

**NEW METHODS
OF ECONOMIC
MANAGEMENT
IN THE
USSR**



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Plenary Meeting
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ters of the USSR*

**Report to the Plenary Meeting of the CPSU
Central Committee, September 27, 1965**



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**Speech at the Plenary Meeting of the CPSU
Central Committee, September 29, 1965**



DECISIONS

*of the Plenary Meeting of the CPSU Central
Committee, adopted on September 29, 1965*

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**“ON IMPROVING MANAGEMENT
OF INDUSTRY, PERFECTING
PLANNING AND ENHANCING
ECONOMIC INCENTIVES
IN INDUSTRIAL PRODUCTION”**

Comrades! The Presidium of the Central Committee is submitting for discussion at the Plenary Meeting proposals for improving the planned guidance and organisation of industrial management. The solution of this most important problem is imperatively demanded by the practice of communist construction in our country.

The October Plenary Meeting of the CPSU Central Committee has taken the first steps in a new approach to essential problems of national economy based on a deep analysis and all-round consideration of the objective laws of economic development. The Party, drawing on the historic experience of socialist construction in our country and the experience gained by the entire world socialist community, is gaining an ever deeper insight into the essence of economic relations in our society, in order to utilise its economic laws and tremendous creative potentialities correctly.

The Soviet Union is on the threshold of a new five-year plan. We have to make a big stride forward along the road of economic development and considerably raise living standards. The Presidium of the Central Committee and the Council of Ministers hold that a series of measures have to be taken to improve planning and industrial management and strengthen economic incentives in production, in order to cope with the new tasks in developing industry—the basis of the entire national economy—and to create conditions facilitating the acceleration of technical and economic progress.

The correct solution of these problems is of tremendous political and practical significance. It is no exaggeration to say that the successful completion of the programme of building the material and technical base of communism, the further raising of the nation's well-being and the strengthening of the defence capacity of our country will largely depend on how they are solved.

The problems concerned with improving planned industrial management have been extensively and vigorously discussed for a number of years by Party workers and economy executives, scientists and the press. Many useful proposals have been made.

The basic measures which are being submitted to this Plenary Meeting of the CPSU Central Committee, have been thoroughly discussed by executives, Party workers, economists and others in many industrial enterprises in Moscow, Leningrad, Volgograd, Minsk and other cities, by scientists and experts in planning and economic

organisations. The proposals were also considered by the Councils of Ministers of the different Union Republics, the USSR State Planning Committee, the Presidium of the Academy of Sciences, Ministries, State Committees and Departments. The essential theses of the draft have met with universal approval.

I. Industrial Development and New Demands on Management

Comrades! Our industry is developing on the sound and firm basis of socialist production relations. A considerable increase in the volume of production has been achieved in the course of the Seven-Year Plan; the pattern of production has improved; the foremost branches are progressing at an advanced rate. Ever new areas, and especially areas in the eastern part of the country, are being drawn into industrial development.

In the course of the Seven-Year Plan, which is being completed this year, the overall volume of industrial production will grow by 84 per cent instead of the 80 per cent envisaged by the plan. The production of electric power will more than double, from 235,000 million kwh in 1958 to 509,000 million kwh in 1965. Steel output is to increase from 55,000,000 to 91,000,000 tons, which is much more than the total production of steel in Britain, France and the FRG combined. Oil production will rise this year to 242,000,000 tons compared with 113,000,000 tons in 1958, and extraction of natural gas will total

approximately 130,000 million cubic metres as against 30,000 million cubic metres in 1958. The 2.4-fold increase in the output of engineering and metal-working industries and the nearly 2.5-fold increase in the output of the chemical industry are an important result of the Seven-Year Plan. Output in light and food industries has increased 50 per cent.

More than 5,500 major industrial enterprises have been built and put into operation in the course of the past seven years. Fixed assets in the national economy have increased by 90 per cent, and in industry by 100 per cent. This means that in the course of the Seven-Year Plan we shall have increased the fixed assets in industry to twice the value of fixed assets at its disposal in 1958 as a result of all previous development.

The technical standards of Soviet industry are rising. This is expressed in the constant growth and renewal of fixed assets and increased amount of power per worker, in the development of new branches of production, the creation and introduction of most modern highly productive equipment and mechanisation and automation of production processes. Thus the amount of power per worker in industry has increased over 50 per cent in the last seven years.

