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USSR Report

ECONOMIC AFFAIRS

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25 March 1985

USSR REPORT

ECONOMIC AFFAIRS

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ECONOMIC POLICY, MANAGEMENT AND ORGANIZATION

ECONOMIST REVIEWS ECONOMIC GOALS, STRATEGIES.

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 10, Oct 84 pp 106-115

[Article by S. Tolstikov, candidate of economic sciences: "Socioeconomic Problems of Developed Socialism and Ways of Solving Them"]

[Text] During the years of Soviet power a most important historical task has been carried out in our country: we have constructed a developed socialist society which is capable of solving the most diverse economic and social problems and which provides for creating the necessary conditions for the all-around development of the individual, and we have created a mighty economic and scientific-technical potential. Socialist production relations open up a broad expanse for the development of productive forces, scientific knowledge and the utilization of economic laws for the good of both the entire society and each individual worker. The progressive forward movement of socialism does not experience the fevers of crises and periods of stagnation, unemployment and inflation which are inherent in the capitalist economy.

A decisive advantage of socialism is the stable, planned growth of the economy, as a result of which conditions are created for increasingly complete satisfaction of the material and spiritual needs of the Soviet people and constant improvement of all areas of social life.

When developing the economic and social strategy and determining goals and ways and means of achieving them, the Communist Party always relies on scientific analysis of the peculiarities of the given stage in the country's development. As general secretary of the CPSU Central Committee K. U. Chernenko emphasized, "We are speaking about a strategy of movement toward communism which has nothing in common either with slow actions or with skipping historically necessary stages of development. We are speaking about the fact that on the path to the party's higher goals we still have to solve many large and complicated problems which by virtue of their origin and nature are included in the first phase of communist formation. Actually, herein lies the main content of today's large amount of difficult work for improving developed socialism."¹

One of the distinguishing features of the economy of mature socialism is the creation and development of a unified national economic complex, which characterizes a qualitatively new stage in the collectivization of socialist

production. The achievement of such a high level of collectivization of labor is the result of the predominance of public and primarily nationwide ownership of the means of production and essential changes in the productive forces, and it is also evidence of the maturity of socialist production relations.

An important hallmark of the unified national economic complex is the developed system of public division of labor which reflects the complex branch structure of the economy. Another distinguishing feature of the unified national economic complex is that the level of concentration of production is higher than it was in the preceding stage. Production in scientific-production associations are becoming the main cost-accounting (khozraschet) unit, at the present time accounting for almost half of the volume of industrial output. Interbranch and also regional, including territorial-production, complexes are becoming very significant. The formation of the agroindustrial, fuel-energy, transportation and other complexes bears witness to a new and higher level of production concentration. Most important constituent parts of nationwide cooperation are the following systems which are being formed and functioning: the Unified Transportation System, Unified Energy System, Unified System for Gas Supply in the Country, the Automated System for Planning Calculations, and so forth. The creation of such systems produces a considerable economic effect and makes it possible for the integration of science and production to develop successfully. The integrity of the unified national economic complex is determined not only by the development of processes of public division and cooperation of labor, but also by the equalization of the technical-economic and socioeconomic levels of its individual structural elements.

Further development of the unified national economic complex will require solving a broad range of crucial national economic problems. The most important of these are intensifying public production and increasing the productivity of public labor.

Intensification means better utilization of the production potential as a result of increased labor productivity, saving on material, energy and labor resources, and efficient distribution of production capacities. The process of intensification embraces all aspects of public production. These include accelerated introduction of the achievements of scientific and technical progress, stronger interconnections among all units of the national economy, and improvement of the management of the economy. Moreover, intensification is not a goal in itself for the development of productive forces; under socialism its essence lies in that it creates a basis for the progress of all creative capabilities of the workers in all spheres of the life of the society.

Along with the significant successes in increasing the effectiveness of production, in recent years certain undesirable phenomena have also been observed. The growth rates of the national income and labor productivity have dropped somewhat. This took place under the influence of a number of factors. In particular, the changeover of production to a primarily intensive path of development is not being carried out smoothly and quickly enough, and reserves for increasing the effectiveness of production--primarily the achievements of scientific and technical progress--are not being utilized fully enough.

Another factor is the fact that individual forms of the economic mechanism do not always contribute to carrying out the earmarked tasks effectively, even though it is called upon to contribute to proportional and balanced functioning of the economy as well as its development. This is why comprehensive improvement of the economic mechanism is a most important task of the party's economic policy in the modern stage.

The need for accelerating the intensification of the economy is conditioned by the effect of several objective factors: the reduction of the growth of labor resources, the change in the conditions for extracting energy resources, increased transportation outlays, and so forth.

The intensification of public production and increased effectiveness of the national economy is scientific and technical progress. An organic combination of the advantages of the socialist system and the latest achievements of science and technology is the strategic direction for the economy's development.

The Soviet Union has a mighty scientific and technical potential. There are more than 1.4 million people working in the sphere of science. Just during the 3 years of the current five-year plan expenditures on science amounted to 73.9 billion rubles. During these years more than 10,000 models of new types of machines, equipment, instruments and means of automation were created, production was assimilated and series output was started for 11,000 new kinds of industrial products, and 457,000 units of production equipment were modernized at industrial enterprises. As of 1 July 1983 in industry there were 153,200 mechanized flow lines, 30,900 automated lines, 97,200 comprehensively mechanized and automated sections, shops and productions, and 6,800 comprehensively mechanized and automated enterprises.

The integration of science and industry is especially important in the modern stage. The decree of the CPSU Central Committee and the USSR Council of Ministers, "On Measures for Accelerating Scientific and Technical Progress in the National Economy," points out that in the next few years domestic industry must provide for the output of machines, equipment, instruments, materials and other products which, in terms of their technical and economic indicators, correspond to the highest world level, and also the introduction of progressive technologies and advanced methods of organization of production and, on the basis of this, it must essentially increase labor productivity in all branches of the national economy.

The main directions for scientific and technical progress at the present time are:

comprehensive mechanization and automation of production, including the creation and introduction of new systems of machines and automated productions;

the development and assimilation of new sources of energy;

the introduction of progressive waste-free energy- and material-saving technologies;

the creation of new construction materials and their introduction into production;

a higher scientific level for management of the national economy.

The planned nature of socialist production is manifested particularly in the unified scientific and technical policy that is being adhered to in the country. Its goal is a comprehensive solution to socioeconomic problems on the basis of scientific and technical progress and the introduction of the achievements of science and technology into all branches of public production. As Comrade K. U. Chernenko noted in his speech at the meeting with the electorate, "We absolutely must provide for rapid and continuous updating of all branches of the national economy on the basis of the modern achievements of science and technology. This is one of our fundamental tasks. Without this the society's progress is simply unthinkable."²

Conducting a unified scientific and technical policy makes it possible to determine the main (priority) paths for the development of science and technology, to direct them toward solving the most important socioeconomic problems, to establish an optimal ratio between fundamental and applied research, and to stimulate rapid development of the branches which are especially important for scientific and technical progress. In conducting the unified scientific and technical policy a great deal of significance is attached to the development of problems which are the basis for solving economic and social problems in the future.

An important form of realization of the unified scientific and technical policy is the system of state scientific and technical programs developed by the USSR State Committee for Science and Technology, the USSR Gosplan and the USSR Academy of Sciences in conjunction with the ministries and departments. The majority of national economic interbranch and scientific and technical problems are being solved with the help of these programs. A typical feature of modern scientific and technical programs is the comprehensiveness of their goals and their direction toward simultaneously solving a broad range of problems. Another feature is their interbranch and interdepartmental nature.

Under the current five-year plan and up to the year 1990 about 170 large scientific and technical programs are being realized and will be carried out. Among them are programs for: a solution to the fuel and energy problem and accelerated development of atomic energy; the construction of atomic thermal electric power stations for supplying cities with electric power and heat; the creation of fast neutron reactors; increased yield of petroleum from beds; the assimilation of petroleum and gas deposits on the continental shelf; the construction of main gas lines with higher working pressure, and so forth. A special place is occupied by programs which envision the development of problems which are determined by the characteristic features of the modern stage of scientific and technical progress. These are primarily programs related to the development of microelectronics and biotechnology. The development of microelectronics and mass production of integrated circuits and microprocessors contributes to the appearance of more effective new systems of machines and qualitatively new systems for controlling technological and

production processes; the results of modern research in biology and the introduction of these into practice make it possible to considerably increase the production of animal husbandry products on the basis of an essential improvement in feeds with the help of protein synthesis and so forth.

The introduction of robot equipment has become very important recently. From 1975 through 1983 the annual production of automated manipulators with program control--industrial robots--increased from 120 to 10,742, that is, almost 90-fold. The robots are used under conditions that are especially dangerous or harmful for labor, in those industries where it is necessary to have extra precision, and also in cases when the application of human labor is impossible (deep underwater, under conditions of increased radiation, and so forth). Since the beginning of the 1980s in the USSR and other developed countries they have begun to create flexible automated complexes and flexible automated productions. The latter are automated shops (plants) which work 24 hours a day and are adjusted on the spot to correspond to the needs of production for the output of one product or another. A comprehensive program for the creation and assimilation of industrial robots during 1981-1985 envisions the development of 50 new base models of industrial robots, 38 models of robotized technological complexes, and 17 models of automated shops and sections that are equipped with robots.

There are, however, still many difficulties with the introduction of the latest scientific and technical achievements into practice. Frequently they are brought about by the imperfections in new technologies and models of technical equipment that are offered for series production. The lack of the corresponding technical and economic conditions frequently makes it impossible to successfully introduce robot equipment and automated equipment or to use these supplies to the full extent. The rates of development are not high enough in a number of machine building branches which play a fundamental role in the acceleration of scientific and technical progress: the electrical equipment industry and chemical and metallurgical machine building. Arrears in the development of instrument building sharply reduces the effectiveness of the labor of scientific workers and designers. In spite of the changes that are taking place in the structure of the materials that are being produced and consumed in the national economy and the increased proportion of synthetic resins, plastics and chemical fibers in them, their production is still inadequate.

The proportion of manual and nonmechanized labor is decreasing slowly. At the present time in material production more than 40 million people are employed primarily in auxiliary, manual labor, excluding repair work. The reduction of the number of these workers is impeded, in particular, by the fact that the design solutions for the corresponding mechanisms have not been developed for performing many manual operations. The comprehensive target program for reducing manual and less attractive labor which is being created at the present time and which is of great economic and social significance should contribute to solving this problem. It will envision conducting a broad range of measures on the scale of the national economy, including a significant increase in the output of technical equipment that makes it possible to mechanize auxiliary (loading-unloading, lifting-transport and warehouse) work and raising the level of comprehensive mechanization at enterprises.

Scientific production associations (NPO) are playing an increasingly significant role in providing for and accelerating the functioning of the "science-production" system. The concentration of scientific and technical developments and production within the framework of the NPO makes it possible to essentially reduce the time periods for the development and introduction of items, to raise their technical level and quality, and to update the list of products that are produced more frequently. The length of the cycle "research-production" is reduced to two-thirds to one-half because of the creation of NPO's.

At the present time there are 45,000 production and scientific-production associations in the country. But about 40 percent of the enterprises that are included in associations remain legally independent, which does not always contribute to improving the internal cooperative ties and impedes the growth of the effectiveness of production. Small associations prevail in a number of branches, that is, they do not achieve the necessary concentration of production. Under modern conditions it is necessary to further improve the system of planning and economic incentives for the activity of both scientific-production associations as a whole and all of their parts.

The implementation of the Energy and Food programs should contribute to solving the most important problems.

The national economy's need for energy is immense. The energy and electricity availability for labor and industry during 1960-1983 increased almost threefold. At the same time, in the fuel and energy branches in recent years there have been essential structural changes. The petroleum industry is changing over to the assimilation of less rich petroleum beds, the wells are being drilled deeper, and the places of extraction are gradually moving into the more remote and less accessible regions. There are also difficulties in the coal industry. These changes will lead to an increase in the cost of fuel, and the relocation of the places of extraction to the eastern and northern regions will aggravate the problem of transporting them.

The goal of the Energy Program is to provide for comprehensive and intercoordinated production and consumption of energy resources. Among the problems that are solved in it one can single out two closely interconnected groups. One of them includes problems of changing the structure of the fuel and energy balance as a result of the development of atomic energy, increased extraction of solid fuel and a corresponding reduction in the energy balance in the proportion of liquid fuel, as well as the assimilation of new kinds of energy. The other is a consistent conducting of an energy-saving policy in all branches of the economy because of technical re-equipment of production and the introduction of progressive technological processes. The state plan envisions saving more than 200 million tons of conventional fuel in 1985 as compared to the 1980 level. Scientific developments are being conducted for the application of kinds of energy of the future which could come to replace those that are being used at the present time, and above all energy from thermonuclear synthesis. Its advantage is that it is a practically inexhaustible source of energy.

The implementation of the Food Program should contribute to satisfying the growing needs of the Soviet people for foodstuffs and the industrialization of the agrarian sector of the economy. It is a principally new stage in the management and planning of the agroindustrial complex. As was emphasized at the May (1982) Plenum of the CPSU Central Committee, "a most important peculiarity of this approach consists in coordinating and combining the work both of agriculture itself and of the branches of industry that serve it, transportation and trade, and subordinating all of their activity to the overall final goal--the production of high-quality food products and the delivery of these to the consumer."³

Large capital investments in the branches of the agroindustrial complex, especially during the past 20 years, have made it possible to create a powerful material and technical base in rural areas. At the present time it uses more than 2.72 million tractors, 810,000 grain-harvesting combines, 6.5 million trucks, and so forth. During the three years of the 11th Five-Year Plan alone, agriculture received 62,283,000 tons of mineral fertilizers and 1,902,000 tons of chemical feed supplements.

Essential changes are taking place in the mechanism for management of the agroindustrial complex and in its planning and organizational structure. The planning of the APK is called upon to provide for proportional and accelerated development of the branches and subbranches of the APK, primarily agriculture, and mass introduction of progressive models of machines and equipment. In order to implement the appropriate measures, a significant increase in capital investments is envisioned. Thus with an overall 3 percent increase in the volume of capital investments in the industrial sphere under the 11th Five-Year Plan as compared to the 10th, allocations for feed production and feed preparation will increase by 65 percent, which will make it possible to essentially increase the volume of production of mixed feeds. There should also be an improvement in the procurements, storage, processing and sales of agricultural products. During the years of the current five-year plan 15 billion rubles' worth of capital investments will be made for the construction of storehouses alone, and this is a 1.6-fold increase over the 10th Five-Year Plan. There will be an essential increase in the fleet of transportation equipment--trucks, milk cars, tractor trailers and so forth.

The basis for the intensification of agricultural production under modern conditions is comprehensive mechanization and assimilation of industrial technologies. But at the present time only about 6 percent of the overall quantity of kinds of machines and adapters included in the system of machines for comprehensive mechanization are in series production. Agriculture's needs for progressive kinds of tractors, combines, mounted machines and implements are still not being satisfied sufficiently. In order to eliminate these shortcomings, under the 11th Five-Year Plan it is intended to increase capital investments in tractor and agricultural machine building by 86 percent, and in machine building for animal husbandry and feed production--by 49 percent (with an overall increase in the volume of capital investments for the entire APK of 8.9 percent). Of great significance for improving the material and technical base of the APK are measures that have been developed in keeping with the decree of the CPSU Central Committee and the USSR Council of Ministers, "On Measures for Further Raising the Technical Level and Improving the Quality of

Machines and Equipment for Agriculture, and Improvement of Utilization, Increased Production and Deliveries of These in 1983-1990."

In order to increase the integrity of the APK, to overcome the separation of departmental interests, to combine branch and territorial planning more productively, to increase the effectiveness of economic levers and stimuli, to provide for balance in the development of branches of the APK, and to distribute and utilize material and technical resources efficiently, rayon agroindustrial associations (RAPO) are being created. They include sovkhoses and kolkhozes, various interfarm organizations, enterprises for processing agricultural raw materials and so forth. One of the important areas for the development of the RAPO is equalization of the conditions for the activity of various farms and their increased responsibility for profitable production. More than 3,100 RAPO's have been created in the country, and they have joined together 52,000 farms, about 7,500 industrial enterprises and more than 40,000 service construction, transportation and other enterprises and organizations. There is a total of more than 31 million people working in RAPO's.

