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USSR Report

ECONOMIC AFFAIRS

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ECONOMISTS VIEW EXPERIMENT AS GUIDE TO BETTER MANAGEMENT

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 8, Aug 84 pp 33-41

[Article by Ye. Kapustin, director of the USSR Academy of Sciences Institute of Economics, corresponding member of the USSR Academy of Sciences, and V. Ivanchenko, deputy director of the USSR Academy of Sciences Institute of Economics, candidate of economic sciences, professor: "An Important Factor in Improving the Economic Mechanism"]

[Text] The major and complex tasks set by the 26th CPSU Congress and subsequent CPSU Central Committee plenums in the field of improving planning, management and economic incentive have resulted in an objective need to include economic experiments in the organization of this work. Among these,, the large-scale economic experiment being conducted in five of the industrial sectors occupies a special place.

At the CPSU Central Committee February (1984) Plenum the CPSU Central Committee general secretary K.U. Cherenenko noted the need already today to create the preconditions for achieving higher frontiers in the future. He pointed to the inadmissibility of passively waiting for results from the experiment and drew attention to the need for full implementation of a number of decrees on basic economic matters adopted recently by the CPSU Central Committee and government. Here it was emphasized that the new five-year plan should first and foremost be the start of profound qualitative changes in production, a five-year plan signifying a decisive change in the matter of intensification in all the sectors of our national economy. The present-day material-technical base and management system should acquire new and better qualities. This is established in the Main Directions for the Economic and Social Development of the USSR, where the task of comprehensively improving the management mechanism is set as an urgent matter. The following question arises: how to accelerate the adoption of decisions on the management mechanism for the 12th Five-Year Plan so as to reflect its position in the plan, and correspondingly, to take into account the return obtained within the system of economic and technical-economic normativs and indicators? Under these conditions a well-prepared experiment becomes an important factor in organizing the uninterrupted process of bringing the management mechanism into line with the development of production forces and improvements in production relations. As is known, any innovation in equipment or technology proceeds through the stage of final development under production conditions. From these standpoints, improvement in the planned

management of social production is a complex, multifaceted and dynamic process embracing the entire system of social and economic relations, laws, categories, interests, production-management links and so forth.

Preparation for and the conducting of an experiment require comprehensive scientific substantiation and deep study of pressing scientific and technical, economic and social problems, proceeding from the fact that within the USSR a unified national economic complex has been shaped that combines together a system of other complexes, namely territorial, agro-industrial, intersector, production-management and scientific-production complexes. From the standpoint of production relations and social changes this means that an equalization is taking place in the socioeconomic development of the republics and economic regions, in the intersector and interregional division of social labor, and in the deepening of the processes of production specialization and production cooperation. The comprehensive development of the regions, major cities, and all territorial and other production-management complexes is possible only on the basis of a unified, long-term party and state economic policy and national economic final goals and centralization of the relations shaped in the division of labor. This largely determines the strengthened role and development of the functions of centralized management.

The present stage in the scientific and technical revolution, the growing complexity of production-management processes under the conditions of a large-scale and multisector economy, and the development of production cooperation objectively require flexibility, dynamism, and operational effectiveness in the management process itself. Optimizing structural decisions and insuring an organic link between physical-material and value indicators at all levels of production management and distribution is a complex problem.

The deepening process of the socialization of production is resulting in the need for a new approach to use of the system of interests and a greater interconnection between personal and collective interests and the interests of society, to which the entire system of economic levers and incentives should be subordinate. The restructuring of the economy on an intensive path of development, resulting from various objective factors, has coincided with these and other changes in production relations at the stage of developed socialism. They include the modern achievements of science and technology, the need for retooling of the country's large-scale production potential and its intensive utilization, the increasingly limited nature and growing cost of resources, the influence of the international division of labor, the social orientation of public development, and insuring the country's defense capability. Other changes are also taking place, caused by the need for new and comprehensive transformations in the economic mechanism and an experimental verification of these transformations in the sectors of the national economy.

The first results show that the economic experiment being conducted in the Ministry of Heavy and Transport Machine Building, the Ministry of the Electrical Equipment Industry, the Ukrainian food industry, Belorussian light industry and Lithuanian local industry makes it possible to realize modern forms of democratic centralism in a management system, bearing in mind the optimal combination of centralism and the economic initiative of the masses and redistribution of production management functions along both the vertical and

the horizontal. Analysis has shown that great importance attaches to the redistribution of functions in production management, taking into account the expansion of the rights and responsibilities of the production associations (or enterprises). Production relations, a system of interests, social processes, and an interconnection between science and production and between the producers and consumers (clients) of output are materializing in the primary wing and being reflected in definite forms. The expansion and deepening of the production functions of the primary wing, as provided for in the experiment, are making it possible to solve the problem of flexibility and dynamism in the entire system of planned management without lessening the role of centralism, while passing on some of its functions and rights to the leadership of lower economic wings in the management system. The experiment has considerably extended not only the functions but also the economic opportunities of the primary wing in the operational management of production and the technical improvement and modernization of existing production facilities and improving output quality, and also in establishing economic links and concluding contracts with consumers and suppliers and insuring the unconditional fulfillment of such contracts. During the course of the experiment a search is underway for the optimal frontiers in extending the functions of the primary wing and really enhancing the relative independence and responsibility of the production associations in all production-management activity.

A greater role is being assigned to the use of a system of interests in providing incentive in activity, the creative initiative of the labor collectives, socialist competition and counterplanning; and to strengthening planning, production and labor discipline--most important factors in labor productivity growth, reducing output prime costs and improving the final results of work. It notes in the CPSU Central Committee and USSR Council of Ministers decree on extending the rights and enhancing the responsibility of associations (or enterprises) that all these measures should be directed toward the further improvement and reinforcement of centralized management of the economy combined with the development of democratic principles in the management of the national economy, enhancement of the role of the labor collectives in production management at associations (or enterprises), and the extensive introduction of cost accounting.

It is a question of preparing a set of measures in general for the national economy, and of solving not only current but also strategic problems in perfecting developed socialism. The decree also points out the need, along with consistent and persistent introduction of management forms and methods that have already justified themselves, to implement a system of additional measures... Hence, already, now, an urgent scientific analysis must be made of the existing economic mechanism, and the return obtained from the forms and methods of planning, management, pricing and the use of financial and credit levers must be clarified.

It is still, perhaps, too early to draw far-reaching conclusions, but it should be noted that the high level at which work is being organized under the experiment and at which its essence and aims are being brought to the knowledge of the foremen, brigades and each work place is exerting an influence on improvements in the activity of most enterprises.

In personal conversations during the collection and analysis of concrete economic data, and also during attempts to assess the social significance of the measures being implemented, the deep interest of workers, engineers, employees and enterprise managers was manifest in conducting the experiment successfully and in high final results. At the same time some lack of confidence was noted in the stability of the conditions for the experiment and material support for production. Note was made of the poor incentive role of payments from the material incentive fund. The opinion was expressed that it is simpler to be paid R30 or R40 for several hours of overtime that to wait for bonuses from the material incentive fund.

Initial studies of the course of the economic experiment enable us to note the tangible return obtained as the result of enhancing the role of economic incentive in planning and evaluating work results and socialist competition from the indicator for sold output, taking into account deliveries within a given product range (assortment), quality, and the time periods specified in the contracts (or orders). Experience has already been gained in 100-percent fulfillment of deliveries under the terms of contracts. Many enterprises are approaching this frontier. In the Ministry of Heavy and Transport Machine Building, for example, this year more than 60 percent of enterprises have fulfilled this indicator in full, and the figure is 99.8 percent for enterprises as a whole. The mutual fulfillment of deliveries of output under the terms of contracts is becoming a decisive criterion in satisfying production requirements and achieving a real balance between production plans and material-technical resources. Analysis shows that here a greater coordination of plans should be achieved, and this should become an absolute principle and law in planning. It is important that unalterability in fulfillment of deliveries should become the rule for all sectors and regions and the services sphere. It is essential to develop the position of deliveries and strengthen the sanctions for violation of contracts, really insuring the priority of the client. It is just as important to do more work on the technology involved in drawing up plans for production and the marketing of output, having organically included the establishment of direct economic links, the conclusion of preplan agreements, the holding of wholesale fairs, and the development of wholesale trade. It is also necessary to define more precisely the place of contractual cost-accounting forms for supplies for associations, enterprises and organizations in the regional supply organs using direct kinds of deliveries, primarily through the wholesale stores. The calculations show that for machine building the proportion of deliveries through the wholsesale bases is limited to 5-9 percent of the total volume. Other deliveries can be made on the basis of direct economic links.

Today it is already possible to speak of the effectiveness of using in the integral economic mechanism the new provisions connected with the forming and utilization of the production development fund and the unified fund for the development of science and technology. Initial experience shows that it really does exert an effect on improvements in use of the production potential, extending the opportunities of production associations in implementing a planned rise in the technical level of production through retooling and modernization, and improving production efficiency and output quality. Analysis shows that assets allocated for retooling and reconstruction are recouped on average more than

three times as quickly as those used for new construction; the increased share of the active part of industrial-production funds and increased return on investment are guaranteed.

The following are of great importance in enhancing the responsibility and opportunities of enterprises in the field of technical development and accelerating scientific and technical progress: determining those assets in capital investments that are used for the production development fund, both for decentralized capital investments in accordance with allocated resources, and centralized allocations; conceding the right to make additional expenditures for capital repairs using part of the assets in the amortization fund; and extending the sphere in which long-term credit can be used. The status of that part of the unified fund for the development of science and technology used to form and use its assets at the level of the production association must be brought closer to the production development fund. This should include association assets, part of which is centralized at the level of the all-union production association and ministry for sector regulation of the technical level of production. These measures represent a basically new direction in extending the functions of enterprises in the investment process on the basis of retooling and making use of the achievements of scientific and technical progress.

Analysis of the formation and use of the production development fund at enterprises of the Ministry of Heavy and Transport Machine Building in 1984 during the course of the experiment has shown that about 60 percent of assets from this fund were used realistically and effectively for retooling. At the same time more than 35 percent of the total assets in the fund was used to pay off long-term debts.

It seems that at the enterprises that obtained long-term credit before the switch to the experiment, in order to expand production, clear the bottlenecks and engage in reconstruction it is expedient to use assets from the production development fund to pay off loans because the enterprises is deprived for many years of its own assets for retooling. Thus, in 1984 the Kalinin Vagonostroyeniye Production Association has been forced to allocate virtually all assets in the production development fund to pay back bank loans, and it cannot therefore use this fund for retooling. In 1984 the Bryansk Machine Building Production Association has had to allocate 80 percent of the total planned assets in that fund to pay off loans. Evidently, repayment of debts assumed before the experiment should be provided for in the financial plan without overloading the production development fund with these kinds of payments. At the same time, as a rule the assets in the production development fund are inadequate for insuring the needs of retooling, as evidenced by the greater, and in some cases overwhelming, proportion of centralized capital investments for this purpose. Moreover, the proportion of renovation deductions passed to the production development fund was not defined according to any normativ and was not linked to the actual requirements for these assets.

Provision should be made for a strict procedure for using assets from the production development fund according to designation, and not to allocate these assets for purposes that should be realized through centralized capital investments.

It is advisable to improve the procedure for the use of cost-accounting assets for retooling in the following directions: to increase considerably the proportion of renovation deductions transferred to the production development fund; to leave the associations (or enterprises) with 50 to 100 percent of these deductions according to the normativs established as a function of requirement for assets for retooling; to determine the normativ dependence of the sizes of deductions to the production development fund on factors such as the degree of deterioration in fixed capital and the rates of scientific and technical progress; to use special instructions to regulate precisely the nature of measures financed through centralized capital investments and the production development fund; and to include in the production development fund the full amount of amortized deductions for capital repair.

Under the conditions of extending the independence of enterprises in forming and using assets from the production development fund for retooling it is essential to insure that each association (or enterprise) has a comprehensive five-year plan and annual plans for retooling.

Analysis has shown that work on retooling is often not completed because of the absence of limits on design and construction. The associations' own construction base does not always insure the completion of this work using the economic method. Requirements for construction materials are being met only 60 to 70 percent, and this is hampering development of the economic method in enterprise reconstruction and retooling.

It is essential to achieve a balanced coordination between the volumes of centralized and decentralized capital investments for retooling, using the association construction base and the limits for design and construction and assembly work carried out by other organizations.

The allocation of material resources for retooling through decentralized and centralized capital investments as envisaged by the conditions of the experiment is in practice not being accomplished. The reasons for this situation are both objective and subjective. In the 1984 plan, prior to the experiment all resources were allocated. It is a complicated matter to make reallocations during the course of the experiment. At the same time, the approriate design-and-estimates documentation is required for the allocation of specific kinds of materials, equipment and instruments. Analysis shows that the preparation of this documentation for enterprise retooling is being done in a disorganized fashion and with much delay relative to actual needs.

The elaboration of a comprehensive plan for production retooling for sectors as a whole is still not completed. In order to allocate the funds for materials and equipment for these purposes at the state level, all these questions should be resolved immediately.

An analysis of practical work over the past years, including at plants of the Ministry of Heavy and Transport Machine Building, shows that construction workers are not interested in retooling that causes complications in the organization of labor and restricts manual and other less materials-intensive internal work. Compared with new construction, during the retooling process

output for construction workers falls 20-30 percent; wages increase 15 percent and expenditures for the content of AUP [expansion unknown] increase by a factor of 1.5, while the economic incentive fund shrinks. The sector correction coefficients established by the USSR Gosstroy (up to 5 percent of additions to existing estimate norms and overheads) do not compensate for the increased costs (up to 30 percent) incurred for retooling production facilities at existing enterprises. It is essential to review the additions to the estimate norms and overheads, and also to differentiate their size depending on the conditions in which construction and assembly work is done during the process of retooling.

The design organizations are also not interested as they should be in doing retooling work. The proportion of real construction and assembly work done in retooling is small (for example, at the Kran Uzlovskiy Production Association it was 5 percent); this creates difficulties with the renewal of limits for design work and with recruiting design organizations, and also with concluding contracts for work to be done by construction organizations and financing construction and assembly work via the Stroybank offices; and it forces enterprises to divert circulating capital earmarked for current activity.

Because of the lack of long-term plans and retooling projects worked out ahead of time, and hence of lists of equipment required, associations are often wasting assets on equipment that is easier to acquire but that is not always needed in terms of its technical parameters. This problem lies outside the scope of competence of enterprises and sectors.

In connection with the right being conceded to enterprises to make independent use of part of the assets of the unified fund for the development of science and technology [EFRNT] to carry out planning-and-design work to develop new equipment and to compensate for increased expenditures during its period of assimilation, unified normativs have been confirmed in the Ministry of Heavy and Transport Machine Building for all enterprises and production associations. The amounts are as follows: 5 percent of planned deductions are passed to the ministry EFRNT and 50 percent to form the EFRNT from the incentive additions and receipts from the sale of test models. Analyzing experience gained earlier, it should be noted that under the conditions of the transition to the intensive path of development a normativ of 5 percent of planned deductions to the EFRNT is inadequate. Moreover, this does not take into account a number of objective conditions (the different volumes of work done with new technology installed at enterprises, the availability of enterprises' own planning-and-design organizations and so forth).

It is thought that a differentiation should be made for this normativ, taking into account the planned volume of planning-and-design work and work on the assimilation of new equipment during the five-year plan, and also on the basis of a determination of increased costs. A deep scientific analysis is needed for more substantiated decisions. Here, a careful study should be made of the interaction of centralized and decentralized forms of planning and financing for capital investments, their effectiveness, payback time, insuring general state availability, and their effect on national economic proportions. It is important to work on a mechanism to include the decentralized part of the

investment process in the unified national economic plan, including the buildup of capacities, raising the technical level of production, its overall effectiveness, and material-technical support.

It can already be said, however, that under the conditions of the experiment now being conducted it is possible to achieve high indicators for technical improvements in production. In the long term it will be possible to integrate assets from the production development fund and the unified fund for the development of science and technology. This will accelerate the development, assimilation and introduction of new equipment in production. The development of scientific and technical progress within a sector will be promoted by the following: the new approach to the use of incentive additions to wholesale prices, the forms of compensation in wages funds and material incentive funds during the period of mass assimilation of new and highly efficient equipment, and also extension of the rights of enterprises to confirm prices and additions to wholesale prices under the terms of agreements with clients (or purchasers) for individual kinds of equipment, assemblies and parts. A certain decentralization in pricing has resulted from the need to enhance price flexibility in accordance with socially necessary expenditures and the need to take changes in demand and the specific interests of consumers more fully into account.

At the same time, in our opinion there is no need to reconfirm limits for state centralized capital investments in state plans, nor the time periods for the commissioning of fixed capital and production capacities and tasks concerning scientific and technical progress and certain other indicators. This significantly lessens the role of the corresponding tasks in the five-year plan.