The electric power, engineering, metal-working and chemical industries, i. e. industries which secure technical progress in the entire national economy, are steadily assuming a bigger share of the total production volume. In the course

of the seven years the share has increased from 27 to 35 per cent.

Soviet science and technology have outstanding achievements to their credit which have merited world-wide recognition and a leading position in a number of important fields of world scientific and technological progress. The wonderful achievements of our country in space exploration are well known. Vast opportunities are opening up for using sputniks and rockets to improve communications, weather forecasting and navigation. The Soviet Union is in the forefront of world progress in nuclear physics and atomic engineering.

Major successes have been achieved in the sphere of electrification, in the design of the world's biggest hydro-turbogenerators, thermal turbines, and in transmitting electricity over long distances.

Soviet science has made a major contribution to the creation of quantum generators. Achievements in physics and chemistry have provided broad opportunities for evolving new effective methods of processing materials. Tangible progress has been achieved in increasing the hardness and durability of many structural materials. Industrial production has been started of artificial diamond crystals for abrasives. Important achievements have also been registered in other branches of science and technology.

As a result of technological progress new branches of production are constantly being created and developed, they are separated from the old branches of industry, and specialisation is steadily growing. A step forward has been

made in creating a number of specialised branches, such as the manufacture of spare parts, metal castings, hardware, forgings and other items of general use in industry.

In the course of the Seven-Year Plan, a number of major measures have been implemented to improve the well-being of the people. Working hours have been cut, average wages have risen, taxes on the wages of a substantial section of factory and office workers have either been abolished or reduced, and pensions have been introduced for collective farmers. There is a much better assortment of goods available on the home market and the supply of consumer goods has increased. Housing construction is being conducted on a large scale.

All this is the result of the creative efforts of our glorious working class, engineers, technicians and scientists; it is the result of the major organisational and political work carried out among the masses by the Party, government, trade union and Komsomol organisations.

But in order correctly to understand the tasks of achieving a further advance of socialist industry, we have to take into account a number of factors characterising the present stage in the development of social production.

The scale of production, the volume of capital investments and the value of the fixed assets have grown immensely. Economic relations have expanded considerably and become more complex.

The rate of scientific and technical progress has been quickened. There is a greater need for introducing as quickly as possible the most mod-

ern achievements of science and technology into production.

The present-day scientific and technical revolution advances to the fore such problems as technical standards, quality, reliability of goods, and their effective use. It is precisely these factors that are today the focus of peaceful economic competition between socialist and capitalist countries.

It is necessary to amass tremendous accumulations for capital investment and at the same time secure a considerable increase in the material well-being of the people. This poses very sharply the problem of expanding the means of securing a growth of resources.

This moves to the forefront, as the central problem, the need to raise to the utmost the efficiency of social production to save live and materialised labour, and considerably and steadily to increase the returns from capital investments and fixed assets.

Of great importance, in this connection, is intensification of the struggle against all manner of mismanagement, squandering and unproductive spending. Our administrative apparatus is greatly overstuffed and too costly. We must instill strict order and rigid economy in this field.

It is certainly the concern of society by what effort and at what price results are obtained, and also the efficiency of each enterprise as well as each individual worker.

Rational and economic management in all branches of the national economy, without exception, and first of all in industry, is assuming decisive importance at the present stage of de-

velopment of Soviet economy, science, technology and culture.

And how do matters stand with regard to raising efficiency of production and productivity of social labour?

In order correctly to evaluate the state of industrial production, it is necessary clearly to see not only the successes achieved but also the shortcomings and difficulties, as well as the still unresolved problems facing industry.

It should be said that calculated per rouble of fixed assets the national income and industrial output has somewhat declined in recent years. The rate of growth of labour productivity in industry, which is also an important index of the efficiency of social production, has also slowed down somewhat in recent years. We can and must rectify this state of affairs in the near future.

It must be said that our economy scientists are doing very little to analyse the effectiveness of production and work out ways to increase it.

The tremendous socio-economic advantages of our country must be utilised to secure the necessary rate of growth of the national income, an increase in output per rouble of fixed assets and a steady rise in labour productivity.

The higher the national income, the more means can be allocated for the development of production and raising the well-being of the people. That is why we must strive to achieve a constant increase in profits from each rouble invested in fixed assets.

The fact that our fixed assets are not yet sufficiently utilised necessitates tremendous in-

vestments in creating new productive assets. This directly affects the distribution of the national income and the magnitude of the share allocated for popular consumption.

