construction projects for production purposes, with a view to bringing the volume of "incomplete projects" to the norm by the end of 1989.

This year a new procedure was introduced to provide materials for an economic method of construction—through the territorial organs of USSR Gossnab. At the same time, it must be borne in mind that these resources are taken from the sector and transferred to the sites under the same procedure as are the resources for a unit share in housing construction. Only the remainder of the limit for construction-installation work can be used for the contracting method. Because of this, there is a sharp increase in the responsibility of the shipping companies to substantiate the applications presented to the territorial organs.

For example, the Sukhona and Kubana shipping companies and the Teplokhod Yard were late in coordinating their need for metal and cement at the sites, and there are instances of the territorial administrations removing from our enterprises funds received from the Ministry of the River Fleet for other purposes. Therefore, selling the resources turned over at the sites by the management method is today one of the most important tasks of all the enterprises in the sector and the Glavsnab of our ministry.

The work of the river fleet industry must today be examined from new standpoints as well, allowing for the acquisition of new ships through the internal resources of the shipping companies, and the expediency, under the conditions of the expensiveness of the fleet, of average and capital repair even of old ships, but with a low balance cost. In most shipping companies a reliable reserve has been created for the transport fleet, which makes it possible, without great detriment to transport, to put some of the ships in for long-term repair and extend their operation another 10-15 years. As a rule, this decision is economically justified, but its implementation is held back by the poor level of ship repair work organization, its disadvantage as compared with shipbuilding, and also the shortage of personnel and production facilities in a number of basins. The need for ship repair is today only 85-90 percent satisfied. The fleet, particularly oil tankers and mixed river-maritime ships, are threatening navigation safety because of the delay in reconditioning them.

Under these conditions it appears expedient to examine the attitude toward ship repair operations, to make them prestigious both for the shops and for the yard and for the people. It is better to resort to the small expense of ship repair than to purchase new ships at astronomical prices.

An alarming situation is forming at a number of shipping companies in preparing the fleet for the 1989 navigation season. Allusions to the warm weather, shortage of work forces or materials were of no help to anyone anywhere. The repair work not done on time must turn into losses in transport and revenues received, as well as the threat of accidents during the navigation season. Almost every year there are breaches in the preparation of the fleet at the Volgotanker and Lena United shipping companies, a number of yards of the Volga-Don, Volga United and Kama shipping companies. The mild winter predetermines an early opening for the 1989 navigation season. Each shipping company must meet it fully armed.

The level of fuel utilization, in which the goals are regularly unfulfilled, depends on the technical state of the fleet. This is not only detrimental to our sector but also has an adverse effect on ensuring the fuel balance—after all, the river fleet burns 2.5 million tons of conventional fuel in a single navigation season. With the goal being a 2.5 percent reduction in the norms for fuel consumption for transport in the three years of the five-year plan, the specific consumption of it rose from 10.8 to 11.2 kilograms per thousand adjusted ton-kilometers, i.e., rose by 3.7 percent. The measures carried out to introduce advanced forms of organization yield no perceptible results. There are serious shortcomings in the fuel utilization and in the shore economy. The assignment to release liquid fuel is not being fulfilled. By the beginning of 1989, 25 boiler houses should have been converted to gas, with the release of 78,000 tons of mazut, but only four were converted, freeing 12,400 tons.

The fleet's accident rate is a critical problem, primarily connected with discipline, the state of the route and an improvement in personnel training. I would like to raise one question, however. The state of the fleet of ship diesels, of which there are not enough for normal work, a minimum of 200 machines, is alarming. Again we will subject to danger the passengers of the "winged" fleet, where not only did we fail to create a simple reserve of M-401 diesels, but did not even cover all the foundations for the opening of the navigation season. The situation is the same with the powerful G-70 machines, where with a need for 80, we obtained reserves of only 11 diesels.

As before, the possibilities of the sector's scientific-technical potential are poorly utilized. The basic goal of restructuring in science—to raise the quality of developments—has not been achieved. So far, the result of restructuring is the growth of the profits of scientific and planning-design organizations and the wages of their workers. Serving as a graphic illustration of this are examples from the work of our scientific-production associations. Against the background of a 41 percent rise in the average monthly wage at the Gorkiy Sudoremont NPO in 1988, the collective breaks the fulfillment of the most important engineering-design development in the sector—a coupling device for the work of the fleet on lakes Ladoga and Onega, as well as the Stok-150 purifying system in the shore variant. The periods for completing the first operation, on which two-and-a-half years have already been spent, was planned for the third quarter of 1988, but there are essentially no results, and the 1989 navigation season for introducing this very important transport technology is practically lost.