It can be said with some confidence that experimental testing of the normativ allocation of profit remaining after payments have been made to the funds and interest payments made, is strengthening enterprise interest in raising production efficiency and enhancing responsibility for the fulfillment of obligations to the state state in cases where long-term unified (sector or group) stable normativs form the basis. This kind of profit-distribution system depends on the financial position of enterprises not only from fulfillment of the current plan but also from the use of all reserves to intensify production, including capital investments. Meanwhile, the procedure envisaged for normativ distribution of estimated profit during the course of the experiment is set for each enterprise separately and is linked only with the current annual plan. In accordance with the instructions confirmed for normativ distribution of the profit of production associations, normativs for deductions into the budget are worked out and confirmed simultaneously with the plan for economic and social development and the financial plan. These normativs are strictly individual and cannot fulfill their essential incentive role since they are determined as the relationship of the difference between the planned amount of the profit calculation relative to deductions and expenditures for an enterprise's own needs. Consequently, obligations to the budget depend not on objective relationships but on factors of a subjective mature, namely the forces of "dependent" trends (the greater the the planned expenditures for an enterprise's own needs the less the normativ for deductions to the budget). Under these conditions we can scarcely expect any decrease in unjustified demands for additional resources. In this connection it is necessary to establish stable normativs for profit distribution as part of

the normativs for the five-year plan. It is advisable to calculate them as a minimum for a group of similar enterprises. It is a complicated task, but it can be resolved through achieving the necessary stability in the main indicators for plans and their balance.

In order to enhance the interest of enterprises in final results it is thought that already in 1985 stable economic normativs will also be confirmed for the long term. It is important to find a baseline volume of output that reflects the saving in live and embodied labor. In our view, one such indicator could be actual net output, since this indicator can be applied at all levels of planning, management and economic incentive. Moreover it really does reflect the actual contribution made by a labor collective to society's national income, taking into account the saving of live and embodied labor and not confirmed by a repeat calculation within the system of the division of social labor.

Economic incentive for any indicator based on net output stimulates labor productivity growth and corresponding savings in wages, and also growth in the general efficiency of production. In the long term it will be possible on the basis of this indicator to reveal the most efficacious forms of economic incentive, when wages are paid in the form of a final distribution of gross income (net output) according to a system of centrally established normativs. Analysis shows that switching to an indicator for new output simplifies and reduces expenditures of labor in the system of planning, accounting and accountability, and when evaluating and organizing incentive.

The use of cost accounting in industry requires its development and deepening in all other sectors and spheres of activity that constantly interact in the unified national economic complex. As is known, cost accounting serves as a linking factor in the operation of the system of economic laws, first and foremost the law of systematic planning [planomernost'], the basic economic law, and the law of value. The use of cost accounting relations and methods in management and achieving an harmonious combination of the interests of society, the collective and the individual act as criteria for the integrity of the economic mechanism and its adequacy for production relations and the specific conditions and tasks at any given stage in society's socioeconomic development.

In the existing system of the economic mechanism and in the experiment that is being conducted, cost accounting has still not attained perfect forms from the standpoint of embracing all production-economic relations and links, including the processes of reproduction, or from the standpoint of development along the horizontal and the vertical in the management system. Special note should be made of the limited nature of its functions within the system of plans. Cost accounting does not have adequate systems of plans, forms and methods. Most indicators and economic normativs making up the basis of cost accounting are locked into the annual plan, even though they are called upon to provide incentive primarily for accelerated introduction of the achievements of science and technology in production and to elicit the deep reserves that can be brought into play during a five-year plan or even longer period. It is important to continue work on the problems of five-year financial planning, including financial and loan resources, for all levels of management and especially the primary wing--the production associations.

It is thought that at the present time it is advisable to focus attention on substantiation: reliable criteria for evaluating the results of the experiment and the effectiveness of its most important provisions; determination of optimal frontiers for management independence and the responsibility of the production associations (or enterprises), primarily in matters of planning for scientific and technical progress, reproduction, satisfying national economic demand for output, and developing economic links and wages; the optimal sizes of resources in the production development fund, taking into account overall reproduction policy in terms of real requirements and the opportunities for their efficient utilization in the primary wing; introducing proposals on improving the procedure for their formation and use [as published]; a rational system of confirmed indicators, limits and normativs in five-year and annual plans, bearing in mind their reduction and the limiting of duplication of the five-year plan in annual plans and strengthening the orientation on the final results of activity; proposals on improving methods and the organization and technology used to elaborate plans for production and the delivery of output, taking into account the enhanced role of direct economic links and contracts between manufacturers and consumers (clients); methods for compiling the five-year financial plan for the enterprise and establishing stable normativs for the distribution of profit; ways of developing cost-accounting relations within the "ministry-industrial association-enterprise" system, taking into account the realization of full cost accounting in the primary wing; proposals on developing brigade forms in the organization of labor and wages and cost accounting under the conditions of the experiment; and strengthening the influence of the economic mechanism on reducing manual and heavy labor and making rational use of manpower.

Although the experiment being conducted in five industrial sectors is serving as a check on practical management of the latest achievements of science and of leading experiment it does not yet cover questions of the interaction of the organs of sector and regional management and it does not take into account the great opportunities for increasing the efficiency of social production that can be used by local organs in the regions where enterprises and associations are located. The great reserves for increased efficiency in social production associated with improvements in the organization of intereaction between enterprises of different ministries in a single region are not covered in the sector experiments.

Meanwhile, the creation of unified construction organizations in the regions, the integration of social and everyday projects and of the municipal and transportation infrastructure in a region regardless of their administrative subordination, and the coordination of efforts by all research, planning and design organizations in different sectors but located in the same region can insure the resolution of many questions that cannot be resolved through the efforts of the administration management organs. In our opinion, it is essential to supplement the sector experiments being conducted within the country with comprehensive regional experiments. It is advisable to conduct such experiments at the level of the union republics, economic regions of the USSR, and adminstrative-territorial oblasts. They should occupy an important place in the program for the comprehensive improvement of the management mechanism.

Taking into account the experience already gained during the course of the experiment now being conducted, with the development and deepening of cost-

accounting relations and contractual links and with the participation of the labor collectives in the compilation of plans oriented on the complete utilization of the factors of intensive growth it is possible to set the task of working out normativ-methodological documentation and this year completing the preparation of most industrial sectors for a switch to the new conditions of work from 1 January 1985. This kind of approach will make it possible to finish work more fully on the economic mechanism for the 12th Five-Year Plan.

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KRONROD CONTINUES DISCOURSE ON MONEY, PRICE ROLE

Moscow DEN'GI I KREDIT in Russian No 7, Jul 84 pp 15-20

[Article by Doctor of Economic Sciences Ya. A. Kronrod: "Money in the System of Economic Mechanism"]

[Text] Money and credit--a system of monetary and credit relations--is an organically essential element of the unified system of economic relations of developed socialism. The main task of the process of contemporary social development--systematic and all-round improvement of production relations and in their composition of the relations of management and economic operation. "With utmost urgency," Comrade K. U. Chernenko stressed, "the party also poses the question on broadly developing improvement in the management of economy and in the reorganization of economic mechanism."

The condition and development of production relations also wholly determine the processes in the development of monetary and credit forms as an integral component of the economic system of socialism. The links of money and credit, monetary and credit relations and the entire system of production relations of socialism proceed, first of all and mainly, within the framework of functioning and development of the socialist management mechanism. During debatable problems, which are a subject of long-standing discussions, about the place and forms of functioning of commodity and monetary relations in the system of direct social production, systematically organized socialist economy and new content and functions of these relations, the generally recognized fact, however, is that money, credit and monetary and credit relations represent objectively necessary and substantially important forms of the socialist economic mechanism. The latter in its very essence is a planned and self-supporting mechanism. But cost accounting, commodity production and the law of value and within their framework the entire system of monetary and credit relations are indissoluble.

The process of improvement of the economic mechanism and its reorganization as one of the main directions presupposes improvement of forms of planned functioning of monetary and credit relations as well as of optimally effective methods for utilization of money and credit in the system of commodity and monetary relations under conditions of developed socialism. This requirs, first of all, the overcoming of views shared by some economists, who believe that only the most insignificant role of some auxiliary technical measuring

tool belongs to the value forms in socialist economy. A conception exists until now that money, credit, value, commodity, prices and so forth--are only formal accounts categories and not the real forms of socialist economic relations, therefore, the less they are used in the system of forms of the economic mechanism, the better it allegedly will be.[1]

These views and conceptions cannot be recognized as scientifically sound or practically acceptable at all, since they represent a basis for refusal to use an entire arsenal of necessary forms of economic ties and effective economic stimuli--money, credits, prices, value sanctions and other value forms of cost accounting as a whole. The party provides a precise orientation in this field: "It is obvious to everyone, for example," Comrade K. U. Chernenko points out, "that it is necessary to give scope to general introduction of the cost accounting principles. Everything that hinders this should be eliminated."

The long experience accumulated in the use of money and credit in the system of forms of contemporary economic mechanism and the theoretical research of these forms, make it also possible, along with many positive aspects, to reveal shortcomings in their realization and the lack of correspondence to contemporary needs of efficient management. Like the economic mechanism as a whole, many of the forms and methods of money and credit utilization are also in need of substantial reorganization. Taking this into account, contemporary economic science is developing those directions and methods within the framework of which it is objectively necessary to improve these forms.

Of course, in an article it is possible to elucidate only some questions in the range of the given problems. In the sphere of monetary relations it is, first of all, the improvement of forms of monetary functioning in the economic mechanism.

Money and monetary forms essentially include the process of socialist expanded reproduction as a whole, the flow of all its phases and the economic movement of all its factors and results. Physical factors of reproduction--tools of labor and all other means of production accomplish their turnover in the form of value movement of funds, both fixed and capital; personal factor of production--participation of manpower in the production process is expressed through distribution for labor in monetary form; and results of production--the developed social product, national income and all formed reproduction funds (accumulation, consumption) accomplish movement in value and monetary form.

Under socialism there are no economic forms of movement of the reproduction process of a unilaterally natural character. Sometimes it is assumed that this is characteristic of the part of the public consumption fund being recieved by the population free of charge (free education, medical aid and so forth). However, the production of these services itself is wholly expressed through monetary and value relations. Institutions which render such services receive monetary funds for their functioning and expend them for the acquisition of material-physical factors of their activity, payment for their personnel and so forth. In a word, any economic process that flows outside the monetary and value expression is absent so far under socialism. In all of its

functions (measures of value and means of circulation and payment, accumulation and savings and world economic relations) money actively participates in the reproduction process. As a real economic form they indirectly express the flow of all economic relations of socialism and at all levels of the national economy. Money serves as a tool of public record of measure, that is of the volume and quality and of economic activity and its results in indissoluble unity with economic motivation of efficiency of a given activity. This is realized in the final analysis through the link of measures of labor and consumption being implemented by unity of monetary functions.

This is why improvement of the economic mechanism and reorganization of its forms in accordance with economic conditions of the contemporary stage of developed socialism requires improvement of the entire system of monetary relations and more efficient and scientifically substantiated utilization of laws of these relations. There are large reserves here and they must be realized as fully and thoroughly as possible in all fields of the socialist mechanism of management.

Let us turn to some most important and specific directions, forms and methods for improvement of monetary relations.

The basic and decisive function of money is the measure of value; in all economic processes it plays by one means or another an active and major role in the functioning and motivating efficient flow of these processes. It is known that the operation mechanism of the measure of value function is the sytem of prices as well as the forms, methods and character of price formation.

All public accounting and stimulating methods of money's influence on national economic processes and their efficient implementation are rooted in price as a monetary expression of value. The possibilities for improving the economic mechanism through improved use of this monetary form and its role in the management process, one might say without running the risk of lapsing into exaggeration, are enormous.

The question is about the fact that it is precisely the field of prices that has so far remained a field in which some of their historically accumulated forms that do not meet contemporary management conditions have not been overcome yet and not replaced with forms which are persistently demanded by life. Theoretically and practically it has already been established long ago that the closer the prices are to the level of socially necessary expenditures of labor [ONZT], that is the more fully they express the value of commodity reproduction as a monetary form of value, the more efficiently money functions as a measure of value in both of its indissolubly realized economic roles: as a means of public accounting and as a means of economic stimulation of its intensity and efficiency.

In this connection it is necessary to examine one special theoretical question.

Sometimes it is assumed that the appraisal of a product for its value is allegedly a certain "expenditure" method of its appraisal and that the value

of a product expressed in its price represents the best or the worst, that is with greater or lesser deviations, expression of expenditures of social labor (living and embodied) in manfucaturing it. But the developed result in the price as a monetary, value form is not expressed. The latter task is supposedly solved by appraising the use value as such.

This is, in our opinion, an obvious delusion. Of course, it would be absurd to maintain that as if the value (price) as such also expresses the use value of a commodity. In its time an unsuccessful attempt to prove this position was made by supporters of the marginal utility theory. But both the interpretation of value and of prices as expressions only of expenditures of social labor are without regard to results, that is the "expenditure" conception is not scientific.

The point is that the value of a product is an indirect physical form of expression of the socially necessary expenditures of labor, but these expenditures, as proven thoroughly and extensively by K. Marx, are formed within the framework of real social requirements. Only that mass of labor expenditures under given average social conditions of production, which is expended by society for creating an aggregate product of every given kind within the framework of social requirements, determines its social value. Therefore, the value, and this means that in principle also the price (to one or another degree of its approach to value), in expressing, on the one hand, the real expenditures that are needed by society in the system of social division of labor, on the other hand, also expresses the real results of production, that is ensuring a definite social requirement.

All of this, of course, does not at all exclude a special independent role of the use value in appraising the socially necessary results. The value expresses this result in a general, indirect form. Presented in it is a fractional part of the entire system of social requirements, if it is permissable to say so; the relative share of a given requirement and the degree of its satisfaction in their overall system on the part of the overall material and labor resources of society. The use value is a direct inherent expression of a result in its concrete, special given form. It expresses from the quantitative and qualitative aspects the result as a means of satisfying precisely every special given requirement. But by virtue of different quality and internal incomparability of requirements as such, the result expressed as a use value is a special, given result, which corresponds to a special given requirement and as such is not a certain comparable part of the general result as a general mass of varied use values that are reproduced by the national economy in the composition of the aggregate social product in its natrual and physical expression. The USSR national economy now produces and reproduces several tens of millions of types of industrial and agricultural production.[2] This is, by the way, why the physical volumes of the aggregate social product and net product of society and its national income are measured not as some national economic units of use values (a house cannot be added to boots, bread, a suit and so forth), but as masses of their values of a definite base period with the aid of prices of a given period. In other words, originating from the national economic eqality of the sum of prices to the sume of values (this is an objective pattern, since the

deviations of prices within the framework of the national economy as a whole are essentially mutually liquidated), the physical volume of a product is nothing more than a certain mass of indirectly, physically expressed socially necessary labor (values), which is measured according to reproduction conditions of a base period.

Important conclusions arise out of what has been said in the aspect being examined by us with regard to the urgent necessity of improving the functioning of money as a measure of value by improving the mechanism of this functioning--a system of planned prices of the socialist economy.

Much has been written and is being written about the imperfection of the current wholesale and retail price system, which is being more or less generally acknowledged. Let us point out only the main, in our opinion, shortcomings of the price system and those national economic consequences which are being caused by them in the field of stimulating an upsurge of social production and consumption efficiency.

The important task of bringing prices nearer to the socially necessary expenditures of labor is far from realization, even if certain changes for the better are occurring in this direction. The fundamental shortcoming of the current price system is in the existence of its two levels: the prices for means of production considerably deviate downward from value, and upward from it for consumer items.[3]

These deviations, which vary in most diverse ways in prices for different commodity products, beginning with extractive sectors of production to production of finished producer goods and consumer items of the processing industry, consistently accumulate along the chain of interrelated production in a different measure and in different products. As a result, a great number of diverse deviations of prices from value appear. This in its turn has a negative effect on the reality of expressing the actual expenditures of social labor in prices and causes substantial shortcomings in the entire accounting of social expenditures of labor and the dynamics of these expenditures.[4]

As a result, the economic role of money as a measure of value for measuring expenditures and results of production is weakened. This, first of all, causes harm to cost accounting. Second, it reflects on the systematic ensurance of a rational and reliable balance of social reproduction--its natural-physical and value (labor) aspects.

The other shortcoming (with all the diversity of deviations of prices from values) is still the poor utilization of prices as an effective stimulus for organization of production and introduction of most efficient and progressive equipment by consumer. At the same time, the practice of raising prices for new equipment in isolation from the growth of its economic effectiveness is rather widespread. This also leads to the fact that prices are being transformed from a stimulus of technical progress into its repressant.