One of the most important problems is to increase the share of the national income spent on consumption in the next few years. The absolute volume of capital investments, however, must also grow steadily. We have the possibilities for this. All we need is to use them rationally. This calls for a constant improvement in the use of the tremendous and ever growing productive assets created by the labour of the people, and an increase of the productivity of social labour.

We must admit that the advantages and opportunities offered by the socialist system of economy are still far from being utilised to the full. Although our industry is developing successfully and on the whole is overfulfilling the targets of the Seven-Year Plan, we are not satisfied with the results achieved, especially in such branches as the light, food, chemical, timber and paper industries and in the building materials industry.

We are aware, comrades, that in the not too distant past quite a few errors were committed in planning, and a thoughtless, voluntaristic approach prevailed in solving important economic problems. This led to an improper balance between the different branches of economy. For a long time we have not had the necessary correlation between the development of agriculture and the development of industry. The lag in agriculture has resulted in a slowing down of the

rates of development in industry, and especially in the branches producing consumer goods.

The March Plenary Meeting of the CPSU Central Committee considered in detail the reasons for the lag, and evolved concrete measures to step up the development of all branches of agricultural production. We must say outright that it was only the March Plenary Meeting which mapped out effective measures to do away with that disproportion. The consistent implementation of these measures can already be felt in practice.

An incorrect proportion has developed between industries of group "A" and group "B". For a number of years now the "B" group has lagged behind in development. This lag has been due to the fact that the plans themselves did not provide for an adequate rate of growth in branches of the "B" group and that even those plan targets have been systematically underfulfilled.

The lag in agriculture and industries of group "B" has created a certain discrepancy between the production of consumer goods and manufacture of the means of production. This was bound to influence the rate of growth of the real incomes of the population and the standards of material incentives. The elimination of this lag by raising the efficiency of all social production is the principal task today.

Some negative phenomena in the national economy have also developed as a result of underfulfilment of plans in some branches of heavy industry, mainly in putting new capacities into operation. This has caused certain difficulties in the supply of raw materials and semi-

finished products, which has been the case, for example, in the chemical industry.

There are serious shortcomings in capital construction: the time set for putting new capacities into operation is exceeded, which increases the cost of putting the enterprises into operation and ties up considerable state funds.

In modern conditions, when technology is developing rapidly delay in building enterprises means that the equipment installed becomes technically obsolete even before the plant becomes operational.

To a great extent the major drawbacks in capital construction are related to unsatisfactory planning. Inflated plans for capital construction result in funds being scattered over many projects, lead to financial and material difficulties, and harm the national economy.

The USSR State Planning Committee must play the main role in regulating the system of capital construction planning. The State Planning Committee must in its plans adhere strictly to the correct correlation between financial and material resources and the volume of capital construction, irrespective of pressure brought to bear on it by government departments and local organisations. We must firmly and consistently adhere to this approach in our plan for 1966, which will greatly accelerate the development of our economy and cut down the extent of unfinished capital construction.

It is also necessary to reconsider the system of planning capital construction. The work of construction organisations must not be evaluated on the basis of how much money they have

spent but by their output, i. e., by the enterprises and housing actually completed.

A radical improvement in capital construction calls for the implementation of many measures with regard to financing, to improve the cost-accounting system between the contracting organisations and their clients, to improve on the designing and quantity-surveying of projects and construction work as such. We must evolve such measures that later on will enable us to consider all problems of organisation and planning of capital construction thoroughly and as an entity.

The decrease in output per rouble of fixed productive assets is connected to a considerable extent with retarded utilisation of new capacities. The planned production indices, at enterprises being put into operation, are in a number of cases reached over four years or even longer. Especially poor use is being made of new production capacities in the chemical industry, the iron and steel industry, the building materials industry, and the pulp and paper industry. More often than not this is due to putting incomplete plant into operation at new enterprises, and the result of errors and miscalculations in design and technological processes. Poor organisation in supplying new plants with raw materials and a lag in training the necessary personnel for these plants also exercise a detrimental influence.

There has been a serious lag in utilising the capacities of the synthetic rubber plants as, for instance, in the Kuibyshev, Volzhsk and Efremov plants, where capacities for producing new

types of synthetic rubber exist. Our national economy has not been getting large quantities of synthetic rubber, for which there is a very great need. The capacities which have been made available for the manufacture of double superphosphates are also being poorly used. Thus, of the production capacity commissioned in 1963 at the Voskresensk Chemical Plant, only 17 per cent is being used, and of the capacities put into operation in 1964 at the Volkhov Aluminium Plant—32 per cent.