A most important problem, whose resolution will contribute to improving the functioning of the entire unified national economic complex, is improvement of the management mechanism. As was pointed out at the December (1983) Plenum of the CPSU Central Committee, "there is now a crucial problem of the development of the program for comprehensive improvement of the entire management mechanism, which should fully correspond to the economy of developed socialism and the nature of the problems that are being resolved."⁴

The main principle for improving the economic mechanism is its comprehensiveness. As experience shows, improvement of individual elements of an integrated management system does not produce the desired results and, moreover, gives rise to a new problem: their coordination with other units in order to provide for unity in the process of functioning of this system. It is actually possible to improve the economic mechanism only through improvement in one direction of all constituent parts: planning, the system of economic levers and stimuli, the organizational structure of production, and so forth.

A most important condition for improving the economic mechanism under socialism is the development of the principle of democratic centralism. It presupposes both strengthening the role of the central agencies in selecting and substantiating the main directions for improvement of the unified national economic complex and increased rights and responsibility for the lower organizations. Thus expansion of independence in the functioning of production associations and enterprises means not simply a redistribution of management functions between central and local administrative agencies. This process is taking place as a result of increased collectivization of socialist production and a larger role for labor collectives in the management both of the activity of the enterprises and of the national economy as a whole.

The basis of the economic mechanism is planning. Because of the constant development of the branches of the national economy and the complication of their interconnections, the tasks facing planning are becoming larger and more complicated, and greater requirements are being placed on the scientific

substantiation of plans. A most important problem of planning in the stage of developed socialism is the development of plans taking into account complete and comprehensive utilization of intensive factors of economic growth. To do this it is necessary "to introduce at all levels of management of the economy better planning indicators which are differentiated taking into account the specific features of the branches and which most fully reflect and stimulate increased production, its increased effectiveness, greater labor productivity, better product quality, and economy of working time, metal, energy and other resources."⁵ Under the conditions of intensification of production, greater significance is attached to such indicators as reduction of production costs, increased output-capital ratio and growth of labor productivity. Constant improvement in planning is also envisioned during the development of measures directed toward restructuring of management methods. Significant measures for its improvement have been conducted in keeping with the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing the Effectiveness of Production and Improving the Quality of Work."

An essential problem under the conditions of expanded economic ties is complete and prompt fulfillment of delivery agreements. In 1982 alone the total of shortages in deliveries amounted to 17.2 billion rubles in industry, and practically all of the industrial ministries failed to fulfill the plans for the sale of products taking deliveries into account. A negative influence on the observance of contractual discipline is exerted by the existing practice of adjusting production plans, their inadequate balance with plans for material and technical supply, the imperfection of a number of normative documents, and so forth. Ways of eliminating these undesirable phenomena have been earmarked in the decree of the CPSU Central Committee and the USSR Council of Ministers, "On Serious Shortcomings in the Observance of Contractual Commitments for Deliveries of Products and Increasing the Responsibility of Ministries, Departments and Enterprises in This Matter."

An essential role in the management of public production is played by scientifically substantiated norms and normatives. These should take into account all changes in productivity that are taking place as a result of scientific and technical progress and improvement of all aspects of the economy. At the present time work is being done to create a unified system of norms and normative which will be used in all areas of the national economy.

Improvement of cost accounting is very important for improving incentives for intensification of production at enterprises and associations. The basic task here is to create conditions for management whereby every production unit is motivated to utilize its resources as completely and effectively as possible and to increase labor productivity. A good deal has already been done in this area. A dependency has been established between economic incentive funds and the level of material expenditures per ruble of output (work). At the present time direct deductions are being made into these funds from the money saved as a result of reducing material expenditures as compared to the established limit. Beginning in 1982 the profit actually obtained from the sale of consumer goods and items for industrial and technical purposes manufactured from production wastes remain at the disposal of the associations, enterprises

and organizations when the profitability of their production is up to 25 percent.

The economic experiment which is being conducted at the present time is called upon to play an important role in improving the planning of the activity of production associations (enterprises) and creating conditions that stimulate high-quality, highly productive labor and initiative, and provide for acceleration of scientific and technical progress, intensification of production and orientation of the activity of the enterprises toward the achievement of high final results. During the course of this experiment we are checking on the effectiveness of measures for expanding the rights of production associations (enterprises) in planning and economic activity and for increasing their responsibility for the results of their work. When the experiment is conducted at enterprises one creates economic and social conditions which contribute to increasing the motivation of the workers to produce more products with minimal material, financial and labor expenditures.

Almost a year's practice with the experiment shows that the enterprises participating in it have appreciably increased their production indicators. There has been a significant improvement in delivery discipline, more attention is being paid to the acceleration of technical improvement of production, and material incentives have improved. During the first half-year associations and enterprises of the following ministries met all of their commitments: the Ukrainian SSR Food Industry, the Belorussian SSR Light Industry and the Lithuanian SSR local industry. Significant successes were also achieved at enterprises of Moscow that were participating in the experiment. Many of them fulfilled their commitments to the consumers by 100 percent, labor productivity increased significantly at them, the labor-intensiveness of the items decreased, expenditures of all kinds of resources decreased, and the introduction into production of resource-saving technical processes is being accelerated. As a result, at Moscow enterprises of the Ministry of the Electrical Equipment Industry, for example, the production cost of products was reduced by 2.4 percent in addition to the plan, and at enterprises of the Ministry of Heavy Machine Building--by 0.6 percent.

At the same time, problems have arisen that require additional development. In particular, the task of improving the organization of material and technical supply for the enterprises has become more crucial. It does not seem expedient to continue the practice of annually changing the suppliers and the consumers. There should be more and more development of long-term and permanent production ties among the enterprises. The annual plans should be drawn up taking into account the agreements that have been concluded, which will contribute to more precise fulfillment of the latter.

It is also necessary to improve the policy for extending credit to the consumer enterprises. When they do not have funds to pay for the products, the supplier enterprises which have fulfilled their agreements are put into disadvantageous material conditions.

The enterprises participating in the experiment have been granted extensive rights in the area of raising the technical level of production. The establishment not of annual, but of 5-year corresponding normatives would

contribute to increasing the effectiveness of the introduction of the achievements of scientific and technical progress and would make it possible to develop plans for technical re-equipment of production for several years.

In order to provide incentives for workers to improve the activity of the enterprises, it is also more important to utilize more actively the fund for social and cultural measures, and also to establish a closer dependency between its amount and the increase in the results of the labor of the collective, a dependency which at the present time is not always realized. In this connection it has been envisioned to increase the normative for the deduction of money into this fund at enterprises that are participating in the experiment.

Conducting the large-scale economic experiment should contribute to selecting measures of management that correspond to the greatest degree to the needs of the day and, on the basis of these methods, to provide for growth of labor productivity and stability and rhythm in operation. In the next stage of the experiment another 20 ministries will be changed over to its conditions.

An important condition for increasing the intensification of production and improving the mechanism for management of the national economy is further expansion of the democratic foundations in management. In the stage of developed socialism the workers participate in the management of actually all spheres of economic life. More significance is attached to the initiative of the workers and their collectives in direct management of the production process and in the struggle for strengthening labor and production discipline, for improving product quality and for economizing on raw material, fuel and energy. The law on labor collectives presents great opportunities for this.

The workers have become considerably more active in the management of production in connection with the development of the brigade form of organization and stimulation of labor in industry and the introduction of the collective contract in agriculture. At the end of 1982 in industry there were 137,000 brigades with 1.94 million workers who were working under the conditions of cost accounting. In almost half of the brigades in which the wages were calculated according to a single contract, the piece-rate additional earnings and bonuses were distributed among the workers taking into account the coefficient of labor participation (KTU).

In order to increase the activity of the workers, it is necessary to bring order into the system of organizational forms for the participation of workers in management (at the present time there are several dozen of them) and to make more clear-cut distinctions between the functions of administrative and social agencies in management, to further improve the legal base of this activity of the workers, and so forth.

Socialist competition is being filled with new qualitative content. It is concentrated on the achievement of such goals as the improvement of product quality and improvement of the utilization of production capacities, raw material, energy and working time. In this connection a great deal of attention is being devoted to the development of progressive modern forms of competition.

Local soviets are being given a larger role and greater authority in the management of economic and social development. Their tasks include solving various problems of economic and cultural construction and, above all, complex problems which require the coordination of the efforts of labor collectives from a number of enterprises and organizations.

The economic policy of the communist party is directed primarily toward further raising the standard of living of the Soviet people. Throughout the past five-year plans there has been an essential improvement in the living conditions of all the population, real incomes have increased, the standard of living of the industrial workers and the kolkhoz workers have come closer together, and payments and benefits received from public consumption funds have increased; on the basis of improvement of the socialist way of life more of the prerequisites for the all-round development of the individual have been met. An important role in the development of the new man is to be played by the reform of the general educational and vocational schools and bringing them closer to production.

Our country is entering the final year of the five-year plan. Along with the need for successful completion of the five-year plan, evaluation of the successes that have been achieved and analysis of unsolved problems, more and more significance is being given to preparing the national economy for future accomplishments. As Comrade K. U. Chernenko pointed out at the April (1984) Plenum of the CPSU Central Committee, special attention should now be given to the development of the new, the 12th Five-Year Plan. It is no less important to determine the key problems and prospects for the country's development in future decades. This places increased requirements not only on economists and management workers, but also on all workers in all areas of the struggle for a communist future, for strengthening the might of our socialist homeland.

FOOTNOTES

1. Materials of the Plenum of the CPSU Central Committee of 10 April 1984, Moscow, Politizdat, 1984, p 5.
2. K. U. Chernenko, "The People and the Party United. Selected Speeches and Articles," Moscow, Politizdat, 1984, pp 12-13.
3. "The USSR Food Program for the Period Up to 1990 and Measures for Its Implementation," Moscow, Politizdat, 1982, p 9.
4. "Materials of the Plenum of the CPSU Central Committee, 26-27 December 1983," Moscow, Politizdat, 1983, pp 21-22.
5. "Materials of the 26th CPSU Congress," Moscow, Politizdat, 1981, p 198.

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INVESTMENT, PRICES, BUDGET AND FINANCE

NATIONAL ECONOMIC CREDIT-FINANCE MECHANISM EXPLAINED

Moscow IZVESTIYA AKADEMII NAUK SSSR-SERIYA EKONOMICHESKAYA in Russian No 5,
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[O. L. Rogova and L. F. Moiseyeva: "The Credit-Finance Mechanism for
Balancing the National Economy"]

[Text] The article includes the definition of commodity and monetary balance as the necessary condition for intensive growth; it gives a description of the structure and the basic proportions of the commodity and monetary circulation in the cross-section of the main sectors of the national economy and also a diagram of the credit and monetary mechanism for the achievement of proportional functioning of the sphere of material production. It analyzes the budget and distributory forms of balance of the economy. The credit system is regarded from the standpoint of increasing its role in the realization of intensive methods of economic development. It gives the principle sequence of ties among individual sections of the reproduction process in keeping with the requirements of the objectively conditioned limitations on credit and finance resources within the framework of the actually created value.

Investigation of credit and financial forms and methods of controlling balance in the economy is one of the most crucial problems, whose resolution conditions to a considerable degree the possibilities of its intensive growth. The decree of the CPSU Central Committee and the USSR Council of Ministers, "On Improving Planning, Organization and Management of Construction," relies especially on the need to ensure balance when developing plans for the national economy.

In the mechanism for the functioning of the socialist economy, commodity and monetary balance is maintained by the establishment of efficient proportions between the results of economy activity and expenditures, monetary demand and the supply of goods and services and, in the final analysis, between the volume of monetary funds (cash and noncash) and the total value of commodity resources (reserves) offered for the satisfaction of the effective demand of

the enterprises, organizations and population as of a particular moment in time.

The existing system of planning and control encounters certain difficulties in establishing and maintaining these proportions. Thus the production of products--the mandatory object of national economic planning--has natural limits of growth which are related to the relative limitedness of labor and natural resources, labor productivity and other factors. An increase in the volume of monetary expenditures, the effective demand and the payment funds depends to a considerable degree on the existing system of management and organization of the money economy and on the utilization of the credit and finance mechanism in providing the necessary proportions. At the present time management embraces only credit relations of banks and economic agencies and the cash monetary circulation; drawing up the plan for the formation and realization of monetary incomes of the national economy as an integral process still remains one of the most crucial problems.

Circulation of money has peculiarities belonging to it alone of measuring individual elements of the reproduction process and thus synthesizing various economic phenomena into a unified system. Monetary circulation, which is unified from the standpoint of its monetary essence, has a complex, functionally diverse structure which is determined by the peculiarities of the movement of the social product. Therefore the properties of an integrated and closed system which are inherent in all monetary circulation should be augmented by the requirements for accounting for the "primogenitor" of ties between individual monetary flows and the circulation of value of material and substantial funds in various stages of the movement of the product. In this connection it is especially important to investigate the objectively conditioned economic mechanism of monetary circulation which in essence is a complex of cause-and-effect ties of the goal-directed movement of money.

The areas of financial and credit relations condition the action of the mechanism of monetary circulation: the sequence of movements of value from labor expenditures (live and embodied) to the assumption of monetary form by the product, and the circulation of reproduction funds is determined by the sequence of the ties among individual parts of monetary circulation and their hierarchy.

The monetary flow of each of the sectors of the national economy, in terms of its content, is a separate part of the entire monetary circulation and at the same time is strictly sequentially related to the other parts. The monetary flows of the sectors, depending on the degree of their connection with the movement of value and the peculiarities of their formation, exert differing influences on the effectiveness of all monetary circulation and are distinguished in terms of the possibilities of controlling them in order to maintain commodity and monetary balance.

The objective basis for the entire credit-monetary and financial system of the country, in our opinion, is the monetary circulation of the branches of the industrial sphere--the achievement of the necessary ratios between individual elements of expenditures and incomes of economic agencies while providing for the greatest economic effect. The special significance of the organization of

monetary circulation of the enterprises is determined, in our opinion, by the following aspects. First, the entire system of economic levers and stimuli should be formed and should operate on the basis of the requirements of monetary circulation and the insurance of the necessary dependency between expenditures and monetary incomes and the formation of a strictly determined quantity of monetary funds in circulation. Second, it is necessary to take into account that the organization of physical and substantial circulation in the national economy itself should be largely determined by the financial and monetary-credit conditions for the activity of the enterprises, associations and ministries. Third, economic stimulation and the responsibility of cost accounting [khozraschet] enterprises and institutions--extremely important levers for improving production--are manifested as financial relations between them and the state budget and among themselves.

The formation of monetary incomes and the corresponding monetary funds of the economic unit have an objectively conditioned basis--the sale of the product that has been created. This stage determines the initial base of monetary circulation of the production units: the formation of the effective demand, and accounts for wages and with the state budget. In this case the expenditures are limited to the economic results, and the value of the net output is directly related to production expenditures.

It would not be an exaggeration to say that the existing policy for organizing monetary circulation and forming the incomes and expenditures of the enterprises is not always oriented toward the utilization of intensive methods of management. In particular, in expenditures the internal financial resources of the cost-accounting enterprises and institutions are not always distinguished clearly enough from the resources of the higher organizations, the state budget or the credit system, and they can be partially withdrawn or transferred to another enterprise without reimbursement (usually one that is not operating as well). At the same time the budget and credit systems augment their monetary funds in a way that is advantageous for the enterprises. Neither of these cases contributes to increasing the economic responsibility of the enterprises or to the proper increase in the effectiveness of production. As a result, conditions can be created for covering any expenditures of the enterprises and institutions which guarantee them or their contracting agents the sale of all the products that are produced and any volumes of financing expenditures.

In practice the effective demand of the economic agencies is formed with a certain limitation of internal resources and a correspondingly broad enlistment of external sources. Here the appearance of "unsatisfied" demand is related primarily not to the formation of monetary funds that have been accumulated in accounts, but to the fact that the existing policy for extending credit is not sufficiently limited to the possibilities of utilizing bank funds and other funds that are brought in from outside. The potential effective demand which is higher than the actual effective demand gives rise correspondingly to an artificial shortage of a number of goods for industrial consumption.

The weak influence of monetary limitations on the expenditures of enterprises and organizations can lead to a deterioration of the financial condition--

above-normative accumulation of supplies of material values, and thus to a retardation of the circulation of circulating capital and an increase in nonplanned redistribution of the financial resources of the enterprises.

Moreover, the expenditure of monetary funds without strict economic control contributes to an unjustified increase of expenditures for acquiring raw materials, processed materials and equipment, wages and other expenditures, which does not contribute to increasing the effectiveness of public production. Thus in the national economy as a whole the proportion of profit in the national income has changed from 28.8 percent in 1975 to 25.5 percent in 1982.¹ In this connection the implementation of the task set by the 26th CPSU Congress of reducing the material expenditures is directly related to the need for efficient fulfillment of the requirements of the law of monetary circulation and substantiation of expenditures and sources of financing them.