The Teplokhod Yard prepared industrial equipment for almost a year, and for five months kept a lock on the shore trials.

The chief of the NPO knows that the Volga-Balt long ago exhausted its planning potentials for throughput of the fleet, and the pushed consists with the right of entrance on the lakes are one of the most necessary means at this time of solving the programs for the "Nonchernozem Roads," but nevertheless it failed in a very important assignment and simultaneously paid the workers not only increased wages but also a reward.

The Northwestern and White Sea-Onega shipping companies, which were to fulfill all the installation work on two marine pushed consists and proceed to testing them on Ladoga and Onega can set the matter right.

The situation is approximately the same with the completion of the important ecological Stok-150 development. The documentation for the station was drawn up in 1987, and an experimental model was installed at the Podporozhe Yard, but the interdepartmental reception did not go through, and the ministry was forced to allot over 100,000 rubles for this problem in 1989.

Major shortcomings are taking place in the activity of the Sudostroyeniye NPO, particularly on problems of creating a modern fleet. The poorly thought-out technical decisions for the passenger motorship Amur and the motorship Moskovskiy, which are being removed from production, have been repeatedly mentioned.

Justice must be done to the management of the Vyatsk Shipping Company, which required from the authors of the plan compensation for damages done when the ship was remodeled. The scientific-production association paid the shipping company 17,000 rubles and itself bore the expenses to rework the documentation, about 14,000 rubles. With all this, the increase in monthly wages at the NPO during 1988 was 62 percent. Over 40 percent was constituted by the growth of wages in 1988 at the institutes of Giprorechtrans, with the situation that, in the extremely complex sector of extraction of nonmetal-liferous building materials by these collectives, the plans for working the deposits using non-damaging technology were not issued, and in the 1989 navigation season the ports will again have difficulties.

Did the directors of the scientific-planning subdivisions and the chairmen of the councils of work collectives really not know that an increase in wages was possible only on condition of the increase in the specific return for quality and execution periods of specific plans and developments, and not for intermediate percentages for work stages?! Just who drew up and approved this, dare I say, "procedure" for incentive and who will bear the responsibility for it?

Now, about our foreign-economic ties. Activating the shipping companies and other enterprises in this area of work will not yield perceptible results, primarily because of the poor training of the personnel. So far, given excellent possibilities, the problems have not been worked out concerning creating joint ventures in the Amur Shipping Company—Sino-Soviet, Western—Soviet-Polish and the Moscow and Volga United—in operating floating hotels in conjunction with foreign partners.

The volume of deliveries of products from our plants for export is not growing, which in turn reduces the possibility of purchasing equipment and spare parts abroad. Many shipping companies are trying, as before, to implement these purchases through centralized allotment of currency, given the presence of their unrealized potentials.

The river fleet has great perspectives, given the proper organization of foreign tourism. Moreover, even in 1989-1990 it can take on partially or fully the functions of Intourist, which, unquestionably, will increase the currency effectiveness of the work of the shipping companies and urses. This responsible work, however, requires experience and knowledge, training personnel and contact with foreigners on the proper level. At

today's stage, it is expedient to concentrate the coordination of all the foreign transport in the administration, which can be reorganized into the Administration for Foreign Economic Relations, and in future it will think out the problem of creating in the Ministry of the River Fleet a cost accounting foreign trade association or sectorial stock import-export company.

The Personnel and Education Establishments of the RSFSR Ministry of the River Fleet are paying completely inadequate attention to training personnel engaged in foreign economic activity. No interest in this is felt by the shipping companies and enterprises, even though beginning on 1 April of this year they will be granted the right to implement export-import operations independently. Everyone must understand that without constant self-formation and without purposeful education in accordance with the plan, we cannot achieve the necessary level of competence to carry out economic reforms and cannot bring river transport to the level of the requirements of scientific-technical progress.

The accumulated intensiveness of providing the sailing complement with food products and the necessary industrial goods cannot help but be noted. There are a particularly large number of breakdowns in the supply of vegetables, fruits and meat and dairy products and individual breakdowns permitted in the catering for passengers in the ship restaurants. Checks show that the main reasons are the negligence and irresponsibility of the officials of the urses [main administrations of worker supply] and orses [division of worker supply] in executing their direct duties.