Acceleration of the utilisation of new capacities is a fundamental problem of scientific and engineering progress.

At present, industry has entered such a stage of its development where the rates of growth are increasingly determined by technical progress and the speed with which scientific achievements are employed in the production process. But we have substantial shortcomings in this sphere which tend to exercise a detrimental influence on the rates of growth of industrial production and the technical re-equipment of many enterprises.

The reasons for retarded introduction of scientific achievements stem, on the one hand, from the impracticality of a number of scientific projects, and, on the other hand, from the slowness with which industry masters the highly effective technological processes, machinery and useful materials which science has made available. Permit me to cite a number of examples.

Several years ago, and for the first time in the world, our scientists evolved a highly effective

tive method of working metals by means of liquids under high pressure. The method makes it possible to work metals—even those hard to reshape—with great precision, to improve the properties of metals, to decrease the size of production areas, to simplify the technological equipment and to work metals at high speeds. It was necessary to organise the production of high-pressure equipment in order to secure the widespread introduction of the new method. The production of this equipment, however, has not yet been organised.

Several years ago our scientists evolved fundamentally new and highly-efficient transistorised electric current converters. These converters, as compared with the old mechanical or mercury converters, are highly efficient and smaller in size. Despite all their advantages our industry is lagging inexcusably in developing their production on a broad scale.

Over five years ago Soviet scientists evolved a method of producing polypropylene, a highly effective structural material. Polypropylene can be used to manufacture pipes, fixtures and parts of machines resistant to chemical attack, parts for radio- and electrical-engineering industries, film for industrial, agricultural and domestic purposes, and very durable fibres. The first plant in our country for producing polypropylene was to have been put into operation in December, 1964. However, the Moscow City Economic Council and the State Chemical Committee have not as yet put it into operation.

Plans for research work and the introduction of achievements of science and engineering in

production processes are constantly being unfulfilled. The situation is especially unsatisfactory in the designing and organisation of mass production of new machines. Complex mechanisation and automation of production is being introduced too slowly, and the efficiency of a number of the measures relating to automation is very low. The introduction of new technological processes in production is inadequate.

The pattern of production of machinery and equipment being turned out by many branches does not conform to modern standards. Up to now, for example, precision casting machines and forging and pressing equipment account for a very insignificant share of the total output of metal-working equipment.

It is necessary that we should considerably expand the output of modern types of machinery and equipment. Above all we must increase the output of forging and pressing equipment, machines for precision casting, machine-tools and machines for working metals with the help of electrophysical, electrochemical and other highly productive methods.

While comprehensive development of our engineering industry is essential we must make broader use of the achievements of foreign technology. \

The quality of our goods must be up to the best international standards. This requires an improvement in technological and production routines at all enterprises and higher overall production standards, in order to genuinely satisfy our own needs and the needs of our export trade.

The rational use of manpower resources is of great importance in accelerating rates of development of production and in improving the well-being of the people. At the present time 85 per cent of our total able-bodied population, including 75 per cent of the women, are either employed in social production or are studying and the rest of the population are engaged in the work on individual plots or in household work. This data indicates there are opportunities for drawing additional manpower into social production or the service sector.

There are considerable reserves of manpower in small towns, especially in the western areas of the Ukraine, Byelorussia, a number of places in Transcaucasia, and in some of the central areas of the Russian Federation. It must be stressed that one of the reasons for such a state of affairs is the tendency of economic organisations, committees and ministries to develop production and build new enterprises primarily in large cities. That cannot be considered as correct.

The State Planning Committee must explore manpower resources according to their nationwide distribution and must envisage, in national-economic plans, such a distribution of production and construction work as will secure the most complete utilisation of manpower resources in the national economy.

The Presidium of the Central Committee of the Party and the Council of Ministers of the USSR have thoroughly analysed the shortcomings in the national economy and have laid bare the reasons for the slackening in rates of eco-

nomie growth. This analysis has shown that certain difficulties in the development of our economy are of a temporary nature and must be overcome very quickly.

The Presidium of the CPSU Central Committee and the Council of Ministers of the USSR are of the opinion that in tackling the problems of the further development of industry and the raising of the people's living standards, the greatest attention should be focused on improving the methods and forms of industrial management. The forms of management, planning and stimuli which are now operating in industry are no longer in conformity with modern technico-economical conditions and the present level of productive forces.