The financial condition and the payment discipline of the enterprises are predetermined to a considerable degree by their credit relations with the bank. For example, a shortage of internal circulating capital leads to increased overdue indebtedness on bank loans. It would seem that in this situation the business should be slower at obtaining more credit. But during 1975-1982 credit indebtedness increased 2.2-fold while the gross social product increased 1.3-fold and the national income--1.4-fold, and the quantity of payment funds increased correspondingly. More than half of the circulating capital of the enterprises is covered by loans (and a considerable part of it by debts to contracting agents: suppliers, transportation organizations, builders and so forth). Understandably, in this situation the monetary and credit possibilities with respect to acquiring products or services for cost accounting enterprises and organizations are so significant that in many cases they create excessive supplies of material values, thus reducing the effectiveness of management.

Monetary funds that are expenditures in certain units of the economic system are incomes in other units. Here the structural peculiarities of the sources of expenditures disappear. But the economic peculiarity of expenditures (sources for covering them) is reflected in the content structure of the revenues of the recipients of income, allowing the circulation of funds which are not supported by the creation of a product (the same thing pertains to a relatively higher payment for less effective labor). Therefore the strengthening of the financial condition of the economic agencies--the formation in their circulation of a volume of their own monetary resources that is sufficient for their economic activity--is the basis of the normalization of monetary circulation in the production sphere. A change in the policy for the distribution of profit in order to satisfy the needs of the economic agencies for the necessary monetary resources is an important measure for reducing unsubstantiated expenditures of the business which are covered partially through credit. This way one could eliminate the "effect of dependency" of individual enterprises and departments which exists at the present time. At the same time the formation of the necessary quantity of monetary funds in the business (in circulation and accumulations) leads to the creation of stable credit resources of a short- and long-term nature.

A strengthening of the control function of monetary circulation of the enterprises and associations, in our opinion, presupposes above all prompt return of bank loans and payments to contracting agents for goods and services. In this connection the delivery of goods or the granting of services and the payment for them should be in the same legal position: the fulfillment or violation of both should have the same incentives or, correspondingly, the same material penalties.

It is important to strengthen the orientation toward the actual financial and resource capabilities of the business, that is, to make the formation of incomes (and thus expenditures as well) dependent on the actual sale of the created product. The determination of the necessary policy for withdrawing the net output (both in the form of turnover tax and deductions from profit) into the centralized state monetary fund, in turn, will contribute to increasing the main motivation and the responsibility of the enterprises for the results of management. The main direction for improving commodity and monetary balance here is the development of complete cost accounting and the increase of the collective's responsibility for the fulfillment of its economic commitments.

Under these conditions the distribution of the incomes of the enterprises (deductions into the budget, for wages and so forth) will also depend on the actual sale of products, including the transfer of money to the bank account of the supplier enterprise. Thus invoices would be paid from credit only with preliminary acceptance.² Then the formation of above-normative supplies and stockpiles would cause financial difficulties for the economic agencies and also increased control on the part of financial and credit institutions. Incomes and effective demand would be given a real substantial (commodity) basis for sales.

The formation of sufficient internal monetary funds for the enterprises makes it possible not only to solve current problems, but also to determine prospects for development. Moreover, the creation of conditions for limiting monetary funds which form demand and self-financing of incomes of cost-accounting enterprises and organizations can change the existing unequal relations between supply enterprises and consumers: on the one hand, rigid establishment of the products list and the time periods for the dispatch of products by the supplier, and on the other--the partially passive payment for the products by the consumer as a result of the utilization of extensive possibilities of the credit mechanism. These conditions will be able to stabilize the wholesale price level as well since the consumers will no longer be indifferent about unbacked or surplus financing of expenditures.

Special attention should be given to measures for improving wages. Apparently, depending on the actual final results, it would be possible to establish in the plan a maximum normative of expenditures on wages and also a system of adjusting coefficients without thus precluding differences in wages as a result of different financial and economic results of the activity of the production collectives.

The expenditures of the associations and enterprises to pay for labor assume the form of one of the sources of income for the population. The forms of

indirect and direct ties between these and the formation of the monetary expenditures of the enterprises are different. An indirect influence, in particular, is exerted by expenditures that are made without the proper limitations--in capital construction when forming above-normative supplies of raw materials, processed materials and other values. All of them increase the lag between the corresponding expenditures and their actual return, contribute to "freezing" expenditures and, in the final analysis, bring about higher wages which do not have the corresponding demand for goods and services. This leads to the creation of prerequisites of increased wages regardless of the growth of the final effect, and also toward deterioration of the relationship between the increase in labor productivity and the increase in wages.

A most important unit in the mechanism for controlling monetary circulation is the state budget. There has been a tendency toward increasing the proportion of the national income that is redistributed through it: from 60 percent in 1975 to 66 percent in 1982. Such significant volumes of redistribution contribute to increasing that part of monetary circulation which is not directly related to the creation of value.

The payment funds that go into the income of the state budget through the existing system of its interrelations with enterprises and associations go for financing business and other expenditures. The formation of income that is not provided with the corresponding creation of value leads to difficulty in satisfying the effective demand for material resources.

A special unit in the entire mechanism for monetary circulation is the credit mechanism of the national economy. Let us note that credit is the only source for augmenting monetary turnover of funds for circulation and payment. Only the USSR Gosbank has the right to fulfill the function of issuing money in the national economy. The process of extending credit is manifested, on the one hand, in the formation of the possible amount of availability of credit (state interests) and, on the other, in the satisfaction of the demand for borrowed bank funds (the interests of the enterprises). Credit is essentially the result of the coordination of these economic interests--the desire of the state to obtain the maximum effect from the utilization of the loan fund (in keeping with the principles of granting credit) and the persistent need of the economy for payment funds.

Increasing the scope of credit (and on the basis of this, increasing its role) involves, in our opinion, first and foremost the creation of the necessary prerequisites: the formation of material, labor and monetary resources and the strengthening of the financial condition of the economic agencies which are receiving credit as a real guarantee of the return of the credit on time. Therefore the most general criterion for the distribution of credit can be the effectiveness of its utilization, which is determined by the economic condition of the national economic subject which is receiving the credit. Enterprises whose functioning is not supported by a stable financial basis cannot be the subjects of credit--their need for borrowed money is related primarily to a regular shortage of their own circulating capital. Only the reliability of the economic condition of the subject can provide for realization of the basic principles of extending credit, and an increased demand for credit can be brought about by improvement of such important

financial indicators of business as profitability, output-capital ratio, turnover of circulating capital, and so forth.

One of the initial aspects of the evaluation of the amount of credit possibilities is the observance of the requirements of the law of monetary circulation³ and orientation when forming credit resources toward the necessary quantity of monetary funds in circulation. Expansion of monetary circulation becomes possible as a result of an economically conditioned growth of the role of credit. Since the issuance of credit, while satisfying the demand for borrowed money, is at the same time the initial aspect of the movement of money, and repaying credit is the removal of monetary funds from circulation, credit can be effectively utilized by the state in order to satisfy the needs for monetary circulation in the necessary quantity of monetary funds.

The issuance of credit and the formation of credit resources are not the same kind of phenomena. Bringing money into circulation on a credit basis in and of itself does not determine the creation of a credit resource. This is only one of the initial conditions. The issuance of credit mediates the issuance of monetary funds whose economic essence is manifested only in the commodity and monetary circulation, and correspondingly part of them assume the nature of actual money, while another part can be "surplus" monetary funds in circulation. The first part serves as an economic basis for the formation of credit resources while the second determines the amount of credit issued in violation of the principles of extending credit. The connections between the processes of extending credit (issuing credit) and creating credit resources are realized in the entire system of the formation and utilization of income in the sphere of material and nonmaterial production, and also in the consumer sector.

The economy's need for borrowed money is essentially indifferent to the interests of the bank as the credit center: it is conditioned by the effect of the economic mechanism. The overall amount of this need throughout the entire national economy is the totality of needs of individual economic agencies and it essentially reflects the effect of the entire complex of economic and financial factors which influence the formation of demand indifferent in different ways.

A violation of the principles of cost accounting and financial discipline predetermines the appearance of an unsubstantiated need on the part of the economy for monetary funds in order to cover economically unjustified expenditures, and it brings bank credit into circulation in excess of the economic need for it. The volume of the economy's need for credit in this case will contain two functionally different constituents. The formation of one of them is conditioned by the actually temporary need of the economy for monetary funds; the return of credit here is provided through the realization of the principles of cost accounting. The other part of the demand for credit is generated by violations of financial discipline and the utilization of borrowed funds as a constant source of money. Therefore in the entire volume of the economy's need for credit it is necessary to single out that part that is the amount of credit financing.

The granting of credit is an economic instrument which is called upon to control the commodity and monetary proportions, and in certain cases it plays a passive role, not exerting a stimulating influence on the economy, which to a certain degree weakens cost accounting relations. The passive role of the bank can lead to a reduction of the intensiveness of reproduction and make it more difficult to realize an indispensable condition for the growth of the economy: providing for the objectively necessary quantity of monetary funds in circulation. The granting of credit mainly affects the sphere of the national economy (more than 99 percent of all credit goes here). The population receives an insignificant proportion--less than 1 percent of the credit, participating through its money (in the form of deposits) in the formation of credit resources. The growth of bank credit is accompanied by an increase in all monetary circulation with a relative reduction of the growth rates of the gross product, the national income and the supplies of commodity and material values. While in 1975 for every 1 ruble of credit there were 4.2 rubles of gross output and 1.8 rubles of national income, in 1982 these figures were 2.6 and 1.2 rubles, respectively, and the ratio between the amount of short-term credit and the commodity and material stocks during this period changed from 68.5 to 98.1 percent.

The strategic role of improvement of the Gosbank work in the area of monetary and credit relations, in our opinion, consists in increasing its economic role as an issuing, accounting and credit center for the country and in providing stability of monetary circulation. The existing provisions for improving the activity of the Gosbank are frequently reduced to increasing its control functions. But the main thing, in our opinion, consists in increasing the management influence of the Gosbank on the increased effectiveness of the entire process of reproduction: the performance of functions of extending credit, making payments and issuing currency require the development of a system of economic influence on the national economy. At the present time the Gosbank essentially has no independent, integrated object of management, although it does participate in providing expenditures and circulation of capital in all stages of the creation and sales of the products. Therefore singling out monetary circulation (cash and noncash) as a unified process and the object of bank management is becoming one of the persistent tasks in the intensification of the national economy. Obviously the strengthening of this management function should be legally reinforced and realized in the determination of a range of specific rights and responsibilities for the condition of monetary circulation.

Measures of this kind, it would seem, will make it possible to change the bank's economic orientation in extending credit, having laid as a basis for its relations with the economic agencies their overall financial condition and not individual elements of the movement of value. For the bank it will be important to have financial stability of the economic agency as a real guarantee of complete and prompt repayment of credit, reliability of its financial position at the current moment and especially in the future. All this will strengthen the preliminary control of the bank (4) by placing it in conditions which enable it to make the granting of credits strictly dependent on the conditions for its repayment.

The effectiveness of bank control is achieved through limiting the issuance of credit (right down to refusing it) to those enterprises at which the deterioration of the results of financial and economic activity is chronic in nature. Then granting credit to enterprises that continually operate at a loss will be regarded as a direct violation of the principles of the bank's operation.

Included among the measures for providing for commodity and monetary balance is the distinction between short-term and long-term credit both in terms of the conditions for granting and returning the loans and in terms of the corresponding resource support. If the funds for current needs can be used as resources for short-term credit, the resources for long-term credit are monetary accumulations of a long-term nature. When this policy is violated there is inevitably an incorrect issuance of money which weakens monetary circulation, and therefore it is expedient to improve the methods for extending credit in the following directions. First, there must be extensive differentiation of its conditions for enterprises that are operating well and those that are operating poorly: priority loans for a stable financial condition; stricter conditions for borrowers whose operation is unstable; refusal of credit to those which chronically operate at a loss and do not have the necessary circulating capital of their own. Second, loans should no longer be granted to enterprises to cover expenditures which contradict the nature of granting credit: to compensate for shortages of their own circulating capital; surplus or unused commodity and material values; for covering overdue indebtedness, and so forth. Third, under the conditions of actual cost accounting of enterprises and associations, the object of bank credit, naturally, are the liquid material values--products which are to be sold, production stocks and reserves of the normative level and proper quality, and so forth. Then the bank's relations with the enterprises become relations of cooperation and assistance for the growth of production of products that are necessary to the national economy and effectiveness of the utilization of resources.

In our opinion, it is also effective to utilize the credit mechanism as a regulator of the effective demand of the population--reorientation of the credit policy in the direction of expanding the area of credit relations between the bank and the population. The economic basis for this is the creation of conditions for reducing the demand of the branches and enterprises for borrowed bank money and increasing the commodity supply as a result of strengthening the monetary and financial condition of the economic agencies.

Credit for the population, if it is developed in a planned way, will play the role for advancing labor expenditures and will increase the motivation of the workers to obtain the labor incomes necessary for returning the borrowed money within the established time periods. Then it becomes one of the effective levers for stimulating labor activity and controlling the utilization of labor resources.

The granting of credit to the population can be the responsibility of state labor savings banks agencies (as a part of the entire state system for granting credit) which in terms of their functions are directly involved in

the accumulation of monetary resources of the population and accounting and cash operations.

A considerable sum of money goes through the system of savings banks in the form of transfers of wages, monetary incomes of kolkhoz workers and other incomes.⁵ This contingent of workers could have a preferential right to the utilization of credit, which would simultaneously stimulate the noncash form of obtaining monetary incomes and using them through noncash accounts. In the country as a whole the number of depositors amounts to about 60 percent of the total population. The basic contingent are people from 40 to 65 years of age, and they have the largest part of the deposits. Depositors from 18 to 25 years of age comprise about 20 percent of the number of people in this age group and they have a relatively low level of deposits. At the same time, this part of the population experiences an economically conditioned higher demand for credit and at the same time has the possibility of returning it within the established time periods.

It should be emphasized that expanding the sphere of granting credit to the population through savings banks involves meeting a number of conditions:

a restructuring of the system of management and state financial regulation in the direction of stricter monetary and credit discipline and relative limitation of the financial investment process;

a reduction of the credit extended to branches of the national economy as a whole and spheres of circulation in particular (where about 20 percent of the short-term credit is now concentrated as well as approximately the same amount of commodity and material values);

the establishment of a strict dependency between the time periods for granting credit to the population and the average time period for keeping money in savings banks;

simultaneous incentives for deposits into savings banks;

the need to account for the differentiation of workers and their families in terms of the level of incomes, consumption, inclination to save; socioeconomic differences among the families which predetermine a differentiated approach to the conditions for extending credit to the population. The conditions for granting credit should be strictly coordinated with the evaluation of the labor activity of the loan recipient and his property.

It would be expedient to differentiate the conditions for extending credit to the population depending on the need for solving concrete socioeconomic problems, and namely:

improvement of living conditions for individual groups of the population during particular periods of their existence (especially young families), thus providing for their more effective participation in labor activity;

stimulation of the formation of monetary accumulations in savings banks as guarantees of obtaining the necessary sums of monetary funds for raising the level of consumption during a given period;

improvement of the organization of trade and solving the problem of accelerating the turnover of goods in retail trade (credit for purchases both of goods from individual trade firms and enterprises and of individual durable goods of which there is a sufficient quantity);

improvement of the controlling influence of the state on the formation of monetary circulation and bank control over the expediency of the movement of monetary funds of the population; strengthening of monetary circulation as a whole.

Extending credit to the population through savings banks will contribute to improving the balance of supply and demand in the consumer sector through redistribution of the payment capabilities among groups of the population during a given period of time (for individual groups of families--the shift of their effective demand from the future to the present) and the strengthening of the influence on increasing material stimuli for the labor of a considerable part of the population.

These directions determine only the broad contours of the possible measures for changing the credit and monetary policy, and they require further concretization and consideration in the overall system of measures for improving the entire economic mechanism. These include, first and foremost, inclusion in the system of plans for economic and social development of the country a plan for monetary circulation which makes it possible to regulate the volume of monetary circulation and the speed of movement of money (in cash and noncash forms) among the branches of the national economy and the regions.

An important condition for planning and efficient control of monetary circulation is the creation of financial resources for carrying out long-term tasks at all levels of economic management (cost-accounting collectives--for purposes of a local nature, and centralized--for statewide purposes). The statewide reserves can also be used actively for maintaining the required balance of development with changing conditions for the activity of the economy. As centralized financial accumulations are formed the possibilities of long-term credit will increase.

There arises a need to improve that part of the economic relations which leads to drawing credit into the sphere of economic and financial ties which is not typical for credit. The main direction for the work here is increasing the control function of monetary circulation and, on the basis of this, increasing the independence and responsibility of the enterprises to their production collective, the state, the contracting enterprises and the banks in the matter of achieving the planned final results.