The third shortcoming of the sphere of monetary relations being examined is little flexibility, mobility of prices. First of all, their poor link with the

real dynamics of costs should be noted here. Prices are retained for a long time--7-10 years at an unchanging level during substantial changes in costs, that is their further and substantial isolation from value occurs. It should also be noted that setting prices without an alternative "plug," the maximum and minimum of a price which a supplier and a consumer could agree to in the process of concluding an agreement, limits the possibilities of a price influence by a consumer on a supplier for the purpose of ensuring deliveries to him of technically progressive production on most advantageous conditions (quality, size of batches, periods and so forth).

What are the main, in our opinion, directions for improving the entire system of monetary relations linked with money functioning efficiency as a measure of value?

Several such directions should be singled out.

The fundamental problem of bringing prices nearer to the socially necessary expenditures of labor, that is a way out to a unified value level of prices for entire social production, could be solved radically and within relatively brief periods of time. There is no need, until appropriate socioeconomic conditions mature, to touch neither the general level of prices for consumer items nor for their individual commodity groups. At the same time, the regular planned global review of wholesale prices should not be reduced, as it has been done in the past, to partial changes of prices by sectors of industrial production, with whose aid unprofitableness is eliminated and an expedient level of profitability is ensured. This is not enough.

It is necessary by proceeding from a unified scale of prices for the national economy, which can be adopted at the level of developed sum of retail prices (after deducting markups to cover retail costs and profits) for consumer items, to carry out a review of wholesale prices for means of production. This will reveal the real value in a unified scale of production prices of all sectors and will make it possible to radically improve accounting and expression of socially necessary expenditures and results of production.

The same national economic price maneuver will make it possible to eliminate the diversity in deviation of prices from value and, consequently, the unwarranted great differences in profitability of sectors. With the level of prices brought nearer to the value of commodities, the gaps in profitability will remain only to the extent of sectorial difference in the organic structure of funds and expedient planned deviations of prices from values of individual commodity groups for reasons of economically active utilization of the price policy. This is all the more necessary because net production (in any version, including normative-net production) functions in the system of plan and accounting-valuation indicators of efficiency of production and labor productivity.

Such a price maneuver will, naturally, lead to intersectorial redistribution of national income realization and to its realization basically according to place of production. This will, of course, require corresponding changes in

the financial payment norms. But interests of the state budget will not only be fully ensured, they will also be more effectively realized; the contemporary majorized redistribution turnover, which slows down realization and accumulation of the produced national income, ceases having significance.

Of course, production costs of consumer items in price terms will also rise. But this will only reveal their real scale. Temporarily, until the time when appropriate conditions for bringing retail prices in accordance with the socially necessary expenditures of labor arise in production, where, as it will become obvious, the costs exceed prices, the gaps can be covered through financial channels. This will only be in the nature of internal changes in the redistribution process (budget-industry and other sectors of the national economy), not affecting the interests of the population.

The aforesaid makes it possible to appraise the substantially important and major positive consequences, which the proposed price maneuver could have. A more rational system of prices would be an efficient means of planned ensurance of balance and proportion of production on the basis of real coordination of natural-physical and value expenditures and results and an effective means of economic stimulation of social production at the national economic and sectorial levels, self-supporting associations and enterprises, regions and so forth. Cost accounting (its entire system) would acquire a real lever, which stimulates the upsurge of production efficiency. This is why we would call this direction aimed at improving monetary relations of developed socialism as a direction of radical stimulation of money's economic role in its decisive function--the measure of value.

Let us also dwell briefly on the urgent necessity of ensuring flexibility and mobility of planned prices. It acquires special importance with the transition to a unified value level of prices. A notion is widespread that such flexibility is ensured by the review of prices once in a 5-year period in the course of development and fulfillment of a regular five-year plan. A more frequent review, as some economists assume, would complicate the planning process and the record of plan fulfillment. Of course, certain difficulties of this kind are real. But under the dynamics of current production and under conditions of scientific and technical revolution [NTR] and rapid technical progress, the "freezing" of prices for a 5-year period only contributes to the intensification of aforementioned shortcomings, which are connected with excessive deviations of prices from values.

Apparently, a different principle should be used as a basis: to review prices and the entire system of accounting relations to the extent of a more or less stable and substantial change of costs in every given sector (specific parameters for appraising the necessity of such changes, probably, should be established by taking into account the specificcs of its development). But the interests of planning and accounting can be reliably ensured by national establishment (during a change of prices) of corresponding indexes.

Such flexible process of price formation, of course, also does not exclude the possibility of conducting from time to time of global national economic

actions aimed at improving prices. But the same will no longer be needed once in a 5-year period. Probably, temporary intervals here will be considerably greater--once in 10-15 years--as a result of fundamental changes under conditions of the reproduction process: increase of labor productivity, appearance of new products, formation of new requirements and others.

Major national economic prospects are also visible in improving money in the means of circulation function. Money in this function indirectly expresses realization of incomes of the population and retail trade turnover, that is real functioning of the interrelationship of the measure of labor and the measure of consumption and fulfillment by money of its stimulating role of distribution according to labor.

The June (1983) plenum of the CPSU Central Committee noted the following as substantial shortcomings in planning: unwarranted scattering of resources, lack of balance in plans and the difference between the commodity mass and the incomes of the population.

The elements of the lack of balance between incomes of the population and commodity demand (including services) not only weaken the link between the measure of labor and consumption and effectiveness of economic incentives, but also lead to many other negative consequences--speculation, rise in kolkhoz market prices, undesirable redistribution processes among groups of population, stimulate violations of labor discipline and some other negative economic phenomena. All of this is connected to a great extent with the formation of a commodity shortage and unrealized monetary incomes. The influence of unbalanced commodity-monetary results on production and through channels of the so-called reverse connections cannot be ignored. Its consequence is the lowering in quality of produced consumer items. Hence are also accumulations in the trade network of considerable above-norm commodity stocks, selling of which requires large mark downs and also often leads to direct losses as a result of write offs of unsold goods and other consumer items.

At the present time, the task of forced development of consumer goods production is being solved. The realization of the Food Program is picking up pace. The growing subsidiary farm resources as well as expanded participation of kolkhozes in kolkhoz trade are also called upon to play a certain positive role in balancing circulation by getting involved through cooperation in commission trade. This will, undoubtedly, exert a positive influence on the entire given sector of the sphere of circulation.

However, there are also substantial reserves for improving the proper value, monetary aspect of the sphere of circulation.

First of all, constant planning and efficiently regulated work are essential for bringing to greatest possible conformity the existing commodity mass with the real solvent demand of the population broken down by areas. Great value could be gained by mobilizing the temporarily unrealizable mass of disposable income of the population by means of developing more varied forms of state and systematic forms of accumulation by the population of special purpose monetary

means for the acquisition over a certain period of time of many kinds of expensive and relatively scarce consumer items--motor vehicles and other kinds of expensive household appliances, cooperative apartments and individually owned houses, fruit and vegetable greenhouses, construction materials and so forth. At the same time, a highly beneficial influence on the circulation process could also be exerted by a credit form of realization on the basis of long credit of such consumption objects, which are now often granted to the population free of charge without justification. Since cooperative residential housing construction is becoming more broadly an integral part of life, the general granting of free state housing without taking into account the property status of the recipients is hardly expedient from the socioeconomic point of view.

Finally, it is necessary that the obvious distortions in prices and tariffs for consumer goods and services, which lead directly to wasteful consumption and losses, be eliminated step by step. Violations of the requirements of the law of value and the laws of monetary circulation in this sphere cost the state especially dearly.

Prospects of great national economic significance also loom in the field of improving monetary relations, which are formed on the basis of money functioning as a means of payment. It is precisely in this field that considerable possibilities exist for raising the stimulating potential of the economic mechanism, first of all, of the technically progressive development of production.

We already had occasion to note the urgent necessity and the possibility of improving economic turnover.[5] The point is that the existing forms of centralized fund distribution substantially weaken the material-stimulating bases of commercial sale of production. Monetary relations and the process of monetary realization under such a system of distribution plays a passive-accounting role; in a certain sense they are formalistic.

It is necessary to improve the forms of organizing economic turnover, which would inwardly include in themselves effective stimulants of technically progressive and economically efficient development of production. Broad possibilities for this exist, in our opinion, in wholesale trade of means of production on the basis of a competitive contractual system within the framework of centralized purchase-sale limits between suppliers and consumers (instead of rigid assignment of consumers to suppliers).

An approximate scheme for organizing turnover on such bases is as follows:

Associations (enterprises)--suppliers--and consumers, which are linked among themselves through Gossnab organs, would conclude supply agreements on the basis of a competitive system. Every consumer will get an opportunity to contact a number of possible suppliers-producers on the subject of supplying it with means of production that it needs. It would also determine by itself the suppliers based on the most sutiable supply parameters for itself (technical level and quality of production, prices, supply conditions and so forth).

For the purpose of concluding purchase-sale agreements (within the framework of balanced national economic plans) on every given kind of goods in the event of their shortage, associations (enterprises)--consumers--would receive from the Gossnab and its organs a non-addressed consolidated limit for the right to purchase agreement within the given limit. Agreements would be subject to confirmation in Gossnab organs, which in case of necessity would adjust them (within certain expedient limits). Systematic turnover of means of production would be ensured this way. The confirmed supply agreements would form the base of a production plan of associations--suppliers--and consumers and of clarified plan-tasks of higher planning organs (of ministries and the Gosplan).

Economic competition between associations on the basis of active utilization of monetary means under such a supply system would be of a perfect nature. Under this system, the technically more improved, high quality and inexpensive production would yield a more fuller and more profitable portfolio of orders. Real incentives for enterprises to form intensive technically progressive plans would be created, since success in economic competition can be ensured only under such conditions.

Such are the realistically possible forms for broad development of the actively stimulating role, within the framework of well-planned wholsale trade of means of production, of money in its fuction as a means of payment and all payment relations. Under conditions of the monetary realization process (purchase-sale of production according to agreement), completion of payments for supplied production (along with substantial penalties for violating conditions for supply as well as for payments) would mean stimulating the function of money as a means of payment and utilizing the important stimulating potential contained in it for raising economic turnover efficiency and its influence on the entire social reproduction process.

Obviously, efficient planning of monetary means which are the disposal of enterprises in a noncash form will be of major significance. There is also a need for this now for the sake of avoiding formation of excessive demand for means of production. It will be all the more substantial during development of wholesale trade in means of production. Well-planned forms for utilization of the law on the mass quantity of money in circulation will be, consequently, also extended to the noncash sphere of monetary turnover.

Thus, in the field of monetary relations which are connected with the function of money as a means of payment there are also real prospects for development and improvement.

Considerable problems also exist in improving utilization of credit relations, but this is a topic of an independent article.

FOOTNOTES

1. The author has repeatedly criticized them in economic journals: PLANOVOYE KHOZYAYSTVO, 1975, No 10; DEN'GI I KREDIT, 1979, No 5; VOPROSY EKONOMIKI,

1983, No 8 and others as well as in monographic research: "Den'gi v sotsialisticheskom obshchestv" [Money in Socialist Society]; "Ocherki teorii" [Sketches of Theory], Moscow, Gosfinizdat, 1960; and "Zakon stoimosti i sotsialisticheskaya ekonomika" [The Law of Value and Socialist Economy], Moscow, Nauka, 1970.

2. KOMMUNIST, 1984, No 5, p 54.

3. The population does not sustain losses from this, since the price level is taken into account in forming wages and other income of the population.

4. It must be noted that deviations of prices from value for consumer items lead to considerable relative low prices for many of them and, therefore, cause inefficient, uneconomical and often truly wasteful consumption.

5. DEN'GI I KREDIT, 1981, No 2; VOPROSY EKONOMIKI, 1981, No 6.

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ECONOMIC FORECASTING DIFFICULTIES UNDERSCORED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 3, May-Jun 84 pp 400-423

[Article by Yu. V. Yaremenko: "Methodological Problems of National Economic Forecasting"; the article has been published as a point of departure for discussion]

[Text] Our nation has acquired great experience in compiling medium- and long-range national economic development forecasts. Such forecasts are an interrelated system of calculations which describes the prospects for the reproduction of national economic resources, estimates for the material prerequisties of essential social changes and indicators for the dynamics of the national economy as a whole and its individual sectors. These calculations are constructed in the form of a range of alternatives which differ in the degree of conformance between the estimates for the resource capabilities of the economy and the proposed specific aims. The chief results of the forecast are the demands for increasing the national economic resources and raising the effectiveness of their use, the development of individual economic spheres and sectors, the degree of congruity of their dynamics, as well as the characteristics of both the normative and actually feasible indicators for social progress [1, 2, 3].

Among the indisputable achievements of national economic forecasting are the positing and analysis of a number of economic development problems. These problems have gained rather broad treatment in our literature. They include: the providing of a labor force for the economy over the long run, the correlating of the growth of productive capital with the limited increase in labor resources; the investment capabilities of the economy, the limitations imposed by them on economic growth and the ways to surmount these; the amount of energy available to the economy over the long run and the national economic demands for the saving of energy resources; the development of the infrastructure as an economic growth factor; the balancing between the resources of consumption and monetary income; the national economic importance of a change in the existing development trends in agriculture. From an analysis of these major long-range development problems concerning the economic growth factors, its resource supply and the maintaining of conditions of national economic balance there derive the demands to intensify production on a basis of the achievements of scientific and technical progress as the basic direction for long-range economic strategy. Here the balancing of the economy is viewed as the most important prerequisite for converting to intensive-type development.

Along with the internal economic growth factors, foreign trade has become an important object of national economic forecasting. This is due to the deepening of the international division of labor and to that role which it plays in overcoming resource constraints.

Great efforts in research conducted in the area of national economic forecasting have also been made in order to formulate ideas on the social guidelines and which would be marked by quantitative certainty and could be incorporated into the system of national economic forecast calculations. Here chief attention was focused on working out rational consumption standards.

Substantial progress has been observed also in the methodology of national economic forecasting. The calculations for the medium-term (and to a certain degree also for the long-term) prospect have been made using a specially elaborated normative base which includes indicators for the use of manpower, fixed productive capital, materials and energy. Such information is brought together in the intersectorial models constructed on the data of the feasibility studies for the coefficients of direct expenditures, labor intensiveness, capital and asset intensiveness.

At the same time, an econometric approach has been employed and this has been realized in setting up and using macroeconomic and intersectorial models in the forecast. A special category of the econometric intersectorial constructs is the models which take into account the influence of autonomous trends in the development of the individual sectors on the final national economic indicators. The results which can be obtained on the basis of such calculations are reproduced also in employing the models based upon the feasibility studies for the norms incorporated in them. This occurs in those instances when the normative base for the long-range intersectorial balances is worked out by methods making it possible to take into account the initial resource constraints.

An essential feature in modern forecast research is the fact that indisputable progress has been noted in combining the results of the analytical and procedural searches. The formulating of the problems of resource intensity and intersectorial balancing has undergone development in the quantitative estimates for conditions ensuring conformity between the national economic resources and the demands, in establishing bottlenecks, the amounts of the expected shortage and, hence, in the demands for increased effective use of the individual types of resources and in ascertaining the most effective areas of scientific and technical progress. For this models are employed which are oriented at a non-uniform approach to determining the conditions of national economic balance and at taking into account the different variations of autonomous development in the individual sectors.

In this context, in forecasting practices there has been a substantial decline in the value of the various types of single-sector models as an instrument for long-range calculations. Such sectors as agriculture, construction and ferrous metallurgy in the medium-term (and in certain instances also the long-term) future develop under the influence of factors which are marked by substantial specific features and these must be taken into account in the very beginning forecasting stages. This, in particular, means that all the synthetic [analytical] indicators of resource utilization such as the productivity of social labor, the return on investment for material production as a whole, national economic

effectiveness of capital investments and so forth, in the macroforecasting stage are secondary, resulting characteristics from the ratio of the end results of production and the total changes in the movement of national economic resources.

One of the chief results in developing the national economic forecasting methodology has been the combining of the traditional balance calculations with methods offering the use of mathematical-economics, primarily econometric models. The problem is primarily to ensure a succession and comparability of the statistical indicators employed in the system of report and planning national economic balances and in the statistical equivalents of variables on the basis of which the macroeconomic and intersectorial forecast models are constructed.

The further development of forecast research to a substantial degree depends upon how profoundly the most important modern economic problems are to be studied. An assessment of the future and constructive proposals concerning any alternative variations should have a sound analytical basis. At the same time, precisely here, regardless of all those efforts which have been undertaken in this area, there is a series of major gaps the elimination of which in our view is among the most urgent scientific problems.

Problems in Forecasting National Economic Resources

In the area of analyzing *labor resources* research on those factors the action of which mediates the increased tautness in the manpower supply of the national economy does not sufficiently conform to the study of the concealed labor reserves and the conditions for mobilizing these reserves and prerequisites are lacking for integral assessments of their scale within the individual sectors and the national economy as a whole.