The economic initiative and the rights of enterprises are cramped and their area of responsibility is insufficient. The cost accounting system is in many ways a formality. The existing system of material encouragement of industrial workers for high production results is a poor incentive for interesting them in improving the overall results of the work of their enterprises and, more often than not, operates in contradiction to the interests of the national economy as a whole.

Great flexibility and efficiency are needed in production management and planning under present conditions. It is highly important to take the changing economic situation into account at the correct juncture, to manoeuvre resources, adequately to correlate—not only from the top, but also from below—production with the increased needs and demands of the population,

rapidly to introduce scientific and engineering achievements into production and to find the best solutions to economic problems in the conditions of each enterprise.

All this may only be achieved when centralised planned management is combined with economic initiative of enterprises and collectives, with increased application of economic levers and material stimuli in developing production, and by using sound business principles. Only then will the system of economic management be able satisfactorily to tackle the tasks of raising production efficiency.

The proposals put forward for consideration by the Plenary Meeting have as their points of departure the leading role played by centralised planned management in developing our economy. A deviation from this principle would inevitably lead to the loss of advantages offered by a planned socialist economy.

Improvement in planning methods, and an increase in economic stimuli with regard to industrial production will yield the necessary effect only in combination with such organisational forms of management that correspond to the achieved level of productive forces and the tasks which are being posed at the present stage in the creation of the material and technical base of communism.

In the conditions of today, when production and technical problems are becoming extremely complex, industry can only be managed effectively if full account is taken of the peculiarities and functions of every branch. Specialisation of production is an important aspect of technical

progress and the development and improvement of production. For this reason ensuring the principle of management according to industrial branches is an essential part of economic management.

As we know, the principle of management according to industrial branches has been violated in recent years, resulting in a certain amount of damage to the development of production and technology. The proposed measures will permit the correction of this situation.

The principle of branch management must be combined, however, with the territorial principle, with inter-branch activities required by the complex development of the national economy as a whole and the individual economies of the republics and territories of our country, and with an expansion of the economic rights of the republics.

Proposals on the following are entered for consideration by the Plenary Meeting of the CPSU Central Committee: firstly, the improvement of planning, the increasing of economic initiative of enterprises and economic stimuli of production and, secondly, the improvement of industrial management. The first group of questions is closely connected with the new and recently endorsed Statute of a Socialist Enterprise and the second group—with the Resolution on the Expansion of the Economic Rights of the Union Republics. Together these questions comprise an entity.

The main aim of the submitted proposals is to bring the planning system and methods of economic management into conformity with the

tasks of communist construction, to develop further the most important aspects and advantages of the socialist system of production, and thus to secure a more rapid development of our economy on the road to communism.

Allow me to proceed to an exposition of the problems connected with the improvement of planning and the increasing of economic stimuli in industrial production.

II. Improvement of Planning and Increasing of Economic Stimuli in Industrial Production

What are the main tendencies by which it is proposed to improve the forms of economic planning and the methods of economic management at each and every enterprise?

Firstly, a number of measures are envisaged to raise the scientific standards of state planning of the economy.

The rates of growth of production and the national income, and the basic proportions envisaged in the national-economic plans must be optimum, i. e., they must guarantee the best and the most effective utilisation of all existing possibilities in conformity with the objective economic laws of socialism. In conditions of the present scientific-engineering revolution, the task of the planning organisations is to envisage a rapid rate of industrial application of the latest achievements of science and engineering in their plans. Plans must be compiled taking into ac-

count the prospects for scientific-engineering development. It is necessary to augment the importance of long-term plans, and to work out a system of scientifically substantiated planning norms.

Thus we shall be able to avoid cases of voluntarism in planning and create the conditions for raising the effectiveness of social production.

Secondly, a complete system of measures are being proposed in order to expand the economic independence and initiative of enterprises and associations, and to raise the importance of the enterprise as the main economic unit in our economy. In conditions of the growing concentration of production and expanding relationships between enterprises, the existing framework of economic independence has become too cramped for modern socialist enterprises and tends to restrict their ability to raise labour productivity and production efficiency. The expansion of economic independence of enterprises and the growth of the political consciousness and activity of the working class provide the possibility for collectives to participate on a broader scale—under the leadership of Party organisations—in the management of production.

To this end it is necessary to abolish the imposition of excessive regulations on the economic activities of enterprises, to provide them with the necessary means for developing production and to establish firm legislative guarantees for the expanding rights of the enterprises.