FOOTNOTES

1. These and subsequent figures are calculated on the basis of information from the statistical annual: "The USSR National Economy in 1982," Moscow, Finansy i Statistika, 1983.
2. On the whole there is no rational reason for extending credit to the purchaser in order to pay for accounts for deliveries without his preliminary agreement.
3. This refers to the movement of money both in the form of cash and of noncash monetary funds.
4. Without this subsequent control, with extremely broad and actually compulsory participation of credit in the financing of enterprises, exerts practically no influence on improving the results of management.
5. Deposits in savings banks are characterized by a high degree of concentration: most of them are made by depositors with a level of the deposit lower than the average amount (equal to 1,143 rubles). A certain proportion of the depositors have deposits of less than 200-300 rubles, which with the given level of prices for durable goods (machines, cooperative and individual housing construction) is not a sufficient monetary reserve and cannot provide for acquiring the corresponding goods.

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INVESTMENT, PRICES, BUDGET AND FINANCE

NEW PROCEDURES IN AUDITING ENTERPRISE PROFITS DETAILED

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[Article by I. A. Belobzhetskiy, doctor of economic sciences, professor:
"News in Accounting Checks on Balance Profit and Its Distribution"]

[Text] Control on the part of financial agencies over the formation and distribution of profit acts as an important instrument that contributes to strengthening cost accounting [khozraschet], the protection of internal circulating capital and the observance of state discipline in the expenditure of resources. The goal of control is to reveal quantitative interconnections and mutual conditioning of the overall amount of profit and that part of it which is at the disposal of the production association or enterprise for reimbursement for its expenditures and economic stimulation of the collective.

The materials with which to begin the audit and analysis of the balance profit and its distribution are: the bookkeeping balance; report tables entitled "Product Sales," "Profit and Losses," "Deciphering the Balance Article Resources Withdrawn" (form No 2-kv of the quarterly report or forms No 12, 20 and 2 of the annual report); report registers--the main book, order journals No 11, 15, 8 or printouts (tabulated forms) of circulation in accounts (No 46 of sales, 99 of profit and losses, 80 of resources withdrawn from profit and 77 of intradepartmental accounts for redistribution of circulating capital and profit); primary bookkeeping documents (selective); the financial plan with a quarterly breakdown; the passport of the production association (enterprise), standard form No 7.1; calculations submitted to financial agencies concerning payments from profit into the budget. Here one should keep in mind that the final redistribution of profit from the past year (including the results of the annual redistribution of payments from profit into the budget and the part of it that is used for prizes in the all-union or republic socialist competition for the fourth quarter) on the basis of which the balances reformed can be established according to data from the report on the distribution of profit form No 15 which is submitted as part of the bookkeeping report for the first half of the next year.

The financial results of the activity of the enterprise or production association during the report period are reflected in the bookkeeping balances under the items "Profit of Report Year" or "Losses of Report Year." More detailed information about the structure of the balance profit is contained in

the report tables "Product Sales" and "Profit and Losses" from the appendix to the quarterly balance on form No 2-kv. The article-by-article composition of profit and losses is given most completely on the forms by the same name No 12 and No 20 of the annual report. In the guidelines for the quarterly and annual reports of profit and losses it points out, additionally, their amount according to the established plan and the counterplan, and also in terms of the additional assignment--as a result of organizational and technical measures for making up for shortages of internal circulating capital.

The balance profit of an industrial enterprise includes the financial results from the sale of commodities and other sales, and nonsales income and losses.

Methods of auditing and analyzing profit and losses from sales of commercial products are described in detail in the "Instructions Concerning the Policy for Conducting Audits of Bookkeeping Reports and Balances of Production Associations, Enterprises and Organizations" (Section X) and "Methodological Instructions for Analyzing Financial and Economic Activity of Production Associations and Enterprises in Industry" (Section V) which were published by the USSR Ministry of Finance in 1983. Special attention should be devoted to the reliability of the figures given in the balance and in the main book concerning the actual value of residual unsold products on reports No 40, prepared products, and 45, goods shipped and work and services performed.

At the majority of enterprises the prepared items and the dispatched products on the current accounts are evaluated according to set report prices (wholesale prices of the enterprise, planned average annual or average quarterly production costs), separating deviations in the actual production cost from the value of products according to the report prices. Consequently, the amount of the financial results from the sale of products should be essentially influenced by the correctness of the distribution of these deviations among the sold products, the residual prepared products in the warehouse and the dispatched products which have not yet been paid for by the consumers. This can be established with the help of a model calculation which is presented in Table 1 (the figures are arbitrary).

In a similar way one verifies the substantiation of the balance evaluation of the residuals of dispatched products which have not been paid for by the consumers by the end of the report month. At enterprises that apply the journal-order form of accounting these indicators are given in the information in No 16 (Section I "Movement of Prepared Items in Value Terms") and journal-order No 11 and at enterprises that use computers and punch card machines in bookkeeping--in the auxiliary calculation of the actual value of shipped and sold (paid for) products, which is appended to the cumulative printout for the dispatch and sales of prepared products and work of an industrial nature.

If the production cost of the residual prepared products and the dispatched products is calculated incorrectly in bookkeeping and in the balance, from the results of the audit one determines the proposals for correcting the balance estimates of these residuals and also the report indicators of profit, economic incentive funds and payments from profit into the budget.

Table 1
(thousands of rubles)

<u>Indicators</u>	<u>According to Report Prices</u>	<u>According to Actual Industrial Production Cost</u>
Residual in warehouses by beginning of month	510	322
Arrived from industry	6,409	4,034
Arrived as returned goods	--	--
Other incoming goods	--	--
Total	6,919	4,356
Ratio between actual industrial production cost of residual items in warehouse as well as those coming in from industry, and their value according to report prices (in %)	X	62.96
Shipped and released as sales (6361 x 62.96:100 = 4005)	6,361	4,005
Expended without being reflected in sales	--	--
Residual in warehouses by end of month (4356-4005 = 351)	558	351

The profit (losses) from the sale of material values and services that are not included in commercial industrial output are reflected in the quarterly report (form No 2-kv) in the overall amount, and in the annual report--with a breakdown into the various groups of commodity and material values and kinds of work. These include: industrial products manufactured in deviation from standards and technical specifications; products from subsidiary farming; services of the automotive business; work of a nonindustrial nature; purchased items and goods; other above-normative surplus material values and so forth (form No 12, Section II). The reliability of the report indicators is checked from the account entries for the subaccounts 3-7 of account No 46 sales. The circulation is grouped according to the aforementioned kinds of sales in the order journal No 11 (Section "Analytical Data Concerning Dispatch, Release and Sales of Products") and information (printouts) concerning the dispatch of prepared items, work, services and material values.

During the audit one should take into account what is new in the formation of financial results of the activity of subsidiary farms of industrial enterprises.¹ In order to increase their profitability, the meat of cattle, hogs, sheep, goats, rabbits, horses and poultry, and also milk from subsidiary farms (including from hog fattening points) are sold for public catering in the dining rooms of these enterprises at the existing procurement prices. They release potatoes and vegetables to their own dining rooms for these same purposes at the established retail prices minus the trade rebates, but no less than the procurement prices. Consequently, in the report on other sales (form No 12, Section II) and in the "Report on Sales and Financial Results of Subsidiary Farms" (form No 16-pskh) the earnings from the sale of products from the subsidiary farm and the financial results (profit or loss) are

determined on the basis of these prices for the aforementioned agricultural product. However, public catering enterprises that serve workers of a given enterprise receive these products at lower retail prices, including the difference between the procurement and retail (minus trade rebate) prices in the debit of account No 79 of intrabusiness accounts (if the subsidiary farm and the public catering enterprise are both on the same balance of the industrial enterprise) or as a debit in account No 76 of accounts with various debtors and creditors (if the subsidiary farm and the dining room are on different balances). This means that in the prices the profit of the subsidiary farm is increased or the loss is reduced by this difference in account No 46 of sales--in subaccount 6 of "Sales of Products From Subsidiary Farm."

At the same time it is necessary to check on the correctness of accounts for reimbursing public catering enterprises for the differences between procurement and retail prices minus trade rebates. If the allocations for these purposes are envisioned in the financial plan of the industrial enterprise or production association, the differences covered by redistributing its profit. The audit of differences subject to reimbursement in prices is made on the basis of accounts submitted by the public catering enterprises or a letter of advice according to the entries in the bookkeeping accounts of the industrial enterprise or production association concerning a debit in the account No 80 of resources withdrawn from profit in correspondence with accounts No 79 of intrabusiness accounts or 76 with accounts with various debtors and creditors. In annual and quarterly bookkeeping accounts the difference which is compensated for from the distributed profit by wholesale and retail prices for the products of subsidiary farms is reflected in a line by that same name in an appendix to the balance as part of the article "Other Resources Withdrawn From Profit" (form No 2 of the annual report, pp 420 and 422 or form No 2-kv of the quarterly report, pp 870 and 872).

The nonsales financial results include income and losses not conditioned by the process of sales which are reflected directly in report No 99 profit and losses. The main sources of information for the audit are their article-by-article distribution in the report table "Profit and Losses" (form No 20 of the annual or form No 2-kv of the quarterly report) and report entries in account No 99 (main book, order journal No 15 or the printout which replaces it of analytical data for report No 99). The existence in the registers of an analytical record of data concerning credit and debit turnovers in the account profit and losses not only for the report month, but also as a running total from the beginning of the year makes it possible to obtain the necessary indicators for comparing the reports and for subsequent control.

During the course of the audit nonsales losses under the article "Fines, Penalties and Forfeits Paid" are analyzed. This article reflects fines for violating contractual commitments for the delivery of products, shipments, accounting operations and other rules regulating economic interrelations.

The strengthening of the regimen of economizing is aided by the sanctions introduced in 1983 for overexpenditure of monthly limits of consumption of electric power--in the amount of a fivefold rate and for exceeding the limit

of electric capacities--in an amount 10 times the basic rate (regardless of the kind of tariff).² It is important to check to make sure that the sums paid to energy systems in excess of the basic rates (tariffs) for overexpenditure of energy are reflected correctly in the accounts and reports of the production associations and enterprises. In practice one frequently encounters cases of unjustifiably increasing these on the account No 99 profit and losses in the article "Fines, Penalties and Forfeitures Paid." This reduces the report indicators of the production cost since, according to the established policy, these nonproductive expenditures are included in the production cost of products--for report No 26 general plant expenditures under the special article "Payment for Overexpenditure of Limits of Consumption of Electric Capacities and All Kinds of Energy and Gas."

At the same time the financial agencies check on the observance of the policy established in 1983 for accounting at enterprises that are consumers of electric energy or fines paid to them by the energy systems for failure to deliver power. These funds should be subtracted from the production cost of the products with a credit in account No 26 (general plant expenditures) as excluded income (as part of the article "Rebates to the Tariff for Electric Energy as Compensation for the Reactive Capacity in Electric Installations and Sums Received for Failure To Deliver Electric Power" (form No 7 of the annual report, p 420).

There is a different way of indicating in the report and the accounts fines received after 1983 from energy systems for delivering electric energy of poorer quality (in the amount of 25 percent of its value). They are taking into account as nonsales profit on report No 99 of profit and losses under the article "Fines, Penalties and Forfeitures Received" (report table "Profit and Losses," form No 2-kv or 20).

The balance profit of the production association or enterprise is formed under the influence of various factors which may or may not depend on its activity. A clear-cut delimitation of these is a necessary condition for a well-founded evaluation of the fulfillment of the assignment for profit and the establishment of optimal proportions for its utilization. First of all it is necessary to single out profit that is obtained in connection with violation price discipline and deviations from standards and technical specifications. This part of the balance profit of the production association or enterprise should be deposited into the budget, at the same time correcting the indicator of the fulfillment of the plan for volume of products and profit during the report period in which these violations took place.

If such violations were revealed by the controlling agencies of the USSR State Committee for Prices, the Gostandart, the ministries or departments, the report data are adjusted in the month in which the enterprise or local financial and statistical agency received the decision to deposit the funds into the budget and correct the data on the report. This pertains also to cases in which the decisions have been made during the same year regarding products that were sold in the past year. But the overall amount of the profit shown in the balance is not reduced by the sum of the aforementioned sanctions, but the payments owing to the budget are reflected on a debit to account No 80 of the resources withdrawn as a result of profit (in

correspondence with report No 73 accounts with the budget (in a separate article "Deposits of Profit Into the Budget Associated With the Application of Economic Sanctions of the Result of Increasing Prices, Deviating From Standards and So Forth." During the audit it is important to make sure of the reliability of the indicators of the report on product sales (form No 12 or 2-kv, p 150 and 160) which characterize the amount of profit as a result of violating prices and standards.

Special attention should be devoted to whether or not the actual profit from the sale of products manufactured under one-time orders exceeds the maximum normative of profitability. These products include samples (batches) of items that are not intended for series production which are manufactured according to individual blueprints and specifications for one client, which are not produced again for 2 years and which do not have wholesale prices which are set under the established policy. These include, additionally, spare parts (components and other parts) manufactured under one-time orders for machines, equipment and instruments which have been removed from production, and also for imported equipment. In keeping with the instructions of the USSR State Committee for Prices of 14 December 1982 No 953, "On the Policy for Establishing Wholesale Prices and Normatives of Net Output for Industrial Products for Production and Technical Purposes (Manufactured Under One-Time Orders," the prices for these products are established by the manufacturing enterprises with the agreement of the clients. Here they proceed from the planned (estimated) production cost, which includes all expenditures on the fulfillment of the one-time order, and the level of profitability plan for the current year for all commercial output of the manufacturing enterprise (but no less than 10 percent and no more than 20 percent of the planned full production cost). For the manufacture of spare parts under one-time orders the normative of profitability is established at 1.5 times higher than the planned profitability for all commercial output for the given year, but no less than 15 percent of the complete production cost.

The production associations and enterprises must transfer the difference from exceeding the maximum normative of profitability into the budget within the deadlines for submitting the quarterly bookkeeping reports and balances, without waiting for a special decision of the price-setting agencies. The sum of deposits to be made into the budget is determined quarterly on the basis of the overall profitability (in percentages of the actual complete production cost) of all items sold under one-time orders during the report quarter. At the same time this sum is excluded when evaluating the fulfillment of the plans for the volume of commercial and sold products and profit. The sequence of calculations for checking the correctness of the determination of deposits into the budget of excess profit under one-time orders is presented in Table 2.

In example 1 we proceeded from the idea that the profitability of products manufactured under one-time orders (except for spare parts) should not exceed the level of profitability envisioned in the technical and industrial financial plans for all commercial output (16 percent), and for spare parts for domestic and imported equipment--this level increased 1.5-fold (24 percent). But since in the given example the expenditures per ruble of total produced commercial output during the report order had been reduced by 1.5

percent as compared to the established assignment, the enterprise could retain in excess of the normatives of profitability that part of the additional profit from one-time orders based on the percentage of reduction of the production cost of all products during the report period. Taking this circumstance into account we find that the actual profitability of the products manufactured under one-time orders (except for spare parts) exceeded the permissible normative by 6.5 points $[24 - (16 + 1.5)]$. This increase did not exist subsequently for spare parts because their actual profitability (25 percent) was less than the maximum percentage, taking into account above-plan reduction of expenditures per ruble of all products produced $(24 + 1.5)$.

Table 2

<u>Indicators</u>	<u>Example 1</u>	<u>Example 2</u>
1. Revenue from sales in report quarter, thousands of rubles:		
a) one-time orders (not including spare parts)	217	156
b) spare parts	35	25.7
2. Actual complete production cost of products sold during quarter, thousands of rubles:		
a) one-time orders (not including spare parts)	175	120
b) spare parts	28	18
3. Profit from sales, thousands of rubles		
a) one-time orders not including spare parts (line 1a - line 2a)	42	36
b) spare parts (line 1b - line 2b)	7	7.7
4. Actual profitability (based on complete production cost), %		
a) one-time orders not including spare parts (line 3a:line 2a x 100)	24	30
b) spare parts (line 3b:line 2b x 100)	25	42.8
5. Planned profitability (based on complete production cost) of all commercial output of enterprise according to technical and industrial financial plan for report period, %	16	22
6. Maximum normative of profitability (%) for determining profit included in wholesale price for:		
a) one-time orders (not including spare parts)	16	20
b) spare parts	24	33

Table 2 (cont'd)

<u>Indicators</u>	<u>Example 1</u>	<u>Example 2</u>
7. Actual reduction of expenditures per ruble's worth of commercial output during report quarter (from report of form No 1-s), %	1.5	--
8. Amount by which actual profitability exceeds normative, increased by the amount of the reduction of the production cost of all commercial output of enterprise during report quarter, %		
a) from one-time orders (not including spare parts)	6.5 [24-(16+1.5)]	10 (30-20)
b) from spare parts	-- [25-(24+1.5)]	9.8 (42.8-33)
9. Sum of surplus profit (earnings) received and deposited by the enterprise into the budget, thousands of rubles		
a) from one-time orders (not including spare parts)	11.4 (175 x 6.5:100)	12 (120 x 10:100)
b) from spare parts	--	1.8 (18 x 9.8:100)

In example 2, when determining the amount of deposits of surplus profit into the budget, we proceeded from the maximum level of profitability (20 percent) for products from one-time orders (since the profitability planned for the report period for all products exceeds the maximum normative), and for spare parts--from a 1.5-fold increase over the profitability of all commercial output according to the technical and industrial financial plan for the report year (33 percent). From part 7 of the table one can see that in the report period expenditures per ruble of the entire commercial output did not decrease as compared to the assignment. Consequently, all profit resulting from deviations of the level of profitability of products from one-time orders existing in the report period from the maximum normatives is to be deposited into the budget.