In line with the growing scarcity of labor resources, evermore urgent is the question of increasing the effective use of manpower in production, of raising its intensity and the possible amounts of this growth. However, for now there are no satisfactory approaches to measuring the degree of labor intensity in our economy in comparing it with any objective criteria and there also is no quantitatively established notions of the changes occurring from one 5-year period to another 5-year period in this area or dependable estimates for the potential possibilities of increasing labor intensity. Certainly, here it is no question of specific research but rather of certain synthetic notions which concern the macrolevel, that is, major sectors and the national economy as a whole.

From what has been said, it follows, that regardless of the obvious need to orient oneself in the long run toward a substantial rise in the efficient use of the working time fund by each worker, this factor in its quantitatively defined form is not incorporated in the forecast research on the economic growth rates and proportions.

As a result of the three components which express the possible resource increments in the labor factor, that is, a) a change in the size of the labor force and the working time worked, b) the concealed manpower reserves at enterprises, c) an establishable rise in work intensity, only the first has a quantitatively determined estimate. In the forecast calculations which consider the influence of the labor factor on the indicators of national economic dynamics, only one

is taken into account instead of the three values which are of the same magnitude in their effect. Obviously, there must be a synthesis of the particular research existing in this area as well as special scientific studies. This will make it possible within a national economic forecast to provide a sound estimate for the long-range supply of labor resources for social production.

An important problem in long-range forecasting is an estimate of the interdependence of the growth of the population's educational level, the increased worker skills and the development pace of the economy and its individual sectors. In foreign and Soviet literature there are major studies related to the methods of measuring educational potential and establishing the conformity between the process of increasing the amount of assimilated knowledge, the increased educational level of the population and economic dynamics.

To a lesser degree the aggregate demands for skilled manpower have been studied and as a consequence of this it is difficult to provide a synthetic estimate of the necessary linkage of structural changes in production and in the composition of skilled personnel as well as the national economic consequences of possible constraints in the training of skilled personnel. In the long-range forecasts worked out in the industrially developed captialist countries, in particular, in the United States, the conditions for satisfying the potential demand for skilled manpower and the comparison of the existing rates of training specialists for the individual specialties and the growth in the demand for them are one of the central aspects of the research underway. Here providing production with skilled manpower is in the category of the most important factors of economic growth. In this context calculations are being made which attempt to consider the consequences of structural changes on the economy-wide scale.

In our forecast studies, the satisfying of the long-range national economic demands for a skilled labor force is still not sufficiently viewed as an economic development factor which possesses primary importance and can be of crucial significance for the development of the leading sectors, production methods and for the growth of the nation's economic potential as a whole. For incorporating this factor in the national economic calculations, in our opinion, it is essential first of all to develop the macroeconomic approaches to analyzing its influence as these encompass the visible structural characteristics of the skilled labor force, the estimates of the scale and rate of expected shifts and an analysis of the consequences of resource constraints in the given area and the forms of the economy's possible adaptation to these constraints.

Along with the problem of assessing the overall labor resources, over the long run, an extremely important role in the national economic calculations is played by the presence of correct notions concerning the processes of manpower redistribution between the individual spheres and sectors of the economy. The results of statistical measurements in this area which the researchers possess relate primarily to the characteristics of the final, balanced amounts of the relationships between one and another sector. There is very little information generalized for the national economic level concerning in what direction and on what scale manpower is moving between the sectors. This means that a study of the mechanism of the formation of employment in the individual sectors is difficult and it is hard to see the dependence of the supply of a sector with labor upon the individual sources and upon the shifts occurring in related

sectors. For example, the processes of the forming of employment in construction, in having a tangible general economic import, are reflected primarily in the final balance characteristics and their internal structure is substantially less apparent. At the same time, the capacity of the construction organizations depends upon the availability of manpower for construction. These, in turn, determine the possibilities of increasing the volume of construction-installation work. Difficulties in expanding production effect the general capital investment dynamics and a solution to the entire range of problems of accumulation and economic growth. Thus, the creation of scientific background research in studying the distribution of labor resources and the intersectorial movement of manpower can substantially increase the soundness not only of the particular, sectorial indicators, but also the summary ones for national economic development.

An analysis of the problem of the territorial distribution of the labor force and the obtaining of reliable estimates of labor mobility in the individual regions are also extremely important for the national economic forecast calculations primarily because the various estimates for the possible movement of manpower from one region to another mean different demands for labor productivity on a national scale in such sectors as industry, construction and transportation. This bears directly also on the forming of the basic directions for capital investments and those constraints which arise in terms of investments aimed directly at increasing product and ultimately are also reflected in the indicators of national economic dynamics.

The problem of the balancing of labor resources and the national economic demand for manpower over the long run has, of course, an important social aspect which must also be taken into account in the forecast calculations. It is a question of that aspect of the structural imbalance in the employment area which is related to a possible discrepancy between the constant growth of the educational and skill level of the worker personnel and the maintaining of a significant number of jobs which place relatively low demands on the education and skills of the employees and which have a low social status. This is primarily auxiliary manual labor in indistry, construction, the utility system, trade and in agricultural production. Under the conditions of bringing the standard of living of the population in the individual areas closer together, the insufficient differentiation of wages between the sectors and the low mobility of the labor force in those areas where the cultural and educational level of the population prevents the filling of the designated jobs to a lesser degree than in other localities, such a discrepancy can intensify. Under certain conditions this means that a portion of the working-age population which according to the potential possibilities of its cultural and educational growth could fill out the ranks of the skilled personnel is employed in little-productive labor.

The aggregate estimates for the potential scale of eliminating the corresponding jobs, the capital expenditures needed for this and the linkage of such measures with the increased investment opportunities of the national economy are important indicators for the economic conditions of long-range development. Also of indisputable importance is an estimate of the effect from strengthening the income differentiation between the sectors and regions in ensuring a greater coinciding of the job structure and the qualitative labor resource structure

than is presently the case. In the event of a discrepancy in the nature of jobs to the potential possibilities of the educational and skill growth of the employees, a material base survives for social dissatisfaction, for such phenomena as alcoholism, violations of the law and so forth. Conversely, the elimination of the socially unpromising jobs, measures to bring their qualitative structure and the cultural-educational and skill levels of the labor force attracted to these jobs and the discharging of that portion of the employees who can meet the demand for labor in the leading production sectors--all of this can be viewed as the prerequisites for a substantial increase in the potential for economic growth over the long run.

In analyzing the major long-range problems in the reproduction of *investment resources*, the first question to be raised is a search for objective approaches to determining the long-range needs for capital investments. The initial demands on the overall scale of investment activity over the long run are determined by the proposed social tasks, by the need to maintain and develop modern industry, the scientific and defense potential of the nation, by the patterns of the reproduction of the existing production apparatus, by the amounts of creatd stocks in the raw material and fuel-energy sectors, by the "pressure" of unsurmounted disproportions and by expenditures related to eliminating the resource scarcity and removing the bottlenecks in our national economy.

The most difficult aspect in evaluating the long-range demand for capital investments is the deriving of an investment method for economic development per se and the delimiting of this from those methods and ways of solving economic problems which only partially are based on investments and predominantly lie in the social sphere and the control of economic processes. If economic problems occur for reasons of a social sort, then a search for the methods to resolve them should also be carried out primarily in the social area. Otherwise, the capital investments will be ineffective. By shifting them in such directions and thereby limiting the resources of other, more efficient areas, we create an artificial scarcity of capital investments and reduce their overall effectiveness. Among the sectors with limited opportunities for an investment solving of economic problems we must put first of all agriculture, the sectors of the extracting industry and the service sphere.

The difficulty of the problem of establishing the long-range demand for capital investments is that our economy is presently living through a turning point of fundamental change in the reasons for investment activity. The share of capital investments ensuring the output of products and related to the completion of new capacity is declining while there is an increase in that portion of them being channeled into the saving of labor, energy, materials and conservation measures. They, to the same degree as expenditures on an increase in product, lead to an increase in national income. This is an indirect way for increasing production mediated by a reduction in intermediate expenditures and a relative increase in end results. The isolating of the designated category of investment expenditures for each individual sector and the national economy as a whole represents a difficult and analytical procedure. The resource-saving expenditures are materialized not only in the separate categories of equipment with a direct resource-saving specific orientation but also in the basic production equipment. Ensuring its new properties leads to

increased cost of it calculated per unit of capacity. This, as well as the increase in the proportional amount of nonpower components in equipment and in the total volume of capital expenditures in an ideal instance, should lead to a growth in the capital intensiveness of the product from the resource-consuming sectors which would serve as a condition for reducing the demand for raw material resources and energy and be a prereauisite for improving the indicators for the capital intensiveness of social production as a whole.

Along with the process of the increased cost of completed capacity behind which stand real economic trends of a greater complexity in the basic tasks of investments activity and a reduced demand for intermediate resources, there are also factors at work which cause an increased cost of capacity without any material side effect. Such an increase in cost is primarily a consequence of the disproportions between the planned development programs for the sectors of the investment complex and their resource support. The growth of wages as a method of creating guarantees for satisfying the needs of the investment sectors (primarily construction) for manpower, the fulfilling of the plan quotas by structural shifts oriented at value factors cause an effect comparable with the real increase in costs and even surpassing it. The separating of the results of the process of increased costs into individual components having a fundamentally different economic nature is one of the most important analytical prerequisites for forecast calculations for the required growth of capital investment.

As a whole, the main task for forecasting the investment needs of the economy is to asssess the ratio of two global calculation items: additional investments arising with the need to save individual types of resources (that which can be defined as the separate components of "real increased costs") and the amount of those capital expenditures of which the national economy will be freed in line with the reduced consumption rates of raw products, materials and energy.

For example, a general direction in the saving of industry is to reduce the material intensiveness of production. An estimate of the total capital investments which would meet the energy-supplying requirements of the economy presupposes a comparison of the capital expenditures made in line with increasing the production of energy and broadening the scale of its savings (including through the savings of materials). However, in remaining within the framework of the national economic approach, it is impossible to compare such indicators. The traditional forms of intersectorial analysis of the national economic proportions and their corresponding statistical indicators do not make it possible on a macrolevel to isolate the individual categories of capital investments related to the saving of one or another resource category. The solution lies in seeking out ways to incorporate in national economic analysis the results of specific sectorial research. To create their integral system on a single methodological basis is a complex scientific and organizational problem.

The attempts to resolve the problem of determining the investment requirements of the national economy leads, thus, to a conclusion that this can be done predominantly on a basis of a systematized interaction of the forecast calculations made on a sectorial level in the sphere of reproducing the individual types of resources on a national economic level. This is a far reaching conclusion. Generally speaking, it places in doubt the advisability of a national

economic analysis of consolidated economic indicators as based upon the macroeconomic and intersectorial models, as a completely autonomous and independent form of research. Such a position under the conditions of a reorganization in the material structure of the economy to a certain degree is justified. An analogous problem arises not only in establishing the amount of capital investments but also the labor resources and individual types of material resources. There is a tendency to construct the national economic calculations on the basis of an assemblage of the results of using general-type models and the results derived from the particular sectorial research.

At the same time, such a way is fraught with the loss of an integrated view of the economy. The difficulties of an economically correct organization for a cumbersome iterative procedure sharply narrow the spectrum of the problems and variations which can be studied. In this context, along with turning to results obtained on the inferior levels of economic research, it is essential wherever possible to maintain the autonomous position of the national economic calculations and above all, in analyzing the national economic processes which are being discussed here.

In the most acute form, the raised questions become apparent in working out the dynamic intersectorial models. Their traditional structures in which the capital investments are tied to the output of products under present-day conditions less and less adequately reflect economic reality. As the motives of investment activity have become more complicated due to the growing resource-saving direction of capital expenditures, the trends for the change in product structure and the structure of capital investments do not coincide to an ever-greater degree. Under these conditions of a superficial clarity in the dependences linking the growth of production and the volume of required capital expenditures, preference must obviously be given to econometric constructs which reproduce the mechanism of the formation of demand for investments in such a form where the link of product and capital investments is burdened by the influence of other factors.

The advantage of an econometric description of the formation of the demand for capital investments consists in the possibility of considering the requirements stemming from the processes of both the growth of production and the savings of resources. The trend toward the latter is realized differently in the various sectors; it is carried out to a varying degree as a direct and indirect savings through an improvement in product quality and the technical level of production which are not given an equivalent expression in the output volume. The participation of the individual sectors in this process, the priorities given to the various areas and the change in the ratio of priorities are apparent in the interaction of the sectors in the distribution of capital investments. The influence of the growth of product here is taken into account only as one of the particular factors.

As a whole, an econometric description of the formation of the need for capital investments leads to a definite decline in the informativeness of the calculations made and to a reduced opportunity to break down and interpret in a direct economic manner the obtained results. At the same time, they do make it possible to maintain the economic integrity of the analyzed object and in the

forecast to rely on a rather broad spectrum of initial premises and calculable variations.

The problem of resource constraints on an increase in the amount of capital investments and determining the investment possibilities of the national economy has not been fully studied. Here of prime importance is to establish those methods which will overcome the presently existing scarcity of investment resources. The basic alternatives applying to the methods of resolving the designated problem are to increase the volume of investment resources and to accelerate their savings. Obviously, at present and over the long-run period, an increase in their volume as a general line for overcoming the existing constraints is inacceptable. This is a path of extensive development which in previous forms had exhausted itself. However, the opinion of the need to fully shift the load related to expanding investment potential onto the saving of resources also to a certain degree is an extreme position which does not meet the economic development conditions of our country.

Only up to certain limits can a hardening of the resource constraints be compensated for by an acceleration of the saving of resources. While a slowdown in the quantitative growth of production can occur simultaneously (over a period of 2 or 3 years a transition is made from one state to another), the acceleration in savings which equalizes this process requires a rather extended time of preparation. Here it is not enough to activate changes in the structure of the primary investment resources (for example, to accelerate shifts in the assortment of rolled products). It is essential to link these changes with an internal reorganization of the consumer sectors, that is, machine building and construction. There exists a definite measure caused by objective circumstances in accord with which the process of intensifying the utilization of primary resources can occur. If the normative demands exceed this measure then it means they are unrealistic. The resource constraints in this instance inevitably become a brake on economic growth. National economic dynamics begins to be determined by the bottlenecks in the reproduction of the primary investment resources.

The rise of such a situation means that, along with a policy of intensified use of investment resources, special efforts should also be undertaken aimed at overcoming bottlenecks by a quantitative growth of production. Autonomous trends in the development of any separate sector, for example, ferrous metallurgy, should not be a factor determining the economic growth rate. The redistribution of capital investments in the aims of a quantitative increase in the product of the investment sectors which have become a bottleneck for national economic development must help to expand the reproduction base and accelerate the growth rate of capital investments and the entire national economy as a whole.

The overcoming of the barriers on the way to increasing capital investments is oriented at the notion that not any slowdown in this reflects favorably on the effectiveness of these investments and the balancing of the economy. An excessive slowdown can impede the overcoming of bottlenecks in the national economy, contribute to the rise of a lack of coordination in the development of the individual sectors, intensify the imbalance and as a whole be a factor reducing the

effectiveness of social production. As is known, an excessive increase in capital investments causes the same consequences. Obviously, it is possible to speak of some optimum growth rate of them for the given economic situation and on the basis of which the investment possibilities of the economy and its most urgent investment needs are balanced.

Thus, in assessing the real investment opportunities it is essential to find a certain, most rational ratio between the quantitative growth of the primary sectors in the investment complex and those increments on which one can count in accelerating savings in the sectors which produce an end product. Here it is essential to proceed from the fact that the process of switching from one mode of utilizing the resources to another requires a certain time. The duration here is determined by to what degree protracted extensive development has been fixed in the employed production methods and organizational structures. It is particularly essential to consider to what degree the accumulating of the prerequisites for intensive development has been delayed while the economic forms inherent to extensive growth have been preserved because of the development of disproportions and a scarcity of resources.

A broadening of investment potential by intensifying production encounters the main constraints which are expressed in such properties of the investment complex sectors, primarily machine building and construction, as insufficient mobility of the production structure, an unjustified differentiation of the product quality level and the slow growth of the technical performance of the produced articles. These properties are expressed: in the first place, in the low growth rates of the consumer effect the agent of which is the manufactured machinery and equipment and, consequently, in the insufficiently rapid increase in the fabrication level, that is, that increment in product which occurs as a result of a relative increase in the processing volume of primary resources and can serve as the main factor for an accelerated change in the indicators characterizing their savings; secondly, in the discrepancy of the growth of individual elements in the production apparatus and the individual categories of production resources. Because of the slow reorganization in the structure of machine building and the insufficiently fast growth of the technical level of its products, the broadening of the production apparatus in a number of sectors has constantly outstripped the possibilities of involving additional productive resources in them. A balance was achieved if the designated expansion occurred on a higher technical level and to a lesser degree reflected the existing inertia in the reproducing of machine building's product structure.