Thirdly, it is proposed to strengthen and develop the system of cost accounting, to intensify the economic stimuli in production with the

help of such indices as price, profit, bonuses and credit. It is necessary to increase the interest of each enterprise in the growth of its production, in increasing incomes and the optimum utilisation of its tremendous wealth—the fixed assets assigned to the enterprise.

It is planned greatly to increase the interest of wage and salary-earners in improving the overall results of the work of their enterprise and thus to strengthen the economic foundation for expanding mass activities and initiative in economic construction, and to ensure greater participation in the organisation of production.

The proposed measures are aimed at the consistent application of the Leninist principle of providing material incentives for the working people, at finding new reserves within the enterprises themselves and creating new means for raising the wages of industrial and office workers.

On the Improvement of Industrial Planning and on the Expansion of the Economic Independence of Enterprises

In order to expand the economic independence of individual enterprises it is proposed to reduce the number of indices demanded by higher bodies. At the same time those indices that are retained in the plan should be aimed at raising production efficiency.

As seen from experience, the index of overall volume of output does not stimulate the enterprises to produce goods which are really need-

ed by the national economy and the public and in many cases tends to limit the improvement in the assortment of goods produced and their quality. Not infrequently our enterprises are producing low-quality goods which the consumer does not want and which therefore remain unsold.

Instead of using an overall volume of production index, it is proposed that the plans for enterprises should incorporate assignments for the volume of goods actually sold. Enterprises will then have to allot greater attention to the quality of goods they produce in order to be able to fulfil their assignment for marketed produce. An enterprise that produces low-quality goods will experience difficulties in selling its goods and, consequently, will not be able to fulfil its plan. Under the existing system of evaluating the activities of an enterprise on the basis of overall volume of output, such an enterprise would have been considered to have fulfilled its plan.

However, it would be not sufficient to appraise the work done by an enterprise only on the basis of the volume of goods sold. The national economy requires definite items of production for satisfying social needs. For this reason assignments for the more essential assortments of goods must be retained in the system of planned indices.

When economic ties between enterprises are well organised and the contract system is well developed, it will be possible to reduce steadily the assortment of goods produced according to the state plan, and to substitute for it a group, or enlarged list of commodities.

The assignment for goods sold is aimed at establishing a closer link between production and consumption, and to orientate the enterprise towards raising efficiency, it would appear to be better to use the profit index, the index of profitableness. The amount of profits characterises, to a considerable extent, the contribution made by an enterprise to the country's net income which is used to expand production and raise the people's well-being.

It goes without saying that profit assignments do not tend to lessen the importance of the need for lower production costs but, on the contrary, increases it. One of the most important tasks of economic managers is to lower production costs. The production costs index should command special attention in the technical, production and financial plan of the enterprise.

The state is interested in constantly increasing accumulations by means of lowering the cost of each particular item of production, and also as a result of increasing the quantity of goods produced, of expanding and modernising the range of manufactured goods and raising their quality. Profit reflects all these aspects of the production activities of an enterprise in a much more complete way than the production costs index. What is important in this case is to take into account not only the amount and increment of profit obtained, but also the level of profitableness that has been attained, i.e. the amount of profit per rouble of productive assets.

Substantial changes are also envisaged in the planning of work at enterprises.

At present higher bodies request four labour

indices from enterprises—the productivity of labour, number of workers, level of average wages and the size of the wage fund. From now on it is proposed to cut down the number of these indices to one—the wage fund. This, of course, does not mean that the other indices have lost their significance. The indices of labour productivity, the number of workers employed and that of average wages remain, as before, important elements in the national-economic plan and the production plan of the enterprise itself. But is it really necessary to hand down all these assignments to an enterprise from above? We have discovered from experience that such a system of planning hampers the initiative of the enterprises in searching for a way to increase labour productivity.

There have also been proposals not to have the wage fund of an enterprise assigned from above. But to discard the planning of the wage fund would be premature. The necessary balance between the quantity of consumer goods manufactured and the population's purchasing power must be guaranteed in the national economy. And the population's purchasing power is determined in large measure by the wage fund.

In future, when we are able considerably to expand the production of consumer goods and accumulate necessary reserves of these goods it will be possible to abolish the system of pre-determining the wage fund for enterprises. This is planned, first of all, for industries producing consumer goods.

Thus, an enterprise will have the following indices set from above:

the volume of goods to be sold;
the main assortment of goods;
the wage fund;
the amount of profits and level of profitability;
payments into the state budget and allocations from the state budget.
Besides these, the following indices will be set:
the volume of centralised capital investment and exploitation of production capacities and fixed assets;
the main assignments for introducing new technology;
material and technical supplies.