The management of the Glavurs and the chiefs of the shipping companies should give a critical evaluation of any manifestation of indifference and show concern for the people of the river fleet in the first place. Efficient measures must be found to raise the sectorial agricultural and subsidiary services. Each of us should remember that, per worker, we are obliged to produce a minimum of 15 kg of meat and 30 kg of milk, and this requires daily attention to the needs of the agro-industrial complex.

There is one more aspect of the problem of supply. The river enterprises produce very few goods for the population, even though they have excellent reserves for their capacities at plants and ports. In the three years of the five-year plan, the production volume of non-foodstuff consumer goods rose from 9.9 million rubles a year only to 13.4 million rubles, which is clearly insufficient. Right now the production of standard wooden apartment houses and the output of garden cottages could be doubled, and specialized production of metal garages organized.

1989 is a decisive year in the fulfillment of the goals of the five-year plan and further economic development of our sector. The work collectives of the shipping companies and enterprises, as the analysis showed, approved

plans for this year that are lower than its potentials. This means that the practical task of improving the use of fixed productive capital, above all the fleet, was not posed for the collectives. Therefore, the Collegium of the RSFSR Ministry of the River Fleet and Presidium of the Central Committee of the Trade Union of Maritime and River Fleet Workers recommend that the shipping companies, enterprises and their work collectives review their assignments for 1989, bearing in mind the provision, on the whole for the sector, of a transport volume of at least 582 million tons, obtain a profit of at least 712.5 million rubles, offer 188.5 million rubles worth of paid services to the population, exceeding the assignment by 15 percent and guarantee a labor productivity increase of 4.5-5 percent as compared with 1988.

These tasks are complex, but totally fulfillable.

**Dockworkers Refuse to Unload Foreign Ship**  
*18290108 Moscow VODNYI TRANSPORT in Russian*  
*23 Feb 89 p 4*

[Article by VODNYI TRANSPORT correspondent G. Grudev under the rubric "Reporting the Details": "The Secret of the Petersberg, or Why Soviet Dockworkers Refused to Unload a Foreign Vessel"]

[Text] "*Reports have appeared in the press that the West German vessel Petersberg has entered Soviet waters with dangerous cargo on board. Is it true that this steamship intends to unload here and that the cargo will be buried on our territory?*"—V. Melnichenko, Novosibirsk.

It is even now anchored roughly twelve miles from shore abeam of Ust-Dunaysk. There is a red flag on the flagstaff, accepted practice for foreigners upon entry into the territorial waters of the USSR. The captain, however, has not made up his mind whether to approach the border...

At the end of May of last year, the West German steamship Petersberg (a most highly automated vessel with a crew of just four men) took on a cargo of "construction byproducts" in Vienna and went down the Danube into the Black Sea. The steamship passed down the river, as they say, painlessly. And when it got to the Black Sea, it was overtaken by telegrams from the West German and European Green parties. They reported to all of the adjacent countries that the hold of the Petersberg contained poisonous and possibly radioactive waste. Most probably, the vessel had intended to reach the coast of Africa. But the Turkish authorities refused it passage through the Bosphorus. The Romanian authorities closed the Sulina. The vessel turned out to be in a kind of trap, incarcerated with a term as yet undetermined.

The Petersberg returned to our shores for the first time in July with a request to enter the Danube. They were allotted a pilot for the passage through the Prorva Canal. This route is longer than through the Sulina, but some

captains prefer it. The pilot guided the vessel. When they had covered more than half the route, it turned out that Romania categorically rejected the passage of this vessel through the waters of the Danube. They had to turn around. It is noteworthy that the German crew immediately subordinated themselves to the order to turn around and went somewhere in the direction of Turkey.

The Petersberg next appeared near our territorial waters in November, more precisely at 5:00 in the morning on November 8. After anchoring, the signal flag, "In need of immediate assistance! Serious damage on board!" appeared on the mast.

The West German mission in the USSR permitted an examination of the vessel. Specialists from the Soviet Danube River Company eliminated the problems—they needed to replace the coupling on an auxiliary motor and help in replenishing the air supply in the starter cylinders of the diesel generator.

After that the Petersberg disappeared once more for some time. It turned out that it went to Istanbul to replenish its food and water supplies. It then returned again.