Unfortunately, the methodological principles for considering the influence of resource constraints relating to the qualitative growth of production are significantly less developed than the ways for reflecting the effect of the quantitative indicators. Within the consolidated balance calculations, the limiting role of insufficient mobility in the structure of machine building and construction is manifested only in the end effect of the capital expenditures. Predicting it on a basis of the dynamics of certain summary characteristics for the qualitative level of production in machine building and construction, in our view, is an important direction for research on the national economic investment potential.

A study of the questions of the distribution of capital investments between the economic sectors and the shifting of priorities in favor of various subdivisions to a substantial degree depends upon the results of analyzing the qualitative heterogeneity of the investments in the individual economic sectors. The differing quality of the resources employed in the different sectors as well as the difference in the technical level of the machinery and equipment, the construction plans and so forth mean an incomplete comparability of the investment ruble. If investment expenditures in the different spheres of the economy are reduced to a uniform, conditional qualitative equivalent, then the proportions between the capital investments into the individual sectors will be adjusted. The indicators for the dynamics in the general capital investment volume will also change.

The distribution of this in favor of the subdivisions with relatively low characteristics of the end investment activity means a simultaneous reduction in the investment possibilities of the sectors with its increased qualitative indicators. This happens because either group of sectors rests on a general limited potential of the primary investment and labor resources which predetermines the total volume of capital investments.

The underutilization of investment opportunities by the sectors in the upper quality group does not mean that these reserves can be fully utilized for strengthening the investment base of the sectors in the inferior group. The problem is that the movement of scientific and technical stocks in technologically and economically separate sectors possesses substantial autonomy. The establishing of priorities in financing and in supplying the primary investment resources may not be reinforced by the corresponding shifts in the end investment activity, primarily because the required scale of appropriate categories of equipment, construction stock and specialists of the required skills is lacking. An increase in the bulk of the corresponding resources involves a broadening of the scientific and technical preliminary work and can only occur with a substantial delay in terms of current needs.

Thus, if the redistribution of investment resources in favor of sectors with relatively low qualitative characteristics occurs in accord with the objective possibilities for changing the system of priorities, then the overall investment potential (measured by a conditional, qualitatively uniform unit) does not decline. But if there is no such linkage, there will be a definite reduction in this.

What has been said shows the importance of determining rational capital investment ratios for the individual economic sectors over the long run. First of all, here it is a question of the capital investment ratios for such economic spheres as power, the investment complex, agriculture and the infrastructure. Thus, the maintaining of a high share of capital investments going into agriculture, on the one hand, must be oriented at satisfying the needs of the agro-industrial complex for investment resources and, on the other, it should not lead to the underutilization of the possibilities in the other economic spheres which possess relatively deeper investment reserves than agriculture.

For setting a rationally high share of capital investments going into agriculture, two aspects must be considered. In the first place, the incompletely

overcome consequences of the long technical backwardness of agricultural machine building and construction, that is, the long-range trend predetermining a certain qualitative gap in the investment expenditures in agriculture and in other economic sectors. Secondly, the problems of the current balancing, difficulties in providing a material cover for the sharply increasing flow of financial resources going into agriculture. The presence of the phenomena of imbalance retards the shifts which change the long-term trends in the ratio of the quality level of investments into agriculture and into other economic sectors. Here one can speak of the importance of achieving a conformity in the change in priorities in the sphere of distributing the financial and material resources. At the same time, it must be added that such a conformity is merely one of the prerequisites for reducing the qualitative differences in the various spheres of investment activities. Progress in this area (even in utilizing the favorable prerequisites) is a gradual and complex process. Obviously, there is a task of assessing the entire aggregate of conditions which ensure a substantial drawing together of the qualitative characteristics of investment activities as well as the dates which are realistic for carrying out the fundamental changes here.

A rational ratio of capital investments into the basic intersectorial national economic complexes to a substantial degree is apparent in those proportions in which the investments are channeled to developing the very investment complex and the remaining portion of the economy. Insufficiently high qualitative characteristics for the capital investments into agriculture and certain other sectors are a derivative from the development level of the corresponding sectors of machine building and construction. Unjustified qualitative differences in the investments can be reduced primarily by making adjustments in the ratio between the intensity of initiating investment processes in a number of sectors and the measures taken to strengthen and modernize the material base of these processes. Hence, the increased role for developing the investment complex over the long-range period as the chief factor improving the qualitative equilibrium between the individual economic subdivisions. Its observable disruptions require the more rapid dynamics of capital investments going directly into the investment complex, in comparison with their total volume for the national economy. Obviously the task of the research here is primarily to set the scale of the necessary shifts in favor of the sectors of the investment complex. This setting should include both an assessment of the temporary "losses" for the sectors at the expense of which the redistribution of investment resources is carried out as well as the subsequent increments which should occur as a result of strengthening and modernizing the investment base of these sectors. The greatest procedural difficulties arise in analyzing the interdependence of the qualitative shifts (under the influence of additional capital investments) within the investment complex itself and the corresponding changes in the other major economic subdivisions.

The problem of the national economic characteristics of the qualitative constraints related to the possibilities of reorganizing the technical level of production, of an informative and at the same time consolidated and sufficiently viewable depiction of the processes of the intensificatioin in the economy is marked by extreme complexity and at present there clearly are insufficient constructive approaches for solving it. One of the most widespread formulations of this problem is the problem of the national economic generalization of the results from technical progress.

Technical Progress as an Object of National Economic Analysis and Forecasting

The results of the influence of technical progress on economic development are related chiefly to three aspects in organizing the production of results from scientific and technical activities.

In the first place, these results depend upon to what degree there is a congruity between the objective long-term demands on the technical characteristics of the resources allocated to the individual sectors and their actual properties. The possibilities of our production potential in terms of producing materials, machinery and equipment possessing a modern technical level are limited. All sectors cannot be equally supplied with such limited resources. The conditions for the long-term maintaining of a dynamic equilibrium in the economy determine the degree of urgency for the demands of the individual sectors. The preferences given to some of their groups mean a reduction in the possibilities for the technical development of others. The effect of technical progress in the given instance depends upon the soundness of the long-term structural policy and the objective justification of that differentiation which is inherent to the technical level of the resources going into the various sectors.

Secondly, the same objective advisability should underly the decisions concerning the allocation of the results of scientific activities as a separate national economic sector. Its potential is limited to the general resource capabilities of the economy and is qualitatively differentiated. The objective demands for providing long-range balance in the development of the subdivisions which have differing initial qualitative characteristics and are based on a different production basis predetermine the need for a varying degree of the concentrating of scientific research in the individual economic spheres.

Thirdly, the economic effect of technical progress to a substantial degree depends upon the degree of correlating the quantitative growth of resources allocated to the individual economic subdivisions and the results of the scientific and technical research oriented at these subdivisions.

Let us investigate the designated dependences in greater detail.

The long-term demands on the technical characteristics of the resources being channeled into each sector are determined, on the one hand, by the trends in the change of the production base of these sectors and by the narrowing or broadening of the possible orientation to relatively accessible resources. On the one hand, these depend upon shifts in that role which each sector plays in resolving the problems of resource availability for the other sectors. Thus, technical and technological decisions taken in each individual sector are simultaneously the result of processes in its internal development and the derivative of the national economic situation as a whole. The effect from technical innovations is higher the more organically they are incorporated in the overall process of the reproduction of national economic resources. Conversely, national economic losses can arise both from the excessively high technical level of innovations and from the excessively low one (in terms of the place of each given sector in the process of economic growth).

It must be pointed out that within the same economic subdivision, inevitably production methods which differ in terms of their technical complexity should coexist for the same types of products. This is objectively caused by the circumstance that various groups of enterprises have a differing arrangement of intersectorial ties and orientation to reproducing the resources which are not the same in terms of their quality level. This also means that a change in the proportions between the different production methods within the limits of the same sector is not the result of the mechanical advancement from their "old" types to the "new ones," but rather the result of the interaction of the sector with a qualitatively complex conglomerate of related types of production.

From what has been said, in particular, it follows that an economically effective technical policy consists not in a uniform orientation to the most advanced scientific and technical achievements but rather an effective intersectorial and intrasectorial differentiation of the applied technical decisions considering that role which the sector or the group of sectors plays in the overall reproduction process.

A condition for realizing an economically effective technical policy is a coordinating of the actual priorities in the distribution of the resources which ensure the technical growth of production with the objectively determined national economic demand for these resources in each specific area of the economy. A diverting of the actual priorities from the objectively necessary ones can be explained by an excessive emphasis (not meeting the objective possibilities of the economy) on the technical development of certain national economic spheres. This is apparent both in the direct limiting of certain economic areas at the expense of others as well as in reducing the internal potential for economic growth related to the resource supply of the sectors which are the predominant agents of technical progress and primarily a number of machine building sectors.

In the desisgnated instance, the level of technical progress is the result of the adequacy of the long-range economic decisions to the existing economic conditions. The mutual mismatching of either is expressed in the measure and direction of the technical increments which do not conform to economic reality. Here each partial impulse gives rise to an entire chain of economic consequences. The main one is the compensation for the lacking new equipment by high resource expenditures under the conditions of obsolete production conditions. The inevitably arising constraints in expanding the scale of involving these resources in production lead either to the appearance of disproportions or to the maintaining of the tendency toward a quantitative expansion of the scale of traditional resources being involved in production but with a gradual decline in their quality (here the quality category is viewed in the narrow sense as an indicator of conformity to the adopted production standards). Thus, extraordinary efforts to maintain a high technical level of production and to broaden its scale on one flank of the economy can lead to a slowdown in technical progress and as a consequence of this, to a decline in product quality and to the violating of production standards on the other.

Due to the known delays of the effect in scientific research and investment processes, the ratios in economic priorities change very slowly. Technical progress in the individual sectors is programmed for many years to come in the

previously taken economic decisions which in turn were set down in various drafts and materialized in the products of the enterprises supplying equipment and materials, carrying out construction and so forth.

From this it follows that a generalizing of the technical capabilities of the sector over the medium-term future of 5-10 years to come (up to 15 years) is nothing more than an adding up of the consequences of already taken and presently taken economic decisions. The so-called expected results from technical progress in the individual sectors are nothing more than the results of the long-range economic policy of resource allocation. This also means that the most careful generalizing of the economic results from the expected technical innovations of intersectorial consequences from the saving of various types of resources can record only what is already present in the existing trends and corresponding indicators. It is essential to proceed from the fact that technical progress is an ongoing process and that technical changes occur constantly. For this reason, a generalization of what at the given moment is on the horizon of sectorial develoment and represents an achievement due to the existing material conditions and the present lag norms in principle cannot provide any other national economic result (according to different characteristics of national economic effectiveness from the use of resources such as the productivity of social labor, return on investment, material intensiveness and so forth as well as for the growth rates of end social product and national income) aside from the one which derives from a direct extrapolation of these national economic amounts.

Obviously, the incorporation of generalized notions of scientific and technical progress in national economic analysis and forecasting should proceed primarily along the path of:

a) An analysis of the economic tasks in the development of the individual sectors and related problems of technical progress;

b) An overall estimate of the conformity of technical policy in the major economic sectors and in the major complexes to the needs of the national economy and primarily to the conditions of the long-term intersectorial economy;

c) Formulating the economic prerequisites for technical progress in each individual sector;

d) Describing the national economic measures making it possible to carry out the essential change in the system of priorities and a shift in the sectorial technical policy;

e) Assessing the consequences from changes in economic relations and the economic mechanism for mobilizing the internal capabilities of the individual economic subdivisions in the technical modernization of production.

Obviously, procedural progress in each of the designated aspects of research is of major significance. For now there are few works which would trace the historical relationship of the economic and technical changes in the national economy. As in any other forecast, establishing the prospects for national economic results from scientific and technical progress should rest on a rather

strong genetic principle. An analysis must be run on the economic reasons for the spread of certain types of production methods and barriers indicated which impede the spread of others; it is essential to explain the reasons for the choice made with a presence of alternative production methods, to name the factors which have brought about differences in the technical development of the individual sectors in our country and in the other industrially developed ones and so forth.

Equally complex is the constructive task of establishing the conformity between the nature and scale of the measures being undertaken in the resource allocation area and the acceleration of scientific and technical progress in the required direction in the basic spheres of the economy. The complexity of this problem is primarily due to the limited opportunities of the economic measurements which presently do not make it possible to show a qualitative breakdown for the individual resource categories and therefore adequately reflect the most essential aspects in the process of their allocation.

The next problem is the multiplicity of technical and technological consequences from the economic shifts, the difficulty of a concentrated establishing of acceleration in scientific and technical progress and, finally, the multiplicity of economic increments as a result of the expected introduction of scientific and technical achievements. This problem has long confronted the researchers and a method for satisfactorily solving it still has not been found. Within national economic analysis, in our view, the most acceptable way for at least partially surmounting these difficulties is to work out consolidated national economic conceptions for the development of the individual sectors and the intersectorial national economic complexes. In working out such conceptions it would be possible to examine significant alternatives for the development of the sectors and complexes. The conceptions should point to the basic economic results, with the planned technical shifts as well as the resources necessary for implementing them being the means for achieving these results.

The tools which provide for the coordinating of such sectorial conceptions and their corresponding blocks of interrelated economic indicators can be, on the one hand, the balance constructs and, on the other, special models (resource-time systems). The latter disclose the functional content of the most important measures in developing new types of production and introducing new production methods. The trend of the functional ties should predetermine the sequence of structural shifts which are of national economic significance while the resource constraints will determine their possible total for the given time interval. As a whole, such a system should represent a national economic scenario for the major interrelated structural changes. For example, the economic consequences in achieving each next goal in the development of nuclear power (if they are expressed, for example, by a 5 percent shift in the share of nuclear power plants in the total volume of produced electric power) are numerous and on each next goal or step the relative importance of these consequences varies. This concerns both the most obvious results of such structural changes related to the capital intensiveness of production as well as such specific ones as the degree of approaching the limits of the ecological capacity of individual territories, the load factor on the water resources, the economic aspects of solving the waste products problem and so forth. Such extremely major structural changes occur in each sector. We must obviously move closer to having

methodological approaches allowing one to view such shifts as a part of a single, integrated process of structural changes. Even the most disaggregated balance models reflect results but do not indicate the major causal relationships (or the given relationships are taken into account in an extremely general form in incorporating various sectorial production functions in these models). But the importance of the balance constructs for such systems lies primarily in determining the most general resource constraints.

An even more complex procedural problem is to reflect the relationship of the basic characteristics in the activities of the sectors and complexes and as a result, the national economy as a whole, with the possible changes in economic relations. The elaboration of an overall concept for the development of a sector, in being complicated by hypotheses for changes in the economic mechanism and incorporating the quantitative estimates for the effect of these changes on the realization of the basic specific goals over the long run substantially increases the effectiveness of work to generalize the consequences of technical changes, as additional guarantees appear for a positive deviation in the future trajectory of technical and economic development from its existing trend. Here, in combination with an analysis and forecast of economic growth, in our view, we should examine first of all such hypotheses for a change in economic management which would contribute to the establishing of mechanisms making it easier to reorganize the production structure and transform the system of economic priorities. For example, it would be advisable to investigate a hypothesis for introducing the principles of denaturalized (or partially denaturalized) funding in accord with which the rights to limits and funds are aimed not at particular natural indicators but certain consolidated positions which bring together qualitatively uniform types of resources. Here the ruble remains the nominal unit for correlating all types of material goods. Nevertheless, in the given instance it is also valid to pose the question of the conditions for the exchange of rubles of one category for another. Here the guideline is the processes of real economic life which at present have assumed predominantly a natural [physical] form. A departure from this makes it possible to fix priorities and at the same time creates definite scope for economic choice.

Thus, if the national economic forecast calculations and constructs will incorporate elements which create the prerequisites for accelerating scientific and technical progress, a generalizing of the results of the planned sectorial development will be expressed in the indicators of national economic dynamics which will differ rather substantially from the extrapolation amounts.

The congruity between the new economic preferences and those proposed by science and technology depends upon to what degree the new criteria of structural policy have been anticipated by the results of scientific and design activities and to what degree the scientific research has been oriented at the expected major changes in economic development strategy.

The complexity of scientific and technical policy is due primarily to a correct assessment of the economic needs over a sufficiently long term. A one-sided concentration of scientific activities in certain areas and an overestimating of the possibilities of shifting economic accents to other ones lead to hard-to-eliminate consequences. The maneuvering of resources in science occurs

significantly more slowly than in other spheres of socially useful activity. This means that an important element in constructing a national economic conception of technical progress is an assessment of the adequacy of the previous period's scientific and technical policy to the current economic situation and the conditions of the immediate future. At the same time, the economic factors should be named which relate to the concluding stage of the long term and to the development period running beyond it and which should be considered in the scientific research being initiated at present.