When auditing operations for distribution of profit it is necessary to determine the correctness of the reflection in the balance article "Resources Withdrawn" of illegal and increased allocations taken by financial agencies and deposited into the budget for maintenance of the administrative staff. According to the policy that is in effect, withdrawn funds are indicated in the account and reports of the production associations and enterprises on account No 81 other resources withdrawn (form No 2 of the annual report, p 421 or form No 2-kv of the quarterly report, p 871).

At certain enterprises at the bookkeeping increase they unjustifiably put an equal sign between sums of illegal and increased allocations deposited into the budget income (according to the results of the inspection by financial

agencies of the observance of staff estimate discipline) and the savings deposited into the budget from reducing expenditures on management by an assignment of the higher organization, which is included in the estimates themselves for general plant, shop and overhead expenditures or circulation outlays. In reality the savings that are transferred into the budget from reducing the wage fund, deposits for social insurance of management staff workers and expenditures for all kinds of business trips should be included in the accounts of production expenditures or for operational expenditures of nonindustrial businesses in correspondence with the credit in account No 73 of accounts with the budget. The same accounts should reflect deposits into the budget from savings on expenditures for furniture, supplies and equipment for the management staff which are acquired as circulating capital for the enterprise. If according to the existing provisions they are acquired from special funds, the payments that are due to the budget should be reduced by the amount of these funds.

An important stage in auditing is the consideration of the reliability of report data concerning the profit of a strictly special-purpose nature. This includes, first and foremost, profit from the sale of products that are produced on days of communist Saturdays which are transferred into the centralized fund of the five-year plan (form No 2, p 410 or form No 2-kv, p 860). An individual space is used to reflect in the annual (form No 20, p 770) and quarterly (form No 2-kv, p 500) reports the profit from organizational and technical measures in keeping with an additional assignment which is used to make up for shortages of internal circulating capital, an assignment which has been made by the ministry or department in excess of the established profit plan.

Special attention should be devoted to control over the utilization for special purposes of additional profit (as a result of increments to wholesale prices) from the sale of new, highly effective products for production and technical purposes and products with the State Emblem of Quality. The overall sum of incentive increments is shown in the report of product sales (form No 12 and 2-kv, p 170). Up to 70 percent of this profit is transferred to economic incentive funds and the rest of it is distributed equally between the budget and the unified fund for the development of science and technology.

The utilization of profit from subsidiary farms that are on the books of industrial enterprises and production associations is somewhat specific. The profit received by them during the course of the year is reflected in the reports on product sales form No 12 (Section II "Other Sales," p 350). One-fourth goes for expansion and consolidation of the farm and the remaining 75 percent is to be deposited into the budget with the annual accounts of free residual actual profit or deductions from profit when the normative method is used to distribute it.

It is important to clarify whether or not a special policy is being used to distribute the profit of subsidiary farms of production associations and enterprises which have received bank credit for periods up to 6 years for expenditures on the organization and expansion of the material and technical base of the subsidiary farm. The enterprise receives these loans as material resources are withdrawn from them and under the condition that the money is

repaid during a specific time period (within the limits of the sum of the plan for long-term credit, in excess of the volumes of state capital investments). In such cases all of the actual profit from the activity of the subsidiary farm since 1983 which remains at the disposal of the production association or enterprise goes first of all to repay bank credit. When it is not sufficient, with the agreement of the labor collective, residual money from the fund for the development of production and the fund for social and cultural measures and housing construction (up to 25 percent of the credit received) can be used for these purposes.

There is a detailed investigation of the observance of the necessary conditions whereby the enterprise is left in charge of profit for a special purpose, which economically stimulates the output of individual kinds of goods. This includes: deductions into the consumer fund of part of the profit from the sale of consumer goods and items for production-technical purposes made of production wastes (it is reflected in form No 2, p 170 or form No 2-kv, p 640); 40 percent of the profit remaining at the disposal of the enterprise from the sale of new household chemicals (samples of which are approved by an expert council of the all-union permanent pavilion of the best models of consumer goods) during the course of the first year of their series production, consumer goods and items for industrial purposes made of substandard leather, fur and down material (from form No 2, p 280 or form No 2-kv, p 730) and so forth. During the process of the audit it becomes clear whether or not the enterprise is keeping a separate analytical account of the output and expenditures on the production of these products and also a separate account of earnings from selling them and financial results.

Production associations and enterprises submit to the higher organization and the local financial agency the deductions into the consumer fund as a part of the quarterly report. Into this fund they deduct profit that was actually obtained in the report. From the sale of consumer goods and items for production and technical purposes that are made of production wastes: within the limits of profitability (in terms of complete production cost) 25 percent--completely, and more than 25 percent--half, minus the actual losses for the individual items. An approximate calculation is presented in Table 3.

Table 3
(thousands of rubles)

<u>Designation</u>	<u>Item A</u>	<u>Item B</u>	<u>Item C</u>	<u>Total</u>
Quantity of items sold, units	680	1,375	130	X
At sales prices, not including turnover tax	34	55	13	X
Complete production cost during report quarter	28	40	15	X
Profit (+), losses (-)	+6	+15	-2	X
Profit transferred to consumer funds	6	10	-2	14
Within limits of profitability of 25% of complete production cost	--	2.5	--	2.5
More than 25%	6	12.5	-2	16.5

We see that under item A with a profitability of less than 25 percent, all of the profit is deducted into the consumer fund, and under item B 15,000 rubles are deducted from the overall sum leaving only 12,500 rubles, including all of the profit within the limits of the profitability of 25 percent of the full production cost (10,000 rubles) and half of that obtained in excess of this level (2,500 rubles). Additionally, in column 4 all of the items sold are reflected according to their full actual production cost in the report quarter, regardless of the quarter in which they may have been manufactured. But if in the report quarter they have sold items which have been manufactured only in preceding quarters, they are evaluated according to the production cost of the corresponding quarter.

During the process of auditing quarterly deductions into the consumer fund it is necessary to pay attention to the composition of the materials that are utilized. The proportion of wastes should be no less than half of the value of raw and processed materials used in the report quarter for the manufacture of each kind of item or group of items of the same kind (not including auxiliary materials--paints, lacquers, accessories, finishing materials and so forth). From data of an analytical account of production expenditures (from account No 20 of basic production) and calculations one checks on the correctness of the application of prices for expended wastes and the completeness of the inclusion in the calculations of consumer goods of expenditures of steam, fuel, electric power, and shop, general plant and nonproduction expenditures. It is necessary to keep in mind that the two latter (pertaining to the output of consumer goods made of wastes) do not include expenditures related directly to the manufacture and sales of these items. If they are manufactured in shops that specialize only in their production, then all of the general shop expenditures are included in their production cost.

During the audit it might turn out that the enterprise has not met mandatory conditions which make it possible to deduct profit from sales of consumer goods and items for production and technical purposes made of wastes into the consumer fund. If it has turned out, for example, that these products do not meet the established standards and technical specifications or the proportion of wastes used in their production is less than half of the value of all the raw and processed materials (not including auxiliary materials), then the profit from the sale of items made of waste is used just as the profit from the basic production is.

Since 1984 there has been a different way of checking on the formation of the consumer fund in associations and at enterprises of the Ministry of Heavy Machine Building, Ministry of the Electrical Equipment Industry, and the Ministry of Light Industry of the Belorussian SSR and the Ministry of Local Industry of the Lithuanian SSR--participants in the economic experiment for expanding the rights of enterprises and increasing their responsibility for the results of their work. In keeping with the instructions of the USSR Ministry of Finance of 21 September 1983 No 130, the consumer fund here is formed under the condition that the proportion of expenditures for each kind of item or group of items of the same kind reaches 10 percent and more of the value of all materials utilized (not including auxiliary materials). Here they use the priority scale of deductions from profit, depending on the actual

proportion in the report period of wastes in the overall value of raw and processed materials used for the production of individual kinds (groups) of items. Thus when the proportion of wastes is 10 to 15 percent, the deductions into the consumer fund amount to 10 percent of the actual profit from the sale of these goods; from 15 to 20--20 percent; from 20 to 25--30 percent; from 25 to 30--40 percent; from 30 to 35--50 percent; from 35 to 40--60 percent; from 40 to 45--70 percent; and from 45 to 50--80 percent, regardless of the level of profitability of the manufactured items. But when the proportion of wastes exceeds 50 percent, the profit is deducted into the consumer fund depending on the profitability of the items (in percentages of the complete production cost): when its level is up to 25 percent--completely, and above 25 percent--half (minus losses for individual items).

Beginning in 1982 all industrial production associations and enterprises (including those of ministries participating in the economic experiment) transfer to the consumer fund, in addition to profit from the sales of items made of production wastes, another 15 percent of the profit from the sale of nonfood consumer goods made of local raw material which is not centrally distributed (within the limits of profitability of no more than 25 percent of the complete production cost). During the audit one should first establish the justification for including among local raw materials those material expenditures that have been made on the production of these goods. This is either local mineral raw material that has been extracted, prepared or raised by enterprises (finishing stones, dyes, clay, tripoli earth, diatomite and others) or raw material of vegetable (twigs, sorghum, reeds and so forth) and vegetable origin acquired from individual citizens, kolkhozes and other organizations from a list approved by the Gosplan and Gossnab of the union republic. One then checks the correctness of determining the proportion of profit deducted into the consumer fund, depending on the level of profitability of each calculated kind (homogeneous group) of items made of local raw material. Let us assume that the profit from the sale of 50,000 units of item G in the report quarter amounted to 16,000 rubles, their complete production cost was 64,000 rubles, and profitability was 25 percent of the complete production cost; one should deduct 2,400 rubles (15 percent of the profit) into the consumer fund. During this same report period the profit from the sale of 42,000 units of item D was reflected in the sum of 17,500 rubles while the complete production cost was 50,000 rubles and profitability was 35 percent, so 1,875 rubles should be deducted into the consumer fund (15 percent of the profit within the limits of profitability of 25 percent, that is, from the sum of 12,500 rubles). The rest of the profit from the sale of this item is distributed under the generally established policy.

The devices for auditing and analyzing the utilization of the balance profit which remains after profit for special purposes has been subtracted from it depend on the method of distributing planned and above-plan profit that is applied in the corresponding branch of industry.

From the results of the audit of the balance profit and its distribution the enterprises make the necessary adjustments in the bookkeeping report. The adjustments of report indicators for the current or past year which require changes in the system entries in the bookkeeping account (production cost, financial results and so forth) are reflected in the first report after the

inspection with the correction of the indicators of the report month, quarter and from the beginning of the year. If the indicators of the annual bookkeeping reports and balances for the past year are corrected before they are finally submitted, the adjustments are made in the bookkeeping account for December of the preceding year and are reflected in the report and balance for the past year.

There are certain peculiarities in eliminating the consequences of shortages in bookkeeping accounts and accountability that are revealed by financial agencies after the final approval of the annual report, in which the production cost of the preceding year unjustifiably included expenditures that were to have been reimbursed from economic incentive funds, the amortization fund or other special funds. The corresponding source of financing should be reduced by the sum of these funds, at the same time increasing payments into the budget from the last year's profit. Then in the bookkeeping account of the enterprise, on the basis of the document of the audit, an entry is made for debiting accounts No 87 of the funds for economic incentives and special purposes, 86 of the amortization fund or 96 of the special-purpose financing and special-purpose income in correspondence with the credit of account No 73 of accounts with the budget. Analogously (with a debit from account No 87 and a credit to account No 73) one reflects in accounts and accounting the surplus deductions during the preceding year into the economic incentive funds and other funds formed from profit, these having been discovered by the financial agencies.

In keeping with the decree of the CPSU Central Committee and the USSR Council of Ministers adopted in July 1983, "On Additional Measures for Expanding the Rights of Production Associations (Enterprises) of Industry in Planning and Economic Activity and Increasing Their Responsibility for the Results of Their Work," beginning on 1 January 1984 the following production associations and enterprises were changed over to experimental conditions for operation: of the Ukrainian SSR Ministry of Heavy Industry, Ministry of the Electrical Equipment Industry and Ministry of the Food Industry, the Belorussian SSR Ministry of Light Industry and the Lithuanian SSR Ministry of Local Industry. The decree envisions expanding the application and increasing the effectiveness of the normative method of distributing profit so as to leave more profit at the disposal of production associations and enterprises that achieve high final results. Participants in the experiment make payments from profit into the budget in a decentralized way according to established annual normatives in percentages of the entire mass of calculated profit (planned and above-plan), not including profit for special purposes. In order to better maneuver their own resources, they form a financial reserve in an amount of up to 5 percent of the normative internal circulating capital (taking into account the residual reserve at the beginning of the planning period), utilizing for this purpose the part of the above-plan profit remaining at the disposal of the business as well as the increments to prices for highly effective and high-quality products. The correctness of the formation of this reserve is verified on the basis of an entry in account No 87 "Economic Incentive Funds and Funds for Special Purposes" (subaccount "Financial Reserve") and reports on the movement of money from special funds and special financing (form No 2--semi-annual and form No 10--the annual report).

The experimental verification and development of the new measures for improving normative distribution of profit in the primary unit of production, and stricter and more careful control on the part of financial agencies over the results of the activity of production associations and enterprises will help to increase the role of finance and credit levers in intensifying production, strengthening conditions for economizing and accelerating scientific and technical progress.

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ECONOMIC MODELING AND COMPUTER TECHNOLOGY APPLICATION

FEDORENKO DEPLORES MODELING, COMPUTER TECHNOLOGY LAG

Moscow EKONOMICHESKAYA GAZETA in Russian No 1, Jan 85 p 14

[Article by Academician N. P. Fedorenko, director of the Economics and Mathematics Institute (Central), USSR Academy of Sciences: "Mathematical Economic Models and Methods: How Can We Improve Their Utilization and Increase the Output of Automated Control Systems?"]

[Text] The application of mathematical-economic methods and models in managing the economy has become both the norm and a commonplace fact. Optimizational models are used in many enterprises and construction sites, in design institutes and ministries, and in planning organizations. Thus, Siberian economist-mathematicians are using them to calculate long-range plans for developing the zones of the Baykal-Amur Mainline and the Sayan Complex. Estonian scientists recently laid the groundwork for selecting the best directions for the flow of Urengoy gas to the Moscow area and to western parts of the country. Associates of the Economics and Mathematics Institute (Central) of the USSR Academy of Sciences have applied mathematical economic models in calculating indicators for complex programs of scientific-technical progress in the country.

Research has shown that, on the average, the solution of mathematical-economic problems in planning the development and location of industry allows savings of from 5 to 10 percent in capital investment and 5 to 7 percent in reduction of product cost as compared with plans constituted by traditional methods. The application of models for optimizing the structure of production and utilization of the products of a series of industries reduces the amount of capital investment by 8 to 10 percent and planned exploitation expenses, by 6 percent. If one considers the present scale of production, it becomes clear that we are speaking of an economic effect amounting at times to hundreds of millions of rubles.

Much Development, But Little Introduced Into Production

Recently, many have begun to be alarmed by the situation in this area. They observe a substantial gap between what mathematical economic models should provide to the economy and what they actually provide.

Take, for example, automated control systems for enterprises and associations -- there are now thousands of them in this country. As a rule, they are equipped with the very latest (and very expensive) computer technology, and they are operated by tens of thousands of highly qualified specialists. But right here, paradoxes arise. At the Moscow "Kristall" factory, scientists from the Economics and Mathe-

matics Institute (Central) of the USSR Academy of Sciences together with workers from the enterprise used mathematical economic methods to achieve a saving in raw materials worth millions of rubles. At the L'vov "Elektron" association, a system developed by the Institute of Cybernetics of the UkSSR Academy of Sciences is successfully controlling a complicated process for manufacturing television sets . . . Why, then, do we not have this kind of efficiency everywhere? Why, for example, has research done by Kievans produced such disheartening results: many plain-speaking industrial executives have maintained that the benefit from automated control systems has been insignificant. And some individuals (fortunately, only a few) have thought that, as a whole, automated control systems have lowered production effectiveness by increasing expenditures for control personnel and maintenance of computer centers.