All other indices of economic activity will be planned by the enterprise independently, without endorsement by a higher organisation. This will relieve the enterprises of excessive control and will permit them to adopt the most economical decisions in the light of actual production conditions.

While extending the economic independence of enterprises, the state will continue to observe a unified policy in the sphere of technical progress, capital investment, labour remuneration, prices and financing, and will organise the compilation of accounts and statistical returns according to a unified system.

One of the main tasks facing the planning and economic organisations is to improve the quality of goods in conformity with the demands of consumers and modern technical standards.

The plans must incorporate the most important indices relating to technical standards and the quality of goods, and all financial, manpower and material resources necessary to secure them.

It is necessary to raise the role of State Standards as an effective means of raising the quality of goods. The State Standards must be raised constantly in the light of the latest achievements of science and engineering. A system of state certification of the quality of goods should be introduced.

The normal economic activity of enterprises is frequently upset by the fact that the plans assigned to them from above are not substantiated by the necessary technical and economic calculations, and that the different sections of the plan are not inter-related. Up to now, sufficient concern has not been given to working out the technical and economic norms which are necessary in planning and in economic management. Assignments are frequently changed, which tends to disrupt the work of an enterprise and lowers the production efficiency. One of the main tasks in improving the planning system is to work out stable plans for enterprises, compiled on the basis of scientifically elaborated norms and technical-economic calculations which take into account the peculiarities of different branches of industry and groups of enterprises.

The raising of scientific standards of planning presents the Soviet economists with the job of analysing modern processes related to the technical and economic development of

the country and of defining the trends and prospects that are emerging. Special attention should be allotted to the increasing of economic effectiveness of new machinery and equipment, to readjustments in the patterns both of production and consumption, and to the exploration of economic inter-relationships, the comprehensive development of regional economies and the territorial division of labour throughout the country.

In the obtaining conditions, when raising the technical standards of production and its efficiency has been moved to the forefront as the most important task, the planned management of the economic activity of an enterprise cannot be restricted to annual plans. Due importance has not been ascribed to long-term plans. Many enterprises did not take the trouble to compile them at all, and those that did usually failed to correlate them with the plans for the development of the national economy. Another major drawback in the existing system of long-term planning is that the assignments included in such long-term plans and, in particular, the target figures for the Seven-Year Plan, were not broken down into annual figures.

Such a state of affairs leads to a situation wherein enterprises do not know in advance what prospects are in store for their own work and thus cannot organise their production in advance, nor establish long-term ties with suppliers and consumers.

It is proposed to establish the five-year plan as a basic planning form, including the annual

distribution of the more important assignments, so that the enterprises may implement their production and economic activities on the basis of the plan.

Not enough attention has been paid recently in national-economic plans to measures directed at increasing production efficiency in different branches of industry, which is a violation of the branch principle of management in industry. In industrial management and in compiling national-economic plans the problem now is to increase the significance of each branch of industrial production, and to guarantee the correct combination of planning by branches and planning at republic and economic-region levels.

In this connection we must mention the tasks facing the USSR State Planning Committee. The Committee must concentrate on securing correct balances and inter-relationships within the national economy, on raising efficiency levels in social production, on working out means for an accelerated growth of the national income and for raising the people's well-being. Of special importance, in this respect, will be a more profound and thorough working out of national-economic balance-sheets, in particular the national income and its utilisation, the manpower supply and its utilisation both in the country as a whole and in separate areas, the balance between money incomes and expenditures of the population, the sources and distribution of financial resources, and supply and utilisation of the more important material balances.

On Increasing Economic Stimuli for Enterprises and Strengthening the Cost-Accounting System

Improvement of the forms and methods of planning will make it possible to tackle the problem of strengthening and developing the system of cost accounting in a new way. Lenin stressed that each enterprise must work on a paying basis, i. e., its income should be sufficient to cover the expenditures and still make a profit.

The enterprises operating on the cost-accounting system and their managers must bear full responsibility for the economic results of the work they do. Lenin's ideas on the cost-accounting system must become firmly entrenched in our economic activities. In the consistent implementation and further development of the idea of cost accounting we see the way to the solution of many of the current problems of communist construction at the present stage.

What must be done in order to strengthen and develop cost-accounting in the new conditions?