One of the particular features of the scientific and technical studies at present is their insufficiently high level in terms of those forms of technical progress which correspond to the economic conditions developing over the long run. If technical progress which presupposes a primary orientation on the involvement of resources in production has been expressed in the establishing of powerful units in the production of structural materials, high-powered power equipment, the modernizing of rail transport and the development of metalworking, the future which is opening up for us now requires an improvement in the consumer properties of the equipment during its use, an improved technical level of the agricultural machinery, the technical support for the production of consumer goods, the development of specialized transport and providing the resource-saving functions of the new equipment. The transitional period from certain forms of technical evolution to other ones which we are presently experiencing has been extended due to inertia phenomena. Inertial losses occur in the form of excessive technical progress in its established areas (the supplying of modern equipment which has been produced for secondary areas of the economy, particularly in individual sectors, where preferential positions in the allocation of resources are held not only by basic production which possesses a high national economic importance, but due to departmental factors, also the extensive periphery of the sector). An accelerated transition from one type of technical progress to another at the expense of external factors and the compensating for weak aspects of our technical potential by imports are not always possible. Imported equipment is the offspring of specifically concrete economic circumstances. An adaptation of this to our conditions in many sectors requires special measures to overcome the quality discrepancy of this equipment with a number of the basic production elements.

The existing experience in taking into account the forecasts of scientific and technical progress in calculating the indicators of national economic dynamics and structure shows the major difficulties of realizing those procedural principles discussed above.

First of all, this is apparent in establishing the necessary technical changes in the individual sectors. Technical progressiveness (as such) and economic advisability here in a number of instances are evened out. At the same time, there is the obvious futility of drawing up lists of existing progressive technical ideas without indicating the economic reasons for these changes and the unifying of such reasons into a single economic overall concept.

Furthermore, there has been even less mastery of the practice of isolating the basic stages in the technological advance of the sector depending upon its supply with the necessary resources. It is a question of working out uniform graduated variations for the development of a sector which in an informative

manner would coordinate the volume and qualitative structure of the resources allocated to a sector, the changes in the area of technology and the related economic effect within the limits of the sector and beyond it. Such stages, obviously, should be established within each of the studied technological alternatives. The uniformity of the notions concerning the technical appearance of the sector and the expected economic results arise either with a hypertrophied estimate of the immutability of the results of existing development experience or when this is an artificial method for establishing certain guidelines or a definite manifestation of a sectorial technological optimism.

It must be pointed out that we need improved methods for taking into account the change in the reciprocal demands of the sectors and the characteristics of the shifts in their relative economic positions. There is a tendency for a narrow sectorial interpretation of the expected results from the functioning of the sector over the long run. The overcoming of such views to a certain degree can be achieved by strengthening the intersectorial approach to all the sectorial problems and by their unfailing examination within an intersectorial context. This, in particular, relates to the question of the rational proportion between the internal and external scientific forces participating in the elaboration of the sectorial problems.

Finally, at present, there is not a sufficient number of research results for operating with a system of models reproducing both the technical and economic intersectorial dependences over a long run, for linking constructs like the above-mentioned resource-time systems with the balance models and so forth. A relatively accessible method for uniting the sectorial forecasts into a single national economic whole is presently the work done in two stages. The first consists in a system of informal procedures, the exchange of information between the individual sectorial blocks and reciprocal adjustments relating both to the technical and economic indicators. The second is the unification into a single balance system of economic indicators. At this stage the technical and technological restraints drop out of the iterative process of considering the reciprocal demands of the sectors on one another.

It is essential to add that the task of a balance unification of economic indicators has been solved only partially and there are many gaps here. The indicators forecast in the sectors for resource utilization and on the basis of which the national economic balance constructs are formed, although being based upon the expected technological shifts, are however ranked in accord with the long-range sectorial priorities and are not adjusted for the national economic resource constraints. The attempt to consider the resource constraints as well as the interaction of the sectors in resource allocation (considering the expected preferences) makes it possible to cover only a limited number of consolidated coefficients. The extending of such procedural principles from the basic categories of material resources in current utilization to the labor resources and capital expenditures encounters complex problems. For now practice has led to the use of a combined method whereby within one system of calculations there are present forecast estimates for resource utilization obtained proceeding from various procedural principles.

In the economic research, traditionally a major place has been given over to the approach to estimating the role of scientific and technical progress in economic growth on the basis of single-sector macroeconomic production functions. Such a macroeconomic approach which presupposes a separation of the extensive and intensive economic growth factors, in our view, is not sufficiently effective. Let me mention three of the most important reasons for such a view of the given method.

In the first place, this approach proceeds from simplified notions about the qualitative uniformity of the resources and products. At the same time, the indicators for the economic growth rates and the growth rates of the economic resources in principle are not commensurable in the different historical intervals of economic development due to the differences in their qualitative structure. Thus, accelerated economic growth rates can reflect the fact of the accelerated incorporation of relatively surplus poor quality resources into production while a decline in these rates may mean a slowdown in the given process and not correlate with the dynamics for the basic nucleus of sectors with the highest technical production level.

Secondly, with certain ratios for the national economic amounts, the given approach clearly distorts the interpretation of the economic development results, explaining results which have a quite different economic interpretation by a change in the ratio of the extensive and intensive factors. Thus, the policy presently being carried out of limiting the growth of capital investments (as has occurred, for example, during the 10th Five-Year Plan) has led to a relatively greater slowdown in the growth of end social product and national income than in the dynamics of fixed capital. This is explained by the high rate of accumulation in our nation. The share in which the productive capital investments are incorporated in end social product is higher than any of the indicators characterizing the involvement of productive capital investments in the formation of fixed productive capital (the rate of its completion or the growth rate of the capital). As a result, with a slowdown in the capital investment dynamics, the drop in the return on investment indicators accelerates and the growth of labor productivity is checked, while the share of the intensive factors in accord with analysis on the basis of the macroeconomic production function will decline here. However, in actuality the obtained balance effect and the assessment of the results of scientific and technical progress have nothing in common with one another.

In a general form, this can be shown in the following manner. In using the traditional notation for the national economic production function in growth rates

$$y=\alpha f+\beta l+\lambda \qquad (1)$$

(where α and β--elasticity indicators for the factors; y, f and l--increase rates, per se, for end social product, fixed productive capital and employees in material production), the contribution of the intensive economic growth factors is estimated as

$$\lambda=y-\alpha f-\beta l. \qquad (2)$$

We assume that the contribution of the intensive factors is directly related to capital investment dynamics, that is, $\lambda = \lambda(k)$. The presence of this relationship within the hypothesis of model (1) means that $y = y(k)$ and $f = f(k)$, while the elasticity indicators (α and β) and the labor growth rate (1) do not depend upon capital investment dynamics. Consequently, after the differentiating of (2) for k, we obtain

$$\lambda'_k = y'_k - \alpha f'_k. \tag{3}$$

From the above-given arguments it follows

$$y'_k > f'_k > 0. \tag{4}$$

Product elasticity in terms of capital $\alpha<1$. Hence $\lambda_k'>0$, that is, the contribution of the intensive factors rose with an increase in the capital investment rate and declines as there is a slowdown in the dynamics of the latter. At the same time, in the real world no such relationship obviously exists between the capital investment dynamics and the ratio of the contribution of extensive and intensive factors to production.

Thirdly, at present within the even rather short time intervals, the indicators for the economic development results are not completely intercomparable due to the existing particular features of statistical measurements. It is a question of the influence of cost-increasing processes on the indicators for the capital investment volume and major overhauls in end product as well as of the change in the proportions between products with a varying share of turnover tax in the consumption fund. In our national economy there are levers which ensure the necessary even growth of commodity turnover and the consumption fund as a whole. These are the change in the proportions between the contribution of the sectors with a different price level, the mobilizing of import resources and so forth. The autonomy of the dynamics in the consumption fund which comprises a large portion of end product substantially reduces the correlating of the national economic expenditures and the results, and respectively, the effectiveness of the analysis and forecasting methods based on this premise.

Social Aspects of National Economic Forecasting

One of the main problems in national economic forecasting is to work out an overall concept of social development which along with qualitative informativeness would possess a sufficient quantitative certainty. This means that such an overall concept would include not only the establishing of a certain hierarchical system of social goals but also the volumes of material resources needed to ensure their achieving. The most developed aspect of this is the quantitative characteristics for various aspects of the growth of the people's prosperity, such as: consumption, the availability of housing, public health services, education and so forth. At the same time, there are aspects of social life where the notions of their importance are just being formed and because of this the procedural principles for the socially sound expenditures are still lacking. Here we must mention first of all such aspects of socioeconomic development as the change in working conditions, shifts in the ratio of internally meaningful and negative aspects of the labor processes; efforts to preserve and improve the habitat in the broadest sense, including the environment, living conditions in large cities, recreational opportunities and so forth.

The establishing of a system of indicators which would adequately reflect the most important social development problems over the long run (including the above-mentioned) is impeded by the exclusive orientation in measuring the changes in the standard of living on the flows reflecting the total consumed goods and the absence of satisfactory approaches to studying the movement of the stocks of the entire aggregate of available socially significant goods.

Here the basic efforts have been aimed at improving the forecasting of current consumption as the main element at the present stage in the specific social goals. In this area over a long period of time a methodology of the rational consumer budget has been employed. The development of this methodology has occurred in a direction of considering the real conditions for the differentiation of income in the future and the related utilization of not the single budget offered to each member of society regardless of his expected income but rather a certain system of budgets presupposing the possibility of ensuring a rational way of life with a different income level. For example, these might be a rational consumer budget of social guarantees for the lower income groups of the population, a sufficiency budget for groups with medium incomes and a special rational consumption budget for those who will receive relatively high income.

The normative estimates for a desirable consumption level obviously should correspond to the normative notions of income distribution and the socially advisable ratio of income levels for the individual income groups of the population. However, in this area there has not been the needed scientific progress.

The obtaining of the results mentioned above can make it possible to create on a normative base a forecast balance characterizing a differentiation of income and consumption for the population over the long run. The unification of such constructs with analogous balance descriptions in the report period presupposes a solution to a number of procedural questions, in particular the prime compatibility of the individual rational norms. The possibilities of achieving them for the various positions differ. This is explained primarily by the different (in relation to the standards) initial base and by the existing trends of demand and production. Here it is obvious that some indicators after reaching the planned specific level will continue to rise while others will still not reach the desired amount. The making of adjustments in production here is unjustified since there are arguments which back up the rationality of the specific standards but there are no arguments which convince of their equal urgency or the need to reconcile them within a single budget.

Obviously the introduction of the concept of rational norms requires the supplementing of them by notions of the rational distances between the moments of their realization (here per capita income can be the scale). In any event, in each rational budget the realization of the planned indicators "on an average" should mean the combining of both the achieved and not the achieved as well as those realized above the norm. The principles for such a combining are not clear. At the same time what has been said shows that a system of rational norms can participate in the calculations not as a single whole but only as a range of relatively isolated indicators spread out along the time scale and the production growth scale.

The designated problem is not the only one in this area. It is essential to study the more general question of the entire aggregate of factors which lead to a deviation of the actual income and consumption indicators from the norm and in this regard also the methods of describing the actually occurring processes, the eliminating of the influence of the resource constraints on the consumption indicators and the ascertaining of the consumer demand trends.

In shaping a long-term social policy, along with the specific goals in the consumption area, the problems of providing the population with housing and services are of substantial importance. In particular, the goals of housing construction should take into account not only the average values but also the lower level of availability corresponding to them (considering the possible redistribution of housing). In a certain sense the average standards should be derivative from those indicators which have been achieved within the limits of the lower interval of housing availability. Here a special role should be played by the development of the corresponding statistical measurements as well as the methods for analyzing the distribution of housing and investigating the dynamics aspects of the participation of the various social and age groups of the population in the utilization of the housing fund.

Their remains the relatively complex problem of an analysis of the national economic significance of the nonproduction sphere sectors and the reaching from here of integrated descriptions for the necessary changes in the standard of living and the way of life for the population over the long run. This is particularly true of the comprehensive estimates for the necessary progress in the area of public health, shifts in education and culture. A national economic interpretation of the results of the functioning of the nonproduction sectors creates a basis for the manifesting of certain general criteria in setting the amount of expenditures for the development of the nonproduction sphere.

The above-named problems in forming the social specific goals are related primarily to establishing indicators of the people's well-being as a concluding, rather remote stage in the long-range future. The trajectory along which the transition will be made from the present level to the planned ultimate guidelines will be determined by the possibilities of raising the standard of living of the population in each interval of the long-range period as well as by how the process of the increase in the population's standard of living is linked to the solving of other national economic problems, in particular, ensuring the balancing of the economy and its increased efficiency.

The national economic effect from increasing consumption and income does not end with just the social effect as such. Increased prosperity is a component element in the economic growth mechanism. Increased prosperity expresses the processes which are engendered by time-distant shifts in the economic structure. They have long-range consequences which possess substantial autonomy and inertia. Among these shifts is the step-by-step spread to all the national economic sectors of such production development forms which presuppose gradual technical modernization, an improved structure of produced product and at the same time require increased worker skills and higher wages. The complicating of the economic structure and its reorganization as a consequence of depleting the extensive growth resources and the intensification of production, increase the demands on raising income and consumption resources.

Thus, in a modern economy there always exists a tendency for the "natural" growth of income and this is intensified in certain periods. It is apparent with varying urgency in various economic sectors and is complicated by the rise of discrepancies in the technical production changes, in the growth of worker skills and their increased income. In this context the total of the national economic demands on increasing the standard of living depends also upon the income ratio of the employees in the various economic sectors, the wage level of the workers in the individual professions and the territorial differences in income and consumption. To a substantial degree the solution to the prosperity problems (increasing wages and the providing of housing) is influenced by the supply of individual sectors and types of production with manpower, by the scarcity of individual professions and by the differentiation of working conditions in terms of the sectors and territories.

Finally, the measures expressed in the growth of worker income can be brought about by the need to equalize such negative phenomena as: dissatisfaction with sociodomestic conditions, by the migration system, by the deterioration in the environment and so forth. Although increases in prosperity cannot fully compensate for the losses, nevertheless due to the above-indicated particular features in the measurement of the standard of living, the named positive and negative shifts in the living conditions are reflected in the employed integral indicators not in the form of a balance amount but only as a positive increase.

The results of taking into account the national economic demands on the growth of prosperity also include specific social components which express the demand to provide the appropriate guarantees and the existing social standards. The approving of prosperity standards which are generally recognized or are relatively close for the various population groups helps to realize the principles of social equality and to prevent excessive gaps in the basic indicators which characterize the standard of living between the individual groups of the population. Through the rise of social standards for the provided housing, the range of consumed goods and services and their quality the results of the efforts aimed at creating the prerequisites for the growth of the sectors and professions which are most significant from the national economic positions activate the remaining spheres of the economy. The formation of definite prosperity standards (the withering away of some and the appearance of new ones and their reciprocal orientation for the various population groups) is a substantial part of that social mechanism which leads toward a general shift of the standard of living indicators toward a rise.

What has been said that any intensification of the technical and structural changes brings about increased income for those population groups which are in the economic vanguard but ultimately through the social mechanisms leads to a general rise in income and consumption. From this it also follows that the stronger the structural shifts and the better the conditions for realizing the trend toward social equality, the higher the strain on the consumer resources and the greater the probability of the rise of imbalance phenomena. Increased imbalance in income and consumption can be not only a consequence of the scarcity of consumer resources and a lag in the appropriate economic sectors but also a result of a coinciding of conditions in the structural reorganization of the economy and an intensified social policy.

One other conclusion also concerns income differentiation. With the given volume of consumer resources, any excessive efforts to encourage the upper echelons of the economy who bear the main burden in the technical modernization of production can disrupt the social equilibrium and be expressed in increased income differentiation and socially unjustified privileges. Conversely, efforts expressed in an excessive leveling of all prosperity indicators lead to resource constraints (by the consumption resources) for the leading part of the economy as a result of which the danger arises of a slowdown in its development and the rise of delays in scientific and technical growth. Obviously, it is possible to speak about an optimum income and consumption differentiation whereby neither economic principle would be infringed.

Along with a policy aimed at leveling out the living conditions of the individual social groups in the population, the active spread of progressive social changes can be aided by the tension in providing the national economy's needs for labor resources. Increased manpower turnover to a substantial degree involves progress to new consumer guidelines. An acceleration of the intersectorial shift of the labor force can rather strongly shake the balance in the distribution of consumer resources between the subdivisions classified in a different economic level and cause deviations from certain rational ratios which characterize the differentiation of income and consumption.

Disrupting the balance in the distribution of consumer goods, in being caused by the manpower shortage and expressed in the increased constraints on those subdivisions which are objectively among the upper economic levels, derives from the particular features of the distribution of production resources. The delayed technical reequipping of certain production sectors and spheres, the delay in resetting the priorities in their favor and maintaining there labor-intensive production which is not fully provided with a labor force, through the actions of social mechanisms, ends up with another sort of violation in the income and consumption sphere. Thus, in addition to the mentioned particular features of our economy and a number of other factors, a definite discrepancy between consumer demand and supply can be linked to the slow resetting of priorities in the production sphere.