Economists and mathematicians of the "Soyuzkhimplast" All-Union Production Association, constantly for a number of years have made calculations for the optimum development and location of industries, providing impressive savings. The Ministry of the Shipbuilding Industry has regularly calculated optimum plans for ship repair. . . Why, then, for example, would the Ministries of Ferrous Metallurgy, Light Industry, and certain others that have mastered the use of mathematical-economic methods in planning and that have gotten the feel of it, seem to begin later to return to the past, to deliberately less perfect methods? There are many such questions. It is very important to examine the situation objectively and to ensure that what is new and progressive be established decisively and irrevocably in this area of our science and economic practice.

On the Quality of Development

I think I should begin with self-criticism. Actually, the analysis of many mathematical-economic works conducted in this country reveals a number of troubling phenomena along with obvious scientific advancements. If at some time during the dawn of development of mathematical economics, the very fact of developing a mathematical model of some economic process was considered an achievement, now we have all learned to model and no one is astonished by a model. By what kind of model? A researcher conducts an analysis, establishes some relationships or interactions, fixes them in a mathematical formula -- and considers his task fulfilled. True, demonstrational objectives are sufficient for scholars.

But for a model to become a really practical means for planning and for economic decisionmaking, it is not at all enough to have one general concept of the ramifications inherent in such a model. It must be reworked two, three, or even four times; it must be worked out in detail; and it must take into account all constantly appearing new conditions under which it is supposed to "operate."

Every researcher is not capable of such painstaking labor and, therefore, some authors of models do not find common language with "consumers" such as workers in planning and economic organizations.

Moreover, at times, scientific collectives -- and I can include here the Economics and Mathematics Institute (Central), which I-direct -- do not show the needed persistence in introducing their developments into practice.

Deficiencies in Creating Automated Control Systems

The main reason for the slow introduction of mathematical-economic modelling methods into practice, in my view, consists of deficiencies in the planning and organizational work for creating automated control systems. Insufficient analysis is being devoted to the degree of readiness within ministries and agencies, enterprises, and associations for the introduction of automated control systems. Computer maintenance is poorly set up and the reliability of their operation is low. The positive results of the best automated control systems are not being used properly to stimulate progress elsewhere.

At one time a few years ago, scientists and specialists of the USSR Academy of Sciences, the Ministry of Instrument Building, Automation Equipment and Control Systems, and other organizations joined forces to develop some fairly good normative and methodological documents for creating automated control systems. They played a positive role but already have become largely out-of-date and do not satisfy current requirements. The situation is particularly bad with respect to information support. The existing normative basis does not contain many indicators necessary for more qualitative selection of most effective economic solutions at all economic levels.

I do not support the demands for an "accounting boom." But, under the guise of reducing it, some indicators very necessary for analysis are at times excluded from use, and this makes things more difficult. At the same time, a huge volume of absolutely unusable data is preserved. Enterprise passports, recently put into use, are not very adaptable for optimizing machine accounts. In fact, there is no unified passport system for planned construction of new enterprises and reconstruction of existing enterprises and, without them, no computer can select the best variants for the development of industries or for scientific-technical progress.

Improvement also requires a system for training, retraining, and distribution of personnel with mastery of contemporary methods of mathematical-economic modelling and ready to apply computer technology in practice.

It seems that the popularization of mathematical-economic methods among economic personnel is being conducted very timidly: it is not necessary, of course, to demand that they themselves do modelling or, let us say, develop computer programs, but every manager of an enterprise, association, or agency should know what can and cannot be required from these methods and from mathematical economists and computer centers.

The Apathy of Executives

Nevertheless, despite the undoubted significance of the "obstacles" already mentioned, I am deeply convinced that it is not these that are the most important. The most important thing is insufficient interest in the use of mathematical-economic models regardless of their obvious advantages and effectiveness from the point of view of economic interests.

For example, the Economics and Mathematics Institute (Central) of the USSR Academy of Sciences in cooperation with the Main Computer Center of USSR Gosplan is con-

ducting very important research on the creation of the so-called system of models for multi-stage optimization of economic planning and on optimum planning for the development of very large economic complexes. There is not sufficient space here to go into detail. I will say only that the essence of it is the transition from isolated individual accounting systems for optimizing separate industries and aspects of economic development to the complex construction of intercoordinated optimization accounting systems. Such accounting systems, which encompass multi-industry complexes and the economy as a whole, are important for the preparation of basic outlines for long-range plans for the social and economic development of the country.

Speaking of the possible economic effectiveness of such work, it is difficult to operate with the usual numbers and concepts: we are speaking about the possibility of examining many variants in the development of the economics of the whole gigantic country, comparing them objectively, and selecting the best. The game is not worth the candle! Numerous experiments with such so-called conditional information have demonstrated the workability of the system. It would appear that if you put real data into the machine, practical work can begin.

Such data should, first of all, come from industrial ministries and from the USSR Central Statistical Administration. But the collection of the necessary information is not proceeding successfully. Workers of the Main Computer Center of USSR Gosplan indicate that such information comes in while experimental and first practical accounting systems are running. However, as Gosplan makes decisions on the allotment of resources according to the results of optimization tasks solutions, the flow of data diminishes. For example, a few years ago, the Main Computer Center together with the Ministry of Heavy and Transport Machine Building conducted research on optimum plans for diesel production, with the Ministry of Construction, Road, and Municipal Machine Building, for elevators, and with the Ministry of Chemical and Petroleum Machine Building, for pumps and steel frames: and now all of this useful work by the ministries has been discontinued.

The explanation for this lies on the surface. Mathematical-economic methods, essentially optimum methods, are directed at opening up reserves of production effectiveness. And as long as they serve the successful fulfilment of a plan already adopted at an enterprise or industry, for example, they are welcomed. But as soon as talk begins to refer to the use of model accounting systems for the development of plans themselves, the situation drastically changes: a more effective plan, hence a more strenuous plan, is more difficult to fulfil, and enterprise managers and organizations know this.

That is why there are instances when managers of enterprises and even industrial ministries, upon receiving recommendations from economic scientists promising large economic effect, pigeon-hole them and even hide them from higher-level organizations. In other words, the chief obstacle on the path of utilizing mathematical-economic models and methods consists of deficiencies in the economic mechanism which was pointed to at the 26th CPSU Congress and at succeeding plenums of the CPSU Central Committee.

Strengthen Performance Discipline

Of course, what has been said also indicates lack of performance discipline. We must speak not only of interest but also of responsibility. Indeed, USSR Gosplan

many times has made the decision that draft long-range development plans should have substantiation of plan targets with calculations of the optimum production program and optimum plans for the development and location of production (science has prepared the necessary mathematical apparatus for such calculations applicable to the vast majority of industries). Nevertheless, as we see it, the ministries do not not all fulfil these instructions.

In my opinion, beginning with the next, 12th Five-year Plan, draft plans should not be submitted without the described substantiation. I also think that central economic organizations, ministries, and agencies that are responsible for key links in civil production, must develop long-range plans for introducing methods for optimizing planning solutions on the basis of broad use of mathematical-economic modelling in the practice of automated systems of planning and control. Also, we should develop a typical list of tasks to be accomplished in obligatory order using mathematical-economic methods.

For their part, economists and mathematicians are prepared to provide scientific-methodological aid to these organizations. We are also prepared to refine the requirements placed on economic science, that is, to determine together what is most needed from among scientific developments and what from the scientific backlog (and we have one) can and should be introduced into practice more quickly, and what should be worked on in the future.

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CSO: 1820/54

REGIONAL DEVELOPMENT

CENTRAL ASIAN REPUBLIC MINISTERS ACCLAIM 60TH ANNIVERSARY

Kirghiz SSR

Moscow EKONOMICHESKAYA GAZETA in Russian No 43, Oct 84 p 5

[Article by A. D. Duysheyev, chairman of KiSSR Council of Ministers, under rubric "60th Anniversary of the Formation of Kirghiz SSR and the Creation of the Communist Party of Kirghizia": "Degrees of Growth"]

[Text] October 14 marked the 60th anniversary of the formation of the Kirghiz SSR and the creation of the Communist Party of Kirghizia [KiCP]. As a result of the carrying out the Leninist national policy of the CPSU, and with the active participation and fraternal assistance of all the nations of the Soviet country, a region that at one time was a backward frontier land of tsarist Russia had been converted today into a land of a well-developed economy and high culture, and has become a component part of a single national-economic complex.

The volume of industrial production as compared with 1924 has increased in Kirghizia by a factor of almost 600. Its industry produces approximately 60 percent of the republic's global gross product. The republic produces coal, petroleum, gas, and nonferrous metals, among which a considerable place is occupied by mercury and antimony, and it produces and ships to other republics precision instruments and electrical-engineering and other equipment. In turn, those other republics ship to Kirghizia motor vehicles, machine tools, modern equipment, and other output.

The agriculture in Kirghizia, which prior to the victory of the Great October was characterized basically by nomadic animal husbandry, is developing on a modern agrarian-industrial basis. Together with the other fraternal republics, Kirghizia is making a definite contribution to the resolution of the USSR Food Program, by producing cotton, grain, vegetables, fruit, aromatic tobacco, and other agricultural crops. About nine-tenths of the total output in the republic's vegetable husbandry is produced on irrigated land. A traditional branch -- animal husbandry -- is experiencing a renaissance. The socialized flock in Kirghizia exceeds 10 million sheep, and with regard to wool production it occupies the third place in the country.

The high rates of development of the economy also guarantee a constant, steady rise in the national income. During the past 15 years alone it has doubled.

Along the Path of Intensive Development

The workers of Kirghizstan, together with the rest of the Soviet nation, are greeting the anniversary date in an atmosphere of an intensive struggle for the fulfillment and overfulfillment of the plans for 1984 and the five-year plan as a whole. Most of the labor collectives have accepted counter plans for this year and had taken additional pledges. It has been decided to increase the growth of labor productivity in excess of the plan by one percent and to lower production costs by 0.6 percent. In this large and important job, the Kirghiz nation is guided by the decisions of the 26th CPSU Congress and the subsequent Plenums of the CPSU Central Committee.

"Intensification, the accelerated introduction into production of the achievements of science and technology, the carrying out of large-scale comprehensive programs," K. U. Chernenko stated at the February 1984 Plenum of the CPSU Central Committee, "must all, in the final analysis, raise the productive forces of our society to a qualitatively new level." Our republic, like the rest of the country, is carrying out major measures to convert the economy chiefly to the intensive methods of development. Approximately 40 comprehensive target programs and very important scientific-technical programs are being developed and implemented.

Quite recently a plenum of the KiCP Central Committee approved a comprehensive program for scientific-technical progress in the fields of the republic's national economy. A commission for scientific-technical progress has been created under the KiCP Central Committee; that commission has been given the responsibility of monitoring this very important work sector.

The efforts of the labor collectives are being directed primarily toward the carrying out of comprehensive mechanization and automation of production. During the past year alone, major measures have been carried out in accordance with a comprehensive program for the reduction of manual labor. The labor of 10,000 workers has been mechanized and lightened. The annual economic benefit has been 4.9 million rubles. This comprehensive program is being carried out successfully by the Agricultural Machinery Plant imeni Frunze, the Mayli-Say Electric Bulb Plant, the Kadamzhayskiy Antimony Combine, and other enterprises.

The creative ties between the enterprises and the country's scientific organizations are becoming stronger. These ties are becoming long-term ones and are based on contractual relations of cost accountability. The scientists at KiSSR Academy of Sciences have been increasing their contribution. During the three years of the five-year plan which have elapsed, for example, approximately 300 of their developments have been introduced; their economic benefit came to almost 50 million rubles.

All this work has been yielding tangible results. The assignments for the first three years of the five-year plan for increase of labor productivity were surpassed. During the first nine months of the current year, as compared

with the corresponding period last year, it increased by 5.6 percent, with an annual plan and pledge of 4.5 percent.

A large amount of attention is also devoted to improving the quality of output. In the ministries and departments, at enterprises and organizations, comprehensive systems of quality control are being introduced. Our pride is such enterprises as the Bystrovka Electrical Engineering Plant, the Przheval'sk Electrical Engineering Plant, and the Kadamzhayskiy Antimony, 70 to 98 percent of the output at which enterprises bears the State Quality Seal.

New Time -- New Methods

The CPSU Central Committee makes increasingly high demands upon the administration of the economy and the improvement of the economic mechanism. In this regard, an important factor for the labor collectives of our republic is the participation in carrying out the large-scale economic experiment, in the course of which a system of the more effective administration of production is successfully worked out.

The collective at the Tyazhelektromash Plant in Frunze is operating in an especially efficient manner. The intraplant planning and the incentive system there have been constructed in such a way that every brigade, every worker, has a self-interest in the high final results, in delivering the output to the customers within the established deadlines. It is no accident that the plant has not had a single instance in disruption of deliveries this year.

High indicators were achieved by the Issyk-Kul Production Association of Electrical Engineering Plants. This year, with 100-percent fulfillment of the delivery plan, the enterprise increased its labor productivity by 18 percent, while considerably exceeding the assignment, and it obtained 1.5 million rubles of profit in excess of plan.

The party and economic agencies constantly analyze and direct the activity of the enterprises that are working under the experimental conditions. This attention is explained by the importance of the work being carried out, and by the attempt to work out the economic mechanism in full volume, while assuring that there are no stoppages in that mechanism. Because, unfortunately, such stoppages still occur. Therefore today it would probably be correct to speak a bit about them.

Two factories, for example, which have been participating in the experiment -- the Experimental Electric Vacuum Machine-Building Plant in Frunze and the Kirgizkabel' Plant in Kaindy -- failed to cope with the fulfillment of the basic indicators. We analyzed their work. It turned out that the production there had not been reorganized to conform to the new requirements, little attention was being directed to introducing the brigade form of organizing labor and providing that labor with incentives, or to introducing cost accountability, and no active use was being made of the rights that had been granted by the experiment.

The situation that had been recreated at the lagging enterprises became the subject of serious analysis at the republic's Council of Ministers and Gosplan. Assistance was given to the collectives, but, most importantly, conclusions were made from those mistakes, so as to prevent their repetition in the future. That is especially important, because, with the new year, a number of additional enterprises in the republic will be changing over to the new management conditions. They include the Osh Pump Plant, the Orgtekhnika Plant in Min-Kush, the Frunze Drill Plant, and other enterprises.

The experiment has also been revealing the shortcomings. In our opinion, the system of deliveries and sale of output requires a definite reorganization. This requires the paying of the maximum amount of attention to the establishment of direct, prolonged ties among the plants that produce the output, the suppliers, and the territorial bases in the USSR Gosplan system.

For the time being, the enterprises have been making insufficiently effective use of the funds for development of production and social-cultural measures and housing construction. The enterprises do not always receive any material support for these funds. It would seem that all this will be worked out in the further course of the experiment.

Among the measures to improve the economic mechanism, an important role is assigned to the development of the brigade form of organizing labor and the payment of incentives for that labor. Today almost 70 percent of the workers in our republic's industry are members of brigades. But it is a matter not only of, and not such much in, the number of brigades. The most important thing is to create complete-operation comprehensive brigades on the final technological flows.

A large number of such primary labor collectives have been created at the Frunze Drill Plant, the 40 Let Oktyabrya Garment Factory, the knitwear production association, and other enterprises.

In construction and agriculture, a large benefit is provided by the introduction of the brigade contract. For example, approximately 38 percent of the workers are employed in construction-worker contract brigades, and they carry out more than 40 percent of the volume of construction-and-installation operations.

The brigade contract is gaining speed in agriculture. In vegetable and animal husbandry, approximately 9000 brigades and links are working on a contract basis. Among them, especially good results were achieved by Zh. Moydunov's corn-growing link at the Yassy Sovkhoz, Uzgenskiy Rayon; the shepherd brigades of T. Akmatov, at the Kolkhoz imeni XXII Parts'yezd, Tonskiy Rayon, and Zh. Tutashev, at the 1 Maya Kolkhoz, Ak-Talinskiy Rayon; and many others.