"I had occasion to be on board the Petersberg," relates V. Mazurash, a special inspector for the specialized inspectorate for protecting the Black Sea. "I also happened to go down into the hold to take samples of the 'construction by-products.'" The vessel, it must be said, is quite new; it was built in 1986. The single enormous hold had been sealed in Turkey. It was possible to get into it only through a narrow hatch. And the cargo in there really was construction garbage, no matter what—sand, gravel, small stones, bits of brick. Nothing special at first glance. True, that is just what evoked apprehensions. Who needs to ship plain construction rubbish to other countries? That meant there was some snag here...

Materials had appeared in an issue of STERN back in the fall shedding some light on this story. The charter for the vessel was initially received by the Danes. It was leased there by Bovarskiy Lloyd. The Austrians and the Swiss firm of Factum were intermediaries. The freight was delivered for loading onto the vessel by trucks from the Vienna waste-handling enterprise of Mulden-Zentral. It will not be easy for the lawyers of all these firms when matters come to revealing the principal guilty parties...

STERN continued with its version. The discussion supposedly concerned a destroyed Viennese chemical factory or plant on a site where they had decided to build a new industrial wing. That this poisonous soil had been extracted from the foundation pit of this construction site. Next, according to the STERN version, the Austrians concluded a secret agreement with a Turkish serviceman to bury the cargo "on his proving ground," naturally for a certain reward. That officer had decided not so long ago to become an industrialist as well. He proposed

erecting an enterprise for manufacturing transformers in a small city. But instead of shops they started digging shafts in which they intended to bury something.

By the time the Petersberg was reaching Turkey, he was already in prison.

"The whole crew met us on the ship," continued V. Mazurash. "The captain, who was also the ship owner, Gunther Grossian, the navigator, the sailor working the motor and the cook. They were in a very depressed mood. Over all these long months they had only replaced one crew member, and the captain had been away for several weeks on leave. The certificate of navigation had already expired. In the accompanying documents the cargo was actually recorded as 'industrial sand, not dangerous...' Samples of the soil we took from the surface were tested at three institutes in Kiev."

There was no radioactivity, but there were many traces of heavy metals, zinc, tin, lead and others.

Groups of Austrian specialists and representatives of the West German embassy in Moscow visited Ust-Dunaysk and then Odessa the other day. They were the deputy chief of the transport administration of the Austrian Foreign Ministry, Rudolf Bonger, Doctor Johannes Jaklin from the federal environmental-protection agency, a representative of an Austrian analysis institute, Werner Zernoch, an advisor on transport to the West German embassy, Johannes Post, and the first secretary of the West German embassy, Ernst Kress.

We will cite their opinions.

Doctor J. Jaklin: "The cargo is housed in a hold 41 meters long and 9 meters wide. We selected 20 different points on the surface for taking samples. We also took samples at depths of one and two meters. But first of all we measured radioactivity. The indications were the same as for any other soil in Austria. We brought roughly 100 kilograms of the cargo with us for analysis. The containers with the samples were sealed twice. We have standards for the initial cargo. We detected in it many of the products remaining after the production of varnish."

R. Bonger: "Our basic task was to analyze the cargo and elaborate whether it had been substituted during the course of such a long voyage. If that were so, the cargo would be returned to Austria and destroyed at special enterprises. I cannot make any conclusions at this time. It will take about ten days to obtain results, and maybe another couple of weeks to compose the appropriate documents. After that we will acquaint all of the countries on the Danube with the results of the analysis and appeal to them with a request to re-import the cargo to Austria."

J. Post: "I think the most important thing today is to find a compromise version for the most rapid possible close to this sad story. Our crew has been put in a very difficult situation. The sailors are literally imprisoned. During our visit to the vessel, the entire crew signed a special document equivalent to an oath that there had been no removals from or additions to the cargo during the voyage. There are serious criminal penalties awaiting the captain in the event of a lack of truthfulness. The best version, of course, is the dispatch of the cargo to Vienna on this vessel without transshipment, as was being proposed earlier, onto barges. But everything, I repeat, depends on the results of the analysis and the water level on the Danube, since after all, the Petersberg could come out only when the water level in the river was still high enough..."

And so the "i's" have not yet been dotted... The secret of the Petersberg's cargo has not yet been completely revealed. It remains to await the results of analysis by the Austrian specialists. But judging from the time periods cited, it will still take a good month for all of the necessary formalities to settle, spring will come and the waters will rise, which will permit the Petersberg to head upriver without transshipment. The more so as the residents of Kiliya and Vilkovo and the staff members of the Danube Flats Preserve have already expressed their worry about the possible transfer of the cargo onto barges.

**And the dockworkers of Ust-Dunaysk have categorically refused to take part in this work.**

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