One of the conclusions which follows from what has been said is that the transition to a state of balance cannot be an absolute criterion for an improved state in the economy. If we proceed from the need to eliminate the most crucial negative consequences of imbalance in the income and consumption sphere (and these include precisely the rise of a discrepancy between the national economic importance of the sectors and professions and the wage level), far from every measure contributing to a rise in the level of balance simultaneously reduces the basic consequences of the arising disproportions. In this context of particular importance is the specific policy of maintaining rational ratios in the wages of the individual worker categories, particularly in the wage ratio of employees in the sphere of science, education, design-research activities, engineers, technicians and the wages of other employee groups in the national economy. The same thing can be said about the setting of prices for consumer goods, primarily for consumer durables, with one of the determining principles for them being their accessibility for the basic employee categories and primarily for those the contribution of whom to the qualitative economic increments is relatively great. The main task of maintaining balance is to provide

feedback between consumption and production. This same goal can be served by measures which under certain conditions normalize the flow of consumer goods by introducing rationing elements and so forth.

An important aspect in the general economic consequences from an increase in the people's prosperity is the relationship between increased income and the growth of the consumption level. The qualitative differentiation of consumption should correspond to income differentiation and adequate shifts in consumption structure (an increased consumption volume in cost terms is an indisputable manifestation of shifts in its structure) should correspond to the increased income. If a situation occurs where income is substantially differentiated but consumption is uniformly adapted to the aims of the social guarantees, and a sufficiently diverse material is lacking for its structural complexity, then the economic effectiveness of income differentiation is sharply weakened. If we have an insufficiently clearly expressed intersectorial and interprofessional differentiation of income and, in addition, there are problems in the impossibility of ensuring equivalent consumption differentiation, then the effectiveness of income differentiation is doubly weakened. It must be emphasized that it is a question not only of providing goods for income but rather doing this effectively and providing a continuous increase in the additional structural diversity of consumption as income rises.

Two other approaches are encountered in the interpretation of the relationship between the growth of income and consumption.

The first is in viewing this relationship predominantly from the positions of increasing the level of balancing in the economy. With such an approach often a definite one-sidedness is apparent and this consists in the fact that any increase in consumption resources is viewed as a good, including at the expense of luxury goods, the artificial creation of new consumer standards as a result of increasing the sale of imported goods and so forth. This approach can become meaningless in social terms, as it is not always oriented at socially significant demands and is not sufficiently effective from the economic viewpoint, as the crucial thing is the task of filling the gap between solvent demand and the amount of commodities in the most accessible manner; here the problem of providing successive quality increments in consumption for all income groups is not raised.

The second approach is to establish the need to provide a conformity between income and rational consumption. This is justified if one bears in mind the rational budget as a remote specific goal which in a certain sense is brought into the economy from outside proceeding from social considerations. For forming ideas about the current interaction of income and consumption, it is not suitable chiefly due to the fact that with this approach there is no feedback from consumption to production. Rational norms are set beyond the limits of production and basically reflect the ideology of social guarantees. A rational consumer budget can be employed in forecasting development on any segment of the long-term future, but as a certain rather external criterion in relation to the processes occurring. In advancing to rational consumption, speculative principles of social advisability for realizing income do not always coincide with the actual patterns in the effective realization of them for the consumer.

Obviously, an overall concept should be established which would set down the principles for an effective complete consumption equivalent of the ruble considering the real patterns and trends. It is a question of a well thought out system of consumer incentives and a certain graduated system of consumer standards which would serve as a guideline for increasing consumption for a socialist production [4].

If we wish to rely on the labor activeness of the workers, then we should view them as active consumers. But if they are not indoctrinated as active consumers having consumer guidelines, then the incentives to increase income and for active labor are weakened. Unfortunately, at present, neither economic science nor practice has formulated any notion of in what manner income differences should assume an equivalent reflection in consumption differences and in what manner and through what consumer goals the increase in prosperity should be carried out in the individual income groups. Here obviously there must be scientific search and a generalizing of our own and the constructive experience from other industrially developed countries. Arguments are needed for illustrating and establishing that the growth of prosperity and the growth of consumption are not merely an increase in the results of annual production on a per capita basis but rather a process developing over time and having its own stages, its own reference points and its own logic.

The problem of consumer guidelines applies to the goods of life, that is, to diet, to clothing, to consumer durables and to housing. At present, our diet to a significant degree has been excluded from the category of goods the composition and structure of which create incentives to obtain additional income. The absence of price differentiation depending upon quality and assortment features create an attitude toward the basic food products predominantly as socially guaranteed goods.

The social guarantees in relation to the consumption level of certain food products are undoubtedly essential. But this does not mean that food products should not be a component part of that reproduction mechanism which provides consumption with production. A desire to satisfy the demand of everyone for the basic food products following rather high standards should not prevent an enormous category of material goods from playing an active role in the development of production.

Consumer durables are another pole of consumption. In this area we have developed certain traditions but the prospects of their development are not very clear. Both the expansion of production capabilities and price policy are important. In order that a broad range of consumer durables enter into the consumer standards of the basic population groups and perform the role of a rather strong consumer incentive for production activities, we must substantially increase the output of these commodities, improve their quality and broaden the assortment. At the same time, with the relatively limited supply of these commodities, their accessibility for the major employee categories in socialist production should operate in selling them as a primary demand of economic life.

Housing is certainly among the consumer durables. In all industrially developed countries, expenditures on it comprise a significant portion of the budget and an essential element in forming incentives for active labor.

Increasing the amount paid for housing is one of the fundamental methods for solving the problem of commodity-monetary balance and at the same time for strengthening the economic effect from increased prosperity.

Since food products do not form consumer guidelines and a powerful production base is essential for the accelerated development of the production of consumer durables, a heavy "load" rests on clothing. Its role in the system of consumer guidelines is becoming extremely high.

Obviously the process of shaping consumer preferences should not be allowed to occur spontaneously. In working out a long-range forecast, inevitably the problem arises of not simply a quantitatively determined description of the tasks for improving the people's prosperity. They should have not only a social but also an economic goal. In addition to the social effect, the economic one must also be taken into account, that is, the reverse influence of increased income and consumption on production.

The most general conclusion from an analysis of the problems of forecasting prosperity as a component part of national economic forecasting is that production effectiveness over the long run in many regards should be determined not only by how the development goals have been formulated and by how the possibilities of reproducing the resources ensuring them have been shown, but also how the method of realizing these goals will interact with the general process of production development.

The designated questions correspond to the experience of national economic forecasting which is expressed in the concentrating of scientific efforts on studying the material and physical proportions and in which analysis and forecast of social processes comprise a relatively small proportional amount. At present, to a certain degree the proposals on improving the economic mechanism are being worked out in isolation from the forecast constructs. We lack any sufficiently reliable procedural approaches for determining the national economic effect from changes in the economic management sphere. The presence of such procedural approaches would make it possible to commence the work on bringing together important areas of economic analysis. However, their elaboration from the very start requires consideration of the resource aspects of development and obviously cannot be carried out separately from an analysis of the problems of national economic dynamics and structure.

At the same time, the conclusions drawn from a comparison of resources and the goals of economic development over the long run show that in the attaining of these goals a substantial role should be played by shifts in the social and production activeness of the workers and by changes in the effectiveness of social production based on a reorganization of the workings of the economic mechanism.

Obviously the need has arisen of fundamentally updating the experience of forecast research, of broadening the range of socioeconomic phenomena simultaneously involved in the analysis sphere and of unifying the results of research on the material structure of the economy, the socioeconomic processes and the constructive results from studying the operation of the economic mechanism.

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LOCAL SOVIETS INVOLVEMENT IN REGIONAL DEVELOPMENT VIEWED

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[Article by I. Solodovnikov: "Local Soviets and Comprehensive Development of Territories"]

[Text] Local soviets of people's deputies have always come forward and are coming forward today as active organizers of economic construction. In reflecting interests of the people, they are conducting daily work which is aimed at achieving goals that the people's masses strive for. Now, as never before, the soviets have intensified their influence on economic processes and their functions have expanded in the field of national economic planning and other spheres of management. "Usually, the word 'management'," V. I. Lenin wrote, "is linked precisely and, first of all, with an activity that is primarily, or even purely, political. Meanwhile, the very bases, the very essence of Soviet power... consists in the fact that political tasks occupy a subordinate place in relation to economic tasks."[1]

Extremely broad economic rights of local soviets of people's deputies are set in the USSR Constitution. They ensure comprehensive economic and social development of territory secured to them; exercise control over adherence to legislation by enterprises, institutions and organizations of higher jurisdiction located in this territory; and coordinate and control their activity in the field of land use, protection of nature, construction, use of manpower resources, production of consumer goods and sociocultural, domestic and other services for the population. Sessions of local soviets, as a rule, examine more than 483,500 questions in 1 year, which touch upon various aspects of their activity and 258,000 of which are concerned with state, economic and sociocultural construction. Naturally, the greater part of them are prepared by planning commissions (or with their participation) and with the enlisting of standing commissions of soviets and of the aktiv.

It must be stressed that the rights of local soviets in the field of economic management are characterized by broad scope and versatility. In this connection it is written in the USSR Constitution that local soviets decide all questions of local significance (proceeding from national interests and the interests of citizens residing in the territory of a soviet), implement decisions of higher organs, supervise the activity of lower-level soviets, participate in discussions of problems of republic and all-union significance

and submit their proposals on them. Thus, being responsible for comprehensive development of their territory, local soviets are striving so that in solving all questions the sectorial and territorial principles of state supervision of economy are combined more fully at any level of authority. This strengthens them in the role of centers, which coordinate efforts of enterprises, institutes and organizations of various departmental affiliation and without which harmonious development of economy and culture would be difficult.

The distinctive feature of soviets' rights in the sphere of economy consists in the fact that they are inseparably linked with the powers being implemented by the USSR Supreme Soviet and supreme soviets of union and autonomous republics. It may be said that the powers of local soviets transform and spell out the rights of higher organs. This is confirmed, for example, by the fact that in the list of economic questions being solved by them, a major place is occupied by those questions which in one way or another are linked with tasks of a national scale. It is a question, particularly, of participation by local soviets in the disposition of land and its mineral resources, forests and waters, which are an exclusive property of the state; in the management of state-owned basic means of production in industry, construction, agriculture, transportation and in other sectors; and assistance in the development of kolkhoz and cooperative property and in drawing it together with state property. In the process the development of rights of local soviets occurs in such a manner so that a given direction of their activity appears most striking and is manifested in forms that are most adapted to conditions of the state of the entire people.

Assistance to enterprises and organizations of union and republic jurisdiction in meeting the tasks assigned to them as well as coordination of their activity and control over it remains the most noticeable form of participation by local soviets in fulfilling functions of a nationwide character. These rights of local soviets have undergone particularly substantial changes of a quantitative and profoundly qualitative nature in the past few years. The point is that some economic questions, which are under jurisdiction of union and republic organs, are being transferred in practice for solution to local soviets. This process in the final analysis has led to the fact that corresponding rights have been secured by local soviets. Moreover, while in the past the strengthening of coordination and control rights mainly concerned kray, oblast and city soviets, then they were gradually disseminated to lower-level links of the soviets.

It is also necessary to note the following feature: the expansion of rights of local soviets (especially of coordination and control rights), which was initially directed at eliminating excessive centralization in the management of economy, has then begun to appear more noticeably as a means of combining sectorial and territorial principles of economic supervision, ensuring comprehensive economic and social development of the national economy in the territory of a corresponding soviet and, consequently, of every republic and the country as a whole.

Economic management on the part of local soviets cannot be successful without skilled planning. "...It is impossible to work without having a plan, which is calculated for a long period and for a serious success,"[2] this is the way

V. I. Lenin formulated one of the most important principles of socialist management. This Leninist demand is also relevant now in the period when soviets have been granted broad powers, the skilled use of which bears noticeable results and yields the greatest effect. Rayon, city and city rayon soviets have the right to examine plans for the placement, specialization and development of enterprises of the local industry, consumer services, trade, public dining, municipal services and other sectors. Moreover, they coordinate plans of enterprises and organizations under union and union-republic jurisdiction as regards the development of housing and municipal services, construction of roads and sociocultural and consumer service projects and production of consumer goods and local construction materials as well as regards other questions connected with services for the population.

Settlement and rural soviets have been granted the right to participate in examining long-range and annual plans of kolkhozes, sovkhozes and local industry enterprise and in submitting proposals on drafts of production and finance plans with respect to housing construction, sociocultural services for the population, providing public services and amenities in villages and settlements and construction of roads.

Local soviets and the planning organs under their jurisdiction have been assigned the task of compiling various balances: utilization of manpower and land resources and local construction materials and fuels, cash income and expenditures of the population and so forth, which are needed for systematic development of economy in territories under their jurisdiction. Development of these balances provides the necessary basis for coordinating sectorial plans for the development of the national economy. Executive committees of kray, oblast and city soviets compile and confirm consolidated five-year and annual plans for the production of local construction materials, output of consumer goods and construction of housing and municipal service facilities.

Conclusions of local soviet executive committees must be taken into account in developing the outlines of development and placement of national economy sectors. This makes it possible to avoid undesirable disproportions and to use existing material and labor resources more fully. For example, when the USSR Ministry of Ferrous Metallurgy began building a large blast furnace in Krivoy Rog, the executive committee of the city soviet came to a conclusion that with commissioning of this project it will be necessary to tear down a housing area which was recently constructed in this region. Therefore, the organ of authority stopped the construction and adopted a decision on alloting another parcel of land for the blast furnace. Supervisors of the ministry were forced to agree with this.

It is known that local planning functions are being fulfilled by many soviet organs, but the basic role is played by the planning commissions of executive committees of oblast and kray soviets. Together with sectorial departments and administrations they develop draft plans for the development of the national economy and submit them to an executive committee. Then a draft plan is discussed by standing commissions of oblast and kray soviets. After consideration of their recommendations, proposals and comments, it is examined at a session. This order makes it possible to better consider the possibilities of one or another sector and reduces the likelihood of miscalculations and oversights.

For example, in examining a draft plan for a regular year, the Standing Commission for Agriculture of the Mogilev Oblast Soviet recommended to increase the output of vegetables on irrigated land and to expand the area under pulse crops. In the opinion of deputies it would have been expedient to obtain capital investments for strengthening the material and technical base of fodder production--construction of fodder processing plants as well as storehouses for finished products. After a thorough analysis, the proposals made by representatives of the people were adopted and their realization has yielded a substantial economic effect.

Of course, the planning activity of soviet organs cannot be limited to preparing and confirming plans alone, even the most well-founded ones. It also includes responsible work as regards organization and control over fulfillment of that which was planned. The need for raising even higher the control functions of soviets was stressed in a timely way at the April (1984) plenum of the CPSU Central Committee. After all it is no secret that it is precisely the lack of proper control which at times results in the fact that many needed solutions remain on paper and are not seen through to the end.

After obtaining broad powers, local soviets have noticeably improved fulfillment of control functions, including in discovering internal reserves and enlisting collectives in the achievement of high production results. Responsible workers of executive committees, economists and leading specialists of departments and administrations make regular trips to outlying areas and check how the planned tasks are being fulfilled by production collectives. If the situation requires, they render practical assistance in finding internal reserves. In industry, in particular, an analysis is made first of all of the process in realizing the tasks for the volume and delivery of production, the variety and quality of goods, labor productivity and profit and production costs. They also study questions as regards introduction of scientific and technical achievements, utilization of the fixed production capital, material and technical supply, financial discipline and so forth. In agriculture they control fulfillment of plans for the production and sale to the state of all types of production, indicators of crop yield and productivity of livestock breeding, farm management efficiency and the level of mechanization of labor processes. Thus, by implementing the Leninist principle of unity of legislation, management and control, local soviets are actively participating in solving large-scale national economic questions.

The Leninist position on correct combination of national and local interests has been gaining special significance at the present stage. V. I. Lenin wrote: "The lack in places of coordinated work of various departments--is one of the great evils, which hinders economic construction. It is necessary to devote enormous attention to this question."[3]

This Leninist comment directly applies to the work of local soviets which is connected, first of all, with comprehensive development of territory and with their coordinating activity in the field of economy. The laws on local soviets grant them the right to coordinate the work of enterprises and organizations under higher jurisdiction, which is directed at developing the national economy within the bounds of corresponding territories. By possessing the function of coordination, local soviets have actually received a new legal tool for developing economy.

Practical activity of local soviets of people's deputies in comprehensive planning of kray, oblast, city and rayon economic development is becoming more concrete and purposeful. This is quite natural. The party and the government look upon local soviets as true masters in their territory and therefore grant them great rights. The resolution of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers "On Further Raising the Role of Soviets of People's Deputies in Economic Construction" contains a scientific program for the development of territorial planning locally. Its essence is in that the soviets are called upon to ensure coordination of sectorial and local development plans. The resolution clearly defines the system of planned territorial balances, which have been developed beginning as of the 11th Five-Year Plan by all links of local soviets (with the exception of rural and settlement soviets).