Striving for High Goals

In the single family of the fraternal republics, the economy of Soviet Kirghizstan has been developing steadily and dynamically. The basic assignments of the first three years of the five-year plan were successfully fulfilled. During that period, industrial output valued at 210 million rubles was produced in excess of the plans. The gross output of agriculture increased in 1983, as compared with the average yearly level in the 10th Five-Year Plan, by 12 percent, and exceeded 1.6 billion rubles. There was an increase in the profitability of agricultural production -- during the three-year period the kolkhozes and sovkhoses received 644 million rubles of profit. During that period 1,858 tons of livestock and poultry in live weight were sold, as well as 3,676 tons of milk, 619 tons of wool in clean fiber, and more than 30 million eggs, and the assignments for the sale of the basic types of output of vegetable husbandry were fulfilled.

Kirghizia's workers have also been working successfully during this year of our republic's anniversary. During the first nine months industry sold output valued at 64 million rubles in excess of the plan. The increase in labor productivity accounted for approximately 90 percent of the total increase in industrial production.

The workers in agriculture have prepared a fine present for our republic's anniversary. They are successfully completing the harvesting of the grain crops, and carrying out the operations of laying in supplies of fodders, the digging of potatoes, and the harvesting of grapes. Preliminary computations indicate that the plans and pledges for the sale of the basic types of output of vegetable husbandry will be overfulfilled. Rather good results are being achieved by our republic's animal husbandrymen, who were awarded, on the basis of the results of the past wintering-over period, an Honorary Certificate of the CPSU Central Committee, the AUCCTU, and the Komsomol Central Committee. They are also preparing actively for the forthcoming wintering-over period. The year's assignment for the sale of wool (19,467 tons in clean fiber) has already been overfulfilled, and the sale of meat, milk, and eggs by the farms is proceeding ahead of last-year's schedule.

The people in the labor collectives are currently discussing the draft versions of the plans for 1985 and working out the draft version of the national-economic plan for the 12th Five-Year Plan. The tasks confronting us are large ones. In 1985 it is planned to develop all the branches in our republic's national economy at accelerated rates.

Excellent prospects have been opened up before the Kirghiz nation, a completely equal member in the single and harmonious family of all Soviet nations. We can see the fruits of the wise Leninist national policy that is conducted by the CPSU Central Committee, a policy that has transformed the multinational composition of the country from a source of its weakness into a source of strength and prosperity. All the workers in our republic have perceived with a sense of inspiration the warm message of greetings from the CPSU Central Committee, the Presidium of the USSR Supreme Soviet, and the USSR

Council of Ministers on the occasion of this historic date and they will do everything to achieve new successes in the resolution of the key national-economic tasks and in the strengthening of the economic and defensive might of our socialist Motherland, and the international unity of the nations of the USSR.

Uzbek SSR

Moscow EKONOMICHESKAYA GAZETA in Russian No 48, Nov 84 p 7

[Article by K. Akhmedov, deputy chairman of UzSSR Council of Ministers, chairman of UzSSR Gosplan, under rubric "60th Anniversary of the Formation of Uzbek SSR and the Communist Party of Uzbekistan": "On the Path of Creation"]

[Text] The Uzbek Soviet Socialist Republic and the Communist Party of Uzbekistan [UzCP] were formed 60 years ago. As a result of the practical implementation of the Leninist principles of state and economic construction, and the mutually enriching cooperation among all the nations in the USSR, Uzbekistan, like the other Central Asian republics, was transformed from a backward agrarian borderland into a land of a highly-developed industry, intensive agriculture, and advanced science and culture.

The volume of production of industrial output during these six decades increased in the republic by a factor of 244, and the gross output of agriculture by a factor of more than 13. At the present time our republic's enterprises produce in every 1.5 days as much output as they produced in the entire year of 1924. The present-day industrial outlook of Uzbekistan is determined by electrical-power engineering, chemistry and petrochemistry, the gas and mining industry, ferrous and nonferrous metallurgy, various branches of machine-building, and a well-developed light and food industry.

Agriculture, which used to be represented by subsistence vegetable husbandry and nomadic animal husbandry, has been transformed into a highly mechanized branch which has been making a major contribution to the resolution of the USSR Food Program. The almost 4 million hectares of irrigated land produces cotton, grain, hemp, vegetables, fruit, and other agricultural crops.

The steadily developing multibranch economy guarantees the constant and steady rise in the national income, during increased by 14 percent during the first three years of the 11th Five-Year Plan.

Course Aimed at Scientific-Technical Progress

The republic is carrying out major measures in accordance with a comprehensive program for reducing the share of manual labor. During this year alone, our enterprises have installed more than 200 automatic and mechanized flow lines, and have introduced more than 10,000 scientific-technical measures, which made it possible to release and to direct to other sectors more than 6000 persons and to obtain an annual economic benefit of more than 70 million rubles.

I would like to mention in this regard the Tashkentskiy Traktornyy Zavod imeni 50-letiya SSSR Production Association. Last year that association installed 80 special and combined automatic and semiautomatic machine tools, and six automatic lines for galvanic coatings and heat processing. A considerable quantity of the technological equipment has been modernized there, and hoisting-and-transporting machinery has been installed in all the basic sectors. That has made it possible to achieve a sharp increase in labor productivity. The same thing can be said about the Tashkent Aviation Production Association imeni V. P. Chkalov, the Namangan (Avrovyy) [translation unavailable] Fabrics Combine, and a number of other enterprises. The creative ties between the enterprises and the scientific enterprises are becoming stronger in every way. Today we have a large scientific-technical potential at our disposal. Almost every industrial ministry represented in the republic has within its makeup a scientific-research institute, scientific-production association, or large-scale planning and designing bureau. Every year the scientific organizations in Uzbekistan transfer to production more than 400 different developments with an economic benefit of more than 600 million rubles. And all this work has been producing positive results. A number of our labor collectives are participating in a large-scale economic experiment. They are, primarily, the Uzbekelektroterm and Pod'yemnik Production Associations, which have achieved high production indicators and the 100-percent fulfillment of the contractual obligations.

Nevertheless, despite the tendencies which are, on the whole, positive, we still have bottlenecks and considerable unused reserves and opportunities. It would be correct today to speak a bit about them. For example, there has been a slower reduction that had been desired in the number of industrial enterprises that have not been fulfilling the assignments of the five-year plan with regard to the rates of increase in the volume of production and labor productivity. Certain enterprises in USSR Minenergo [Ministry of Power and Electrification] and Minkhimprom [Ministry of the Chemical Industry] are considerably in debt. A number of branches have failed to close the "canals" that result in losses of materials, electrical energy, heat, rolled metal, and especially work time. Reducing the losses to the minimum and putting up a strong opposition to poor business practices, in whatever form they manifest themselves, means producing an additional large amount of various kinds of articles. And we must work now to do this.

Let's Give the Country First-Grade Cotton

One of the most brilliant and impressive pages in the chronicle of the development of socialist Uzbekistan has been its participation in the creation of Soviet cotton-growing. Items that were written on that page in capital letters have been the Leninist decrees concerning the appropriation of large amounts of money to organize cotton plantings and the state purchase of cotton, and to carry out irrigation operations in Turkestan.

In the complete increase of cotton production the workers in our republic see their primary international duty. During the years that have passed since the formation of Uzbek SSR cotton production in our republic increased by almost

20 times and reached 6 million tons. Accelerated scientific-technical progress and advanced agrotechnology that is based on irrigation, mechanization, and chemicalization, have created good prerequisites not only for increasing the gross harvests of raw cotton, but also for considerably improving its quality.

As is generally known, the Politburo of the CPSU Central Committee approved the creation in Uzbekistan of agroindustrial associations for cotton production and processing. In addition to the harvesting of cotton, a plan for the production of fiber has been established for our republic. From the same volume of raw cotton procurements as in previous years it is necessary to produce 230,000 more tons of fiber. During the first two months of cotton processing this year the output of fiber was higher than the amount planned.

A mighty impetus was given to all our work by the October 1984 Plenum of the CPSU Central Committee. At the present time our republic has in operation approximately 900 irrigation systems, on which approximately 100,000 hydraulic structures and 22 very large-scale reservoirs have been built. They include the Charvakskoye, Andizhanskoye, Tuyamuyunskoye, and Talimardzhanskoye reservoirs, which are capable of accumulating more than 10 billion cubic meters of life-giving moisture.

But what has been achieved is not the limit. What serve for us as a guide for action are the principles and conclusions that evolve from Comrade K. U. Chernenko's speech at the Plenum of the CPSU Central Committee. The implementation of the long-term program for the development of land reclamation will make it possible to take a major step in creating highly developed agricultural production. It will be necessary first of all to increase the total area of the irrigated land to 5-5.5 million hectares, to improve by reclamation the tremendous areas of old plowland, and to complete the comprehensive assimilation of the Karshinskaya and Dzhizakskaya steppes, and the Karaulbazar'skiy and Kizilinskiy irrigation tracts. And, in the long-term view, it will be necessary to carry out the stupendous plan for diverting into Central Asia part of the runoff of the Siberian rivers. Uzbekistan has already accumulated good experience in land reclamation. But, as was noted at the Plenum of the CPSU Central Committee, the return on the many billions of rubles that are being invested in the assimilation of the new irrigated land must be considerably higher. This also pertains in full measure to our republic. The party and agricultural agencies and all the labor collectives in our republic are currently directing all their efforts to the accelerated increase in the effectiveness of the irrigated hectare.

The Strength of the Collective Contract

The increase in the effectiveness of production and the rise in labor productivity are largely promoted by the brigade forms of organizing and encouraging labor. There has been a constant multiplication of the ranks of those who are following the advanced collectives which have assimilated that progressive form. Today, in our republic's industry, approximately 60 percent of the workers have been united into brigades that are working in the new way.

But, of course, the crux of the matter is not so much the number of brigades, as it is the effectiveness of their work. The task that is posed is to introduce the experience of the advanced collectives in creating complete-operation combined brigades on the final technological flow lines. Such collectives are working at the Alimkent Cotton-Ginning Plant, the Fergana Textile Combine, and Malika Knitwear Company in Tashkent, and a number of other enterprises.

The brigade contract is developing in construction and agriculture. Whereas, for example, in 1982 there were 620 contract subdivisions in cotton production, during the current year there are already 1340 of them. They cultivate 40 percent of the plowland. And these are their results: the harvest yield of the cotton in the brigades and links that are operating on a contract basis has proved to be 2.8 quintals higher than the average in the ordinary brigades, and labor productivity, 28 percent higher.

Today a course has been taken to improve the collective contract on the kolkhozes and sovkhozes on the basis of the experience of Surkhan-Darya Oblast: the creation of crop-rotation sectors as independent production subdivisions operating on a cost-accountability basis, and within them, brigades and links. The idea of this kind of organization is to increase the responsibility and self-interest of the collective for the observance of crop rotations and increasing the harvest yield not only of the cotton, but also of all the other crops in the particular crop rotation.

It must be said that on a number of farms the introduction of the collective contract is proceeding with the violation of its basic principles. People everywhere have not taken a strict approach to the development of the planned assignments or to the organizing of primary record-keeping and accounting.

When speaking about improving the economic work of the enterprises and organizations in the agroindustrial complex it is necessary to comment on the important role that is played in this matter by the rayon and oblast agroindustrial associations. Most of them have been successfully resolving the questions of improving the administration of the economy and have been carrying out the series of measures that are aimed at increasing the economic independence and initiative of the kolkhozes and sovkhozes.

At the same time the work performed by many agroindustrial associations contains to have substantial shortcomings. Well-organized interaction has not yet been set up among the rayon and oblast associations themselves. All those associations have not been making complete use of the powers granted to them, and the normative documents that regulate their activities have not been studied with sufficient depth.

Let's Assure a Solid Finish for the Five-Year Plan

Within the confines of the single national-economic complex of the USSR, the economy of Uzbekistan is becoming stronger and is developing dynamically. The assignments and counter plans for the current year in industry are being fulfilled.

Our republic's fields are currently sending in reports concerning the fulfillment of the pledges for the fourth year of the five-year plan. On the eve of the October holiday, the oblast that was the first one in the republic to fulfill the plan was Fergana Oblast. Eighty-seven percent of the cotton that was turned over is made up of the highest grades -- Grades 1 and 2. The vegetable husbandrymen of Tashkent and Namangan Oblasts have also reported on the fulfillment of their assignment. The harvesting operations on the cotton fields have entered the decisive period. More than 5 million tons have been harvested.

The labor collectives are currently discussing actively the draft versions of the plans for 1985 and preparing a draft version of the national-economic plan for the 12th Five-Year Plan. The collectives at many enterprises are accepting the counter plans for 1985 which stipulate, on the basis of increasing the labor productivity at every work station, the achieving of the unconditional fulfillment of the plan for the year and the five-year plan as a whole, and the meritorious meeting of the 27th Congress of the Leninist party. In this the workers of Uzbekistan, a completely equal member in the single and harmonious family of Soviet republics, see their basic task -- the further increase and the more complete use of the tremendous production and spiritual potential that has been created in the republic, in the interests of the entire country and in the name of the reinforcement of its economic and defensive might.

Turkmen SSR

Moscow EKONOMICHESKAYA GAZETA in Russian No 49, Dec 84 p 5

[Article by Ch. S. Karryyev, chairman of TuSSR Council of Ministers, under rubric "60th Anniversary of the Formation of Turkmen SSR and the Creation of the Communist Party of Turkmenistan": "Multiplication of Efforts"]

[Text] The year 1924 was the year of the birth of the Turkmen Soviet Socialist Republic and the creation of the Communist Party of Turkmenistan [TuCP]. On that historic date our republic began to record the heroic labor deeds in the creation of the five-year plans. Its efforts were multiplied by the fraternal aid provided by all the nations in the Land of the Soviets -- aid in the form of skilled personnel, machines, machine tools, and everything else that made it possible for our republic to stand firmly on its feet and to achieve the rapid increase and development of the economy and culture.

In the successful transformation of all the areas of the life of our nation a tremendous role was played by industrialization, collectivization, and the cultural revolution. They made it possible for what had previously been a backward land to be transformed into a highly developed industrial-agrarian republic with the most modern industry and agriculture. Our republic delivers many products to the other republics -- petroleum and petroleum products, natural gas and machinery, cotton fiber and chemical fertilizers, glass, the famous Turkmen rugs, karakul, and many other products. In turn, the other republics ship to Turkmenistan machine tools and modern equipment, agricultural machinery, motor vehicles, and other kinds of output.

Soviet Authority Plus Electrification

On the abundant soil of the equality, friendship, and mutual aid of all the republic there has been a constant growth, year by year, in the economic potential of Turkmenistan. During the first three years of the current five-year plan the national income increased by 9 percent, and the volume of industrial production, 7 percent.

The successive reinforcement of the material-technical base of agriculture and the development of the agroindustrial complex have created the conditions for enabling our republic to make a worthy contribution to the implementation of the USSR Food Program. The average annual volume of gross output of agriculture during the first three years of the five-year plan increased by 16 percent as compared with the same period in the previous five-year plan.

The workers of Turkmenistan are also marking the present celebration year by their intensive labor. As a result of the broad scope of the socialist competition in honor of this remarkable date, our republic's industry has completed ahead of schedule, on 25 October, the plan for the first nine months for volume of production. Output valued at more than 90 million rubles has been sold in excess of the plan. There have been positive shifts in the fulfillment of the assignments for the production of consumer goods.

Sixty years ago the annual production of electrical energy was slightly more than 1.5 million kilowatt-hours. At the present time the same amount of electrical energy is produced in a few hours at the leading enterprise in Turkmenistan's power engineering system, the Maryyskaya GRES imeni 50-letiya SSSR. With regard to capacity that power plant surpasses all the GRES's and TETs's which were previously built in this part of the country. It provides for 76 percent of the republic's needs for electricity and furnishes energy to the cities and settlements in the area of the Karakumy River, where dozens of large-scale industrial enterprises are concentrated, the virgin lands are being assimilated, and half the population lives. A considerable amount of the energy is fed along the 370-kilometer-long LEP-500 [electric power transmission line 500] to the Central Asian united energy system.

The collective at the Maryyskaya GRES -- which has been the winner several times in the All-Union Socialist Competition -- is constantly improving the economic indicators of its work. It has achieved a situation in which the energy provided by the GRES has become the cheapest, as compared with similar GRES's in Central Asia and Kazakhstan.

The republic has been consistently carrying out a program of electrification of the petroleum and gas fields, and all the sovkhoses have been connected to the state energy-supply system in the present five-year plan. Every five years the production of electrical energy in Turkmenistan, practically speaking, doubles.

Accelerating the Scientific-Technical Progress

The 60th anniversary of the formation of Turkmen SSR and the creation of the TuCP has coincided in time with the 20th anniversary of the industrial extraction of gas. During that comparatively short period of time, the youngest branch of the fuel and energy complex has taken second place in the country both with regard to the production and the reserves of natural fuel and value chemical raw materials.