The exapnsion of rights of local soviets in the economic sphere has provided very much for the improvement of territorial planning. Formerly, enterprises of union and union-republic ministries and departments have worked on their own. Although their production developed, they did not contribute (or almost did not contribute) funds to the development and construction of city and rayon projects of culture, health, public education and consumer and housing and municipal services. All of this, taken together, seriously deteriorated services for workers, including collectives of these enterprises. Under such conditions a local soviet was not a real master in his territory, but rather appeared in the role of an applicant (if funds are provided--it is good, if they are not provided--there is no one to complain to about this). This belittled the role of the organ of Soviet power and considerably deteriorated its relations with enterprises, organizations and institutions.

There is now a completely different approach to planning. Thus, the resolution of the RSFSR Council of Ministers "On Measures for Fulfilling the Resolution of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers No 292 of 19 March 1981 'On Further Raising the Role of Soviets of People's Deputies in Economic Construction'" defines that oblast, kray, city and rayon soviets of people's deputies must develop five-year and annual territorial comprehensive plans on the basis of a system of balances with consideration of plan indicators of all enterprises, organizations and institutions located in the territory of a given soviet, regardless of their departmental affiliation. The technology of examining and coordinating possible disagreements in drafting territorial plans and the order for confirming the latter has been established. It was found necessary to prepare proposals on the transfer to oblast, city and rayon jurisdiction of enterprises of ministries and departments, which produce consumer goods. It was determined to allocate to the budget of local soviets 10 percent of additional profits being obtained by enterprises under higher jurisdiction for the output of goods with a mark of quality. Thus, local planning has acquired a scientific character and organically combines in itself the planning of production development and sociocultural construction at the level of every labor collective and every rayon, city, oblast and kray soviet of people's deputies.

A territorial comprehensive development plan now contains such basic sections in a mandatory order as labor resources; production of local construction materials; the output of consumer goods; the development of housing, public, cultural and domestic service construction; protection of nature; and other sections.

A comprehensive approach to planning kray, oblast, city and rayon economy makes it possible for local soviets to analyze the level and proportion of economic development and conformity of the management methods being used to existing resources and local features and to outline measures and proposals aimed at preventing possible disproportions, solving intersectorial and interdepartmental economic questions, raising production efficiency and ensuring with manufactured and food products, housing and domestic, municipal and other services.

Broad rights presuppose increased responsibility. Local soviets and their organs, deputies and activists along with organizing comprehensive territorial planning are also called upon to expand and improve the sphere of control and verification of fulfillment of planned indicators at all enterprises which are operating in the territory of a soviet. For this purpose, planning must be organically combined with constant organizational work in labor collectives on implementing plans and socialist pledges.

The activity of local soviets in Vladimir Oblast has been skillfully organized. Planning occupies a leading place in the daily work of the executive committee of the oblast soviet of people's deputies on fulfilling party and government decisions. Development of territorial plans and their combination with sectorial ones ensures conditions for successful supervision of comprehensive economic development. Territorial plans are developed for the oblast as a whole as well as in all cities and rayons. They take into account indicators of all enterprises and organizations regardless of their departmental jurisdiction.

The existence in the oblast of a large number of industrial enterprises under union, union-republic and republic jurisdiction requires serious attention to the comprehensive development of cities and workers settlements (especially of their housing and municipal service and sociocultural facilities) and aligning the level in ensuring the population with housing, schools, hospitals, children's preschool institutions, clubs, libraries and trade and domestic service enterprises. These measures are implemented at the expense of enterprises under higher jurisdiction by transferring funds (share participation) to executive committees as well as through construction of projects by using the limits of executive committees. During the 10th Five-Year Plan, by using the share participation method for construction of nonproductive projects, soviets of the oblast have brought in capital investments of union and republic enterprises in the amount of R48.7 million, and R27.9 million during the 1981-82 period. Moreover, directly constructed by enterprises in the same period were hospitals with 960 beds, schools for 13,800 places, children's preschool institutions for 17,400 places and houses of culture for 8,900 places.

Questions of comprehensive development of the oblast, cities and rayons and the use of planning in this work as a basic economic lever of supervision are examined in the oblast, city and rayon executive committees. During the past 2 years, the oblast soviet executive committee has heard accountability reports of the Murom, Kolchugino and Vyazniki gorispolkoms.

As a result of the work conducted by the soviets, the supply to the population of overall living space has increased during the 10th Five-Year Plan and the

first 2 years of the current five-year plan from 11.7 m^2 per capita to 13.8 m^2 (by 18 percent), of hospital beds from 125 per 10,000 residents to 136 (by 9 percent) and of places in children's preschool institutions from 60 per 100 children to 66 (by 10 percent) and the work shift coefficient of daytime schools has been reduced from 1.35 to 1.2. All of this has made it possible to carry out alignment of levels of socioeconomic supply to the population of cities and workers settlements in the oblast.

It is also very important to note that the development of territorial plans creates conditions for successful work in increasing production and expanding variety of consumer goods. By analyzing plans of enterprises under union and republic jurisdiction, the oblispolkom makes proposals to corresponding ministries on increasing output and changing the variety of goods. A considerable part of these proposals are accepted by ministries. Moreover, the oblispolkom sets tasks to enterprises for additional output of consumer goods every year. During the 1981-82 period, the task amounted to R58 million, but actually various goods valued at R59 million were produced. Enterprises have additionally paid tax to the revenue of state and local budgets from the turnover and payments from profits in the amount of R22 million and the RSFSR Ministry of Trade has allocated various goods valued at nearly R7 million from the above-plan output to oblast trade organizations.

The significance of the organizational work being conducted on drafting and fulfilling comprehensive plans for economic and social development of territory is enormous. If, for example, the schools, houses of culture and hospital complexes are plotted on a map, then it would become clear that the majority of such new construction projects are now being located in rayons, in which for various reasons disproportions were permitted earlier in the development of sectors in the sphere of services. Such measures became possible as a result of enlisting all enterprises (within the jurisdiction as well as not within the jurisdiction) in this work. This means that soviets control the work of various subordinate links of the state machinery, institutions and organizations so that they can solve the tasks facing them most efficiently. This is being implemented in interrelationship and cooperation with party, trade union, Komsomol and control organs and various public and public-independent organizations of the population.

Various enterprises and organizations are concentrated in the territory which is under jurisdiction of a local soviet: industrial, agricultural, branch communications offices, railway junctions and so forth. Many of them are not under the jurisdiction of local soviets. Under these conditions, the functions of the latter go far beyond the framework of local significance. Local soviets have to solve complex tasks. Specifically, they actively and directly participate in determining development prospects of enterprises under union and union-republic jurisdiction. A special role in this work, naturally, belongs to kray and oblast soviets, which are coordinators of work of large industrial and agricultural production complexes.

Contacts of local soviets with enterprises, institutions and organizations that are not under their jurisdiction are implemented, first of all, in the

field of planning, supply of manpower, material and sociocultural services for the population in their territory, disposition of land, mineral resources, forests and waters and the protection of nature.

Let us examine in a number of examples the utilization by local soviets of the control functions in increasing production and improving quality of consumer goods. Let us take Novosibirsk Oblast as an example. In fulfilling the resolution of the CPSU Central Committee and the USSR Council of Ministers on the development of production of goods in popular demand and on measures for raising their quality, the Novosibirsk Oblispolkom (and it is not an exception) together with the obkom have developed and confirmed measures in which they provided for a considerable increase in the output of cultural, personal and household goods and defined specific enterprises, volumes, responsible persons and periods. In order to carry out that which was outlined, the decision provided for the commissioning of new and modernization of existing capacities, introduction of comprehensive quality control systems, participation of scientific research and design organizations in this important work and specialization of local industry enterprises.

For a more complete and prompt fulfillment of measures, a busineslike cooperation of enterprises under the motto "To the Sphere of Consumer Goods Production and Services--Efficient Cooperation and High Work Quality" was broadly developed. At the present time, nearly 80 enterprises have agreements on such cooperation. Collectives pledge not only to fulfill their plans for production and delivery of commodities in assigned variety and of high quality, but also to raise the discipline and responsibility of trade workers for high standard of services to customers with consideration of more fuller satisfaction of their demands.

For the purpose of coordinating work of all enterprises and organizations, which turn out consumer goods, and strengthening ties between them and trade enterprises, the oblispolkom together with the oblast council of trade unions [oblsovprof] have formed an oblast intersectorial council with sections for organizing socialist competition and developing businesslike cooperation of industrial and trade enterprises; variety and quality of goods of light and food industry; and variety and quality of cultural, personal and household goods. The sections are headed by supervisors of administrations of the oblispolkom and oblast trade union committees. Based on reports presented by the intersectorial coordination council, the oblispolkom and the oblast council of trade unions sum up every quarter the results of competition among collectives in accordance with agreements on businesslike cooperation. The progress of competition is broadly publicized in the press and over the radio and television and its results are systematically examined at meetings of executive committees of local soviets and corresponding trade union organs.

This purposeful coordination work yields good results. During the years of the 10th Five-Year Plan and the first 3 years of the 11th Five-Year Plan, millions of rubles worth of cultural, personal and household goods were produced above plan. A total of 480 kinds of goods in popular demand or three times as many as in the 9th Five-Year plan were recommended for state emblem of quality.

Novosibirsk Oblast produces modern television sets, radio-phonographs, tape recorders, various furniture, sewn goods, knitted fabric and many other goods which enjoy high customer demand. This has been achieved as a result of skillful comprehensive planning and practical implementation of coordination of efforts of all enterprises, organizations and institutions. Through its departments and administrations (the oblast planning commission [oblplan], the local industry administration, the finance department and the administrations of the meat and dairy industry, food industry and the construction materials industry), the oblispolkom constantly exerts influence on collectives of corresponding enterprises, organizations and institutions, directs their work in this sphere (but without interfering in the operational activity of enterprises), often hears accountability reports by supervisors at meetings and prepares materials for examination at sessions.

Another example. Three years ago, some goods for which there is a daily demand have disappeared from store shelves in one oblast. It was necessary to ascertain the reason of this phenomenon and outline ways for eliminating it. The executive committee of the oblast soviet issued corresponding instructions to the planning commission and the local industry administration. After a thorough study, the question was presented to the oblispolkom for examination. The collective organ has developed and confirmed a program for increasing the output of the missing goods in popular demand. It clearly indicated where, who, in what quantity and variety and from what raw material the production of one or another kind of article must be mastered or increased. A decision was sent to all rayispolkoms and gorispolkoms, in whose territory are located the enterprises which must produce the missing goods. Moreover, the oblispolkom conveyed its recommendations to direct executors.

Of course, control over fulfillment of that which was outlined was of decisive significance. In the present case, the oblispolkom enlisted in the control not only interested organizations, but also the public at large, labor collectives and members of standing commissions of soviets. This approach to the development of local industry could not but have a positive effect on the final results. During the years of the 10th Five-Year Plan, local industry enterprises have mastered 121 kinds of goods. Consumer goods valued at R63.2 million were produced above plan in the period.

Workers, kolkhoz members and employees are directly participating in the work of all organs of state authority and administration, first of all, through their representatives elected to a soviet. Thus, the Leninist demand to transform soviets into organs which would work not only for workers but through workers is being implemented in practice.[4]

V. I. Lenin has repeatedly stressed the importance of combining economic management from the Center with broad enlistment of worker masses, who are the true masters of means of production, in the management of economic construction. He directly linked transition from socialism to communism with the degree of participation by the masses in the management of production. "...When everyone will learn to manage and will actually manage social production independently..., then the door will be wide open to the transition from the first phase of communist construction to its highest phase..."[5]

The enlisting of the Soviet people in management of social production has always been and is the most important concern of the Communist Party. It must be achieved so that every conscious worker, as V. I. Lenin stressed, "would feel himself not only as a master at his plant, but as a representative of the country."[6] But to be a master means having great responsibilities along with great rights. This means that each one must bear responsibility not only for his own personal contribution and behavior, but also for the affairs of a collective, an enterprise and the whole country.

A leading role in developing creative initiative, labor activity of the masses and their participation in the management of production is being alloted by the party to labor collectives--basic cells of a socialist society. It is precisely here that the assumed pledges are substantiated and the measures for their realization are outlined. An exceptionally important significance in the process is acquired by counter plans, competition of related collectives, agreements of the thousanders, workers relay races and so forth.

Counter plans, which originate directly "from below," from brigades and sections of enterprises, testify to the expansion of democratic bases of competition and help to place the unused reserves and possibilities in the service of economic construction and to raise labor productivity. The inclusion of counter plans in the state plan strengthens rivalry of workers in the struggle for achieving planned goals, since counter plans in such a case obtain the force of law.

Economic education councils, economic analysis groups, permanent production conferences and so forth have become one of the effective forms for coordinating efforts in sovling production tasks and raising influence of collectives. Here is just one example. The Perm Machine Building Plant imeni V. I. Lenin has more than 1,600 workers--activists of shop production conferences. And, as always, deputies-communists are in the vanguard. They head innovation and invention reviews and are initiators of collective accounts of economy. In the course of their struggle for high labor productivity and careful use of material resources, participants in these conferences have submitted more than 5,000 proposals.

One of the sources of success of the Soviet state--the skill in concentrating the work of the entire state machinery on the main task. At the present time, it is the fulfillment of the decisions of the 26th party congress and the tasks of the 11th Five-Year Plan. For their implementation, local soviets have de-developed and confirmed comprehensive plans and measures for realization of the latter, which were examined in advance in production collectives and coordinated with party, trade union and Komsomol organs. These measures provide for further development of industrial and agricultural production, improvements in cities and villages and improved work of cultural institutions, schools, hospitals, kindergartens and children's nurseries and housing, municipal and domestic service facilities. The party attaches an exceptionally important significance to their fulfillment, so party organs are coordinating their activity with local soviets, adopt joint resolutions with executive committee on most major questions and enlist workers of cities and villages and deputies of local soviets in their realization.

The rights and responsibilities of local soviets are defined and secured in the USSR Constitution, constitutions of union and autonomous republics and laws on the soviets. Lately, the rights of executive committees of kray, oblast, rayon, city, rural and settlement soviets of people's deputies have been considerably expanded. Therefore, there is no question as to how to ensure so that local soviets adopt decisions on all basic questions of public life in their territory.

In practical activity, the higher party and soviet organs do not interfere in the jurisdiction of local soviets and do not substitute them in solving questions, which are secured by Soviet legislation for the latter and their executive committees. On the contrary, they support and approve the initiative of local soviets in every way possible and are rendering cooperation and assistance to them in this. But, unfortunately, there are still facts when individual party committees have substituted functions of executive organs.

But it would be wrong to believe that in coordinating its activity with the work of all enterprises, organizations and institutions, one or another executive committee of a local soviet does not permit miscalculations and shortcomings. Unfortunately, they exist, even substantial ones sometimes. The following also happens in practice: some executive committees of local soviets in examining one or another question at their meetings, do not study it deeply, do not sufficiently probe the reasons of oversights and do not provide a fundamental appraisal and necessary recommendations on how and what should be done. The decisions of an executive committee have an abundance of general sentences, proposals are not specific and responsible persons are not named.

Some soviets have been accepting for years that ministries and departments build up only production capacities in their territory and avoid in every way possible expenditures on parallel development of the social sphere. The law on local soviets states that they have the right to combine funds only with the agreement of higher economic organs. Probably, it is more correct that material and monetary funds, which are set aside for enterprises for the construction of housing and sociocultural projects, be transferred in a centralized manner to local soviets.

V. I. Lenin, in defining in March 1917 the priority tasks of the proletarian revolution, pointed out that it is necessary to make it so that any worker would immediately see and feel a certain improvement of his life.[7] This Leninist position found its embodiment in the most important principle of the CPSU's activity: "In the name of man, everything for man." Local soviets play an important role in its realization.

Communists and non-party persons, supervisors and ordinary workers deeply realize that the solution of complex and multiple plan tasks, which are advanced by the Communist Party and its Central Committee for the 11th Five-Year Plan and long perspective, require all-round intensification of work of all links of state administration and improvement and strengthening of organization and discipline of personnel at all work sectors and in all spheres of administrative activity.

At the present time, local soviets of people's deputies are directing their entire activity at successful fulfillment of the resolution of the April (1984) plenum of the CPSU Central Committee "On Further Improving the Work of Soviets of People's Deputies" and the tasks which were set by K. U. Chernenko, general secretary of the CPSU Central Committee, in his speech at the plenum and in the address at the session of the USSR Supreme Soviet.

FOOTNOTES

1. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 36, p 130.
2. Lenin, op. cit., Vol 42, pp 153-154.
3. Lenin, op. cit., Vol 43, p 278.
4. Lenin, op. cit., Vol 38, p 170.
5. Lenin, op. cit., Vol 33, p 102.
6. Lenin, op. cit., Vol 36, p 369.
7. Lenin, op. cit., Vol 31, p 44.

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