In 1964 a well at the Achak deposit yielded the first cubic meters of the "blue fuel." Ten years later Shatlyk had made its presence confidently known -- that name means, in translation from the Turkmen, "joy." Today a mighty "river" of gas -- the Central Asian main line -- takes on the "tributaries" of fuel from almost 20 gas-condensate deposits. At the southern gas fields, scientists from Moscow, Tashkent, Saratov, and Baku, by their joint efforts, are testing the latest technology and technological schemes, and developing modern methods of automation and telemechanization.

But without a stable supply of electrical energy it would scarcely be possible to increase the scale of the gas industry. The further development of the branch presupposes both the expansion of the existing stations and the activation of new ones. They include the construction of a mighty electric-power station close to the gas fields and the existing electrical networks. The GRES will also operate both for the republics of Central Asia and for Kazakhstan, with which the economy of Turkmenistan has been linked by tight bonds.

In addition, a large amount of attention is being devoted to the acceleration of scientific-technical progress, to the use of effective types of energy. Turkmenistan is a bountiful land for the unlimited production of solar energy. There have already been promising results from our Solntse [Sun] Scientific-Production Association, which has suggested a number of different types of solar units that are able to provide inexpensive energy, year-round, at remote pasture areas and on farms.

Our republic's labor collectives gave a warm response to the appeal issued by the CPSU Central Committee -- the appeal to achieve an above-plan increase in labor productivity by at least one percent and an additional decrease in production costs by 0.5 percent. We have put the basic emphasis in resolving these tasks on the acceleration of scientific-technical progress and the improvement of the organization of production and labor. On that basis dozens of enterprises and thousands of shifts, brigades, advanced workers, and innovators of production have already completely ahead of schedule the plans and socialist pledges for the fourth year of the five-year plan and are continuing to build up speed. We are witnessing the successful implementation of assignments for economic and social development by the labor collectives at the Turkmenkabel' Plant and the Electrical Engineering Plant, which are operating under conditions of the large-scale economic experiment. The first period of operating under the experimental conditions has yielded good results: both enterprises are successfully completing this year of celebration by our republic.

Based on Irrigation

As early as the dawn of the Soviet authority, in 1921, V. I. Lenin stated prophetically in a letter to the communists of the Caucasus, "Irrigation is especially important for improving vegetable and animal husbandry..." Vladimir Il'ich viewed irrigation as a very important means for eliminating the economic and cultural backwardness of peoples. The behests of the leader of the revolution formed the basis of the work performed by the party and the nation to accelerate the technical and social reorganization of agriculture. For our republic all this is especially important.

For us the chief role was played by the Karakumy Canal, which bears Lenin's name. It has already stretched from east to west, across the sands and steppes, for more than 1100 kilometers. The world has never known previously a similar example of carrying water across a waterless desert. The man-made river currently irrigates the land in four oblasts of our republic. This year the large-diameter pipes began carrying water from the Amu-Dar'ya to the most arid regions of the Turkmen subtropics.

In the zone of the Karakumy Canal new cities have sprung up and dozens of kolkhozes, sovkhozes, and workers settlements have been created. Every year hundreds of thousands of tons of raw cotton are harvested here, including valuable fine-staple varieties, and 40 percent of the total agricultural output produced in the republic.

The experience in designing, building, and operating an artificial water artery has considerably enriched our country's practice of hydraulic construction. The acquired experience is currently being broadly used in laying the Tashauzskaya branch of the Tyuyamuyunskiy Canal, which branch will run through a number of northern areas of Turkmenistan. The live-giving moisture will provide the opportunity to expand in that zone the areas planted to medium-staple cotton and thus to free in the southern part considerable areas for the growing of fine-staple varieties, as was specified by the USSR Food Program.

The whims of nature are also opposed by the man-made seas in the zone of the Karakumy River: the Khauzkhanskoye, Kopetdagskoye, and Sary-Yazynskoe reservoirs. But these reservoirs cannot be compared in any way with the Zeidskoye Reservoir, which by the end of the current five-year plan will take on more than a half-billion cubic meters of water, and with the completion of the construction the volume of the artificial sea in the Karakumy will be more than 3 billion cubic meters. The area of its surface will be approximately 130 square kilometers. Certain construction items at the reservoir already exist. At the present time the water from the Amu-Dar'ya travels into the Karakumy Canal through a new head structure -- the river runoff regulator.

The prospects for water-management construction in Turkmen SSR were defined by the decisions of the October 1984 Plenum of the CPSU Central Committee, and

the decree of the CPSU Central Committee and USSR Council of Ministers, entitled "The Long-Term Program for Land Reclamation and Increasing the Effectiveness of the Use of Reclaimed Land for Purposes of a Steady Buildup of Our Country's Food Fund." It is planned to increase, on the basis of the Karakumy Canal and the Tashauzskaya branch of the Tyuyamuyunskiy Canal, the area of the irrigated land to 1.3-1.4 million hectares.

Better Management

In accordance with the USSR Food Program it is planned, by 1990, to increase even more the production of grain, corn, and vegetables in our republic. There will be a considerable increase in the procurements of melon crops, grapes for table use, fruits, and fodders. The goals that have been set can and must be attained by us by increasing the harvest yield of the agricultural crops on irrigated land. That will require the active work of the party, Soviet, and agricultural agencies, the workers on kolkhozes and sovkhozes, the scientists and specialists in agriculture and water management, and the workers in the other branches of the agroindustrial complex.

The scope of the work to be carried out is eloquently attested to by the following figures: within the next few years it is planned that we will put into operation 106,000 hectares of new irrigated land, will reclaim 251,000 hectares, carry out the reorganization of the irrigation systems on the same area, and carry out capital reconstruction of old irrigated land on 190,000 hectares.

Agricultural workers have fulfilled ahead of schedule the assignments for the first four years of the five-year plan for the procurements of raw cotton in the most valuable fine-staple varieties, grain, vegetables, melon crops, silkworm cocoons, eggs, and karakul wool. The plans for the current year for purchases of meat and milk are being successfully fulfilled. Livestock productivity is increasing.

We have had successes in agriculture, but in the light of the large and responsible tasks that have been posed by the October 1984 Plenum of the CPSU Central Committee, we are continuing an intensive search for reserves, by using which it will be possible to achieve better results. "Understandably, every branch, every enterprise, has its own tasks, its own specific nature," Comrade K. U. Chernenko remarked recently in his speech at a session of the Politburo of the CPSU Central Committee. "But there is also a common task which must permeate in our time the work of all the enterprises -- the task of managing better, of making more effective use of the resources, of working so as to obtain better results." That means that all of us will have to raise that work to a qualitatively higher level.

The workers of Soviet Turkmenistan, marking the 60th anniversary of our republic, see a guarantee of their success in the fraternal friendship of all the nations of the USSR, in those vast opportunities that are offered to us by the society of mature socialism.

Tajik SSR

Moscow EKONOMICHESKAYA GAZETA in Russian No 50, Dec 84 p 7

[Article by K. Makhkamov, chairman of the TaSSR Council of Ministers, under rubric "60th Anniversary of the Formation of the Tajik SSR and the Creation of the Communist Party of Tajikistan"]

[Text] The Tajik nation, a completely equal member in the single family of brother nations in the Soviet country, is preparing for the ceremonious marking of one of the most important events in its history -- the 60th anniversary of the formation of the Tajik SSR and the creation of the Communist Party of Tajikistan [TaCP]. The victory of the Great October, and the Leninist national policy of the CPSU, a policy that guaranteed the completely equal and universal development of all the nations and nationalities of the USSR, made it possible for Tajiks, who previously not only had not had their own state system but also, in essence, had been doomed to extinction, to create their own republic, which, during the years of its existence, has achieved remarkable successes in the development of the economy, science, and culture.

Our republic is not a large one. Its territory constitutes slightly more than 143,000 square kilometers, of which 93 percent is mountains. However, the creative friendship of all the peoples in our country, and the wise leadership by the Communist Party and the Soviet government helped our republic to create within a short period of time machine-building and energy engineering, nonferrous metallurgy, a mining and chemical industry and highly developed branches that produce consumer goods, a modern mechanized agriculture, and a well-developed transportation network. On the basis of national progressive traditions and an intensive exchange of spiritual values with the other peoples in our country, socialist culture has flourished.

In a Single National-Economic Complex

The very core of our republic's national economy is industry, the share of which in the gross social product has exceeded 55 percent. Whereas prior to the revolution this part of the country had only a few semi-handicraft enterprises, at the present time industry is represented by 420 enterprises in more than a hundred branches and subbranches, which produce agricultural equipment and technological equipment for the textile industry, mineral fertilizers, pipeline fittings, transformers, metal structural elements, cement, refrigerators and furniture, silk, cotton, and woolen fabrics, and many other kinds of output that are in great demand. As compared with 1924, the volume of industrial production has increased by a factor of 860.

The determining influence upon our economy has been exerted by the Southern Tajik Territorial-Production Complex, the energy heart of which is the Nurekskaya GES imeni L. I. Brezhnev, with a capacity of 2.7 million kilowatts. Constructed by the joint efforts of many labor collectives from all the fraternal republics, it has become yet another embodiment of the lasting

friendship among the peoples of our country. Born as early as the years during which the GES was being built, such a form of socialist competition as the "Worker's Relay Baton" is currently being widely used at many construction sites around the country.

Other construction items that have been very important ones in the complex are the Tajik Aluminum Plant and the Yavan Electrochemical Plant, the capacities of which plants during the 11th Five-Year Plan considerably increased and are continuing to increase. In conformity with the State Plan for the Economic and Social Development of the USSR in 1985, new capacities will be activated at another GES on the Vakhsh River -- the Baypazinskaya GES -- and construction will continue at the Rogunskaya Hydroelectric Power Station, which has been called upon to perform with all parameters that surpass those of its younger "sister," the Nurekskaya GES.

It is important to emphasize that the buildup of the industrial potential is being carried out on the basis of the latest achievements of scientific-technical progress. The rising technical level of industry in Tajikistan, apart from other facts, is clearly attested to by the constantly increasing volumes of shipments of output to practically all the economic regions in the country, as well as to more than 50 foreign countries. Many enterprises in our republic, operating along the lines of CEMA, have solid economic ties with the countries in the socialist community.

The republic has dozens of scientific-research institutions and a republic-level Academy of Sciences. The collectives of scientists are carrying out fruitful work on many vitally important problems. Their resolution guarantees scientific-technical progress in the national economy and contributes to the rapid socioeconomic development of Tajikistan in the interests of our country's entire national-economic complex.

In addition to industry, Tajikistan's agriculture has also been developing more and more intensively. Six decades ago that agriculture was carried out on a mostly in-kind basis, with primitive tools, and the place that is currently occupied by cotton plantations, orchards, and vineyards used to be filled by vast expanses of sunburnt deserts or malarial swamps. The Soviet system assured the headlong growth of agricultural production. During the past 20 years alone, the total value of fixed assets in agriculture increased by a factor of 4.8.

Horizons of Land Reclamation

The rates of irrigation construction have been accelerating. During the period that was mentioned, thousands of hectares of new irrigated land have been activated, hundreds of hydraulic structures have been built, and old irrigation systems have been modernized on large areas. Even more considerable prospects and large-scale tasks were assigned to us by the October 1984 Plenum of the CPSU Central Committee, and the decree of the CPSU Central Committee and the USSR Council of Ministers, entitled "Long-Term Program for Land Reclamation and Increasing the Effectiveness of the Use of

Reclaimed Land for the Purposes of the Steady Buildup of Our Country's Food Fund." Our republic's workers have accepted that program as one more manifestation of the party's concern for the welfare and happiness of the nation.

It is planned to increase the area of irrigated land in our republic to 0.8-0.9 million hectares. We shall continue to assimilate the land in the Dangarinskaya Steppe, the Beshkent Valley, and the Kizilinskiy tract, to carry out the construction of the Nizhne-Kafirnichanskoye and Bonzhuanskoye reservoirs, and to expand the work of reorganizing the irrigation systems.

At the same time, as was noted at the Plenum of the CPSU Central Committee, it is necessary to attain a considerable increase in the return on those billions of rubles that are being invested in the assimilation of the new irrigated land. We shall work persistently on that. Nor shall we be reconciled to the fact that on certain farms the proper concern is not being shown for improving the efficiency of vegetable husbandry, the necessary quantities of fertilizers are not being applied, and little is being done to introduce progressive forms of organizing and encouraging labor. I would also like to note that there are farms that have failed to achieve the planned harvest yield, and where the funds invested by the government have not been yielding the necessary return. There is a broad field here for the activity of the party and trade-union organizations and the Soviets of People's Deputies.

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Today our kolkhozes and sovkhoses are large-scale highly mechanized farms. More than 33,000 tractors, thousands of harvesting combines, and other kinds of the most diverse equipment are being used on our fields. The rate to which labor has been provided with energy has increased by a factor of 2.3, as compared with 1965. The shipments of mineral fertilizers have increased by a factor of 2.4.

The development of irrigated vegetable husbandry, the constant reinforcement of the material-technical base, and the introduction into production of scientific achievements and advanced experience have made agriculture a highly profitable branch of the economy. The average annual production of agricultural output in our republic increased from 700 million rubles in the 7th Five-Year Plan to 1.38 billion rubles in the 10th Five-Year Plan, and last year the amount of agricultural output produced came to a total of 1.5 billion rubles.

It is especially necessary to mention cotton-growing -- the leading branch of our agroindustrial complex. Whereas in that same 7th Five-Year Plan Tajikistan gave our Motherland an average of 522,800 tons of raw cotton each year, in the 10th Five-Year Plan that amount was 383,400 tons more. Excellent results are also being achieved during the current five-year plan: the average annual production of raw cotton came to more than 900,000 tons during the past four years.

The 11th Five-Year Plan became a new, important stage in the implementation of the tasks that were posed by the party for the workers in the agroindustrial complex and its chief link, agriculture. A total of two and a

half years have passed since the May 1982 Plenum of the CPSU Central Committee, which approved the USSR Food Program, but we can already make the conclusion that that was a fruitful period in the course of which, despite the unfavorable weather conditions, it was possible to guarantee a substantial increase in the total production of agricultural output. Of course, there still exist problems and shortcomings in this matter, but we are fighting to eliminate them and we consider this to be our duty.

The development of the economy and the intensification of production provide the opportunity to implement consistently and persistently an extensive program of social reforms. With the rise in the national income there has been an increase in the social consumption funds, and an increase in the public's real income. A new upsurge in the economy and culture is planned for the final year of the five-year plan. The TaSSR state budget represents 624,000 rubles.

"In order for Soviet society to move confidently ahead, toward our great goals," K. U. Chernenko emphasized at the April 1984 Plenum of the CPSU Central Committee, "every new generation must rise to a higher level of education and overall culture, professional proficiency, and civil participation. That, one might say, is the law of social progress." In order to fulfill that law, in our republic as in the other republics in the country, fundamental steps are being carried out to achieve the further improvement of the system of public education, and this is a strategic area in the work being done by the party to form the well-rounded individual.

At the Year's Finish Line

We are meeting the celebration with rather good indices. Industry fulfilled ahead of schedule the program for the first eleven months. Output valued at a total of tens of millions of rubles was sold in excess of the assignment. Many construction and transport organizations, and enterprises and institutions in communication, began to work better.

The workers in agriculture, by their selfless labor, overcame the unfavorable weather conditions. They succeeded in fulfilling and overfulfilling the plans and pledges for production and sale to the state of many products of vegetable and animal husbandry. On the eve of the celebration our republic's cotton-growers fulfilled their socialist pledges.

The labor collectives of Tajikistan are firmly resolved to complete the current celebration year successfully, thus creating a good basis for work in 1985, and to reach the finish line of the five-year plan with the highest possible result.

Our republic's workers greeted with universal approval and a new upsurge of political and labor participation the speech by K. U. Chernenko at the recent session of the Politburo of the CPSU Central Committee and the decisions of the session of the USSR Supreme Soviet which discussed and approved the State Plan and budget for our country for the new year of 1985. During the years of

the 11th Five-Year Plan the national income in the republic will rise by almost 17 percent, and there will be an increase of more than 20 percent in the volume of industrial production. As compared with the 10th Five-Year Plan there will be an increase by 7 percent in the average annual production of output in agriculture, the workers of which are working intensively to implement the USSR Food Program that was set down by the party. The increase in the production of consumer goods during the five-year period will constitute almost 30 percent, and in the public's real income, 8 percent.

We view our successes in the development of our republic's national economy, its science, and its culture primarily as a report to the forthcoming 28th CPSU Congress, as a pledge of the new victories on the path of communist creation along which Soviet Tajikistan has been traveling for the past 60 years, hand in hand with the other peoples of our Motherland.

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