Firstly, it is necessary to create conditions whereby enterprises will be able to solve their problems of improving production independently, where they will be interested in utilising to the utmost the productive assets assigned to them for increasing output and making bigger profits. It is therefore necessary to leave the enterprises more of the profits they derive in order to develop production, improve their techniques, materially encourage their workers and improve labour and living conditions of the wage and

salary earners on their staffs. The profits to be left to an enterprise should be in direct proportion to the effectiveness with which it utilises the productive assets assigned to it, the increase in volume of the goods it sells, improvements in the quality of its goods, and the increased profitability of the enterprise. At the same time financial grants made by the state to enterprises for capital investment must be restricted and the credit system expanded.

Secondly, it is necessary to strengthen the cost-accounting system in inter-enterprise relations to guarantee that enterprises adhere strictly to consignment deliveries as stated in concluded contracts, and to increase their material responsibility for discharging their obligations.

Thirdly, on the basis of the cost-accounting system, it is necessary to provide material incentives for the entire personnel and every shop and section of the enterprise to make them interested in fulfilling not only their own individual assignments but also in improving the overall results of the enterprise. In doing this, incentives must be provided so that enterprises will be interested in working out and fulfilling higher planned assignments, and in better utilising internal resources.

In short, it is necessary to orientate all the activities of the enterprise towards seeking out means of improving the economics of production, of increasing its own incomes and thereby increasing the overall national income.

Under the existing system, capital investments are almost exclusively allocated according

to the central plan, and in the main are devoted to the construction of new enterprises. In many cases operating enterprises do not have the necessary means at their disposal and thus cannot replace obsolete equipment quickly enough. The result is a tendency towards slowing down the growth of labour productivity, improvement in the quality of the goods produced and increase in the profitableness of production.

It is proposed that every enterprise should have a production development fund to be formed from deductions from its profits. Such funds will also be supplemented by part of the amortisation fund which is intended for the complete replacement of fixed assets. At present this part of the amortisation fund is totally directed in a centralised manner towards financing capital construction and enterprises cannot use these means at their own discretion.

When these measures are implemented, the size of the production development fund—which the enterprises will be free to use for technical improvements in production—will comprise a much larger sum than is the case nowadays. This can be seen from the following data.

In 1964, expenditures from enterprise funds for the introduction of new techniques and development of industrial production totalled 120,000,000 roubles and 600,000,000 roubles of bank credits were spent for the same purposes; the total figure was therefore 720,000,000 roubles. Under the new conditions the development funds will amount to approximately 4,000 million roubles in 1967, including 2,700 million roubles of the amortisation fund.

The strengthening of the cost-accounting system and the economic stimulation of production depends on the basis on which the state grants means to the enterprise, and the way in which enterprises transfer part of their income to the state budget.

At present no charge is made for financing capital investments from the state budget. Enterprise managers are not much concerned with the cost of the reconstruction of the enterprise or how effective the additional capital investment will be, because their enterprises are not obliged to refund sums granted them. Hence we need such a system that will induce our economic managers to be more concerned as to how to use investment funds in the most effective manner, so that new installations and workshops will be built with a minimum of capital investments, put into operation in good time and working at planned capacity as quickly as possible.

One way of tackling this problem is to switch from the free allocation of means for capital construction to long-term crediting of enterprises. It is suggested that the credit system will, first of all, be introduced for capital investments in already operating enterprises. As for new construction work, it appears that it might be expedient to introduce long-term credit for those construction sites where expenditures might be refundable in a comparatively short period of time.

Of great importance in making production more efficient is the correct and economical use of the working capital allocated to an enterprise. At present, any deficiency in working capital is

refunded to the enterprise from the state budget. We cannot, therefore, speak of a genuine cost-accounting system if the enterprise does not, essentially speaking, bear any economic responsibility for the utilisation of the working capital allocated to it. It is proposed to abolish the practice of providing free supplements to the working capital of enterprises from the state budget and instead, where necessary, to grant them credits for these purposes. Such a system will encourage enterprises to use the working capital allocated to them more thriftily.

A change in the system by which enterprises make payments to the state budget from their incomes is also envisaged.

At present the size of the deductions made from the profits of enterprises in favour of the state budget does not depend on the value of the fixed assets assigned to them. That is one of the reasons why enterprises attempt to obtain more money from the state for capital investments, and for supplementing their working capital, without taking necessary measures on their part for their rational use. It sometimes happens that an enterprise purchases equipment for which it has no need, merely in order to spend the funds allocated to it.

As has already been said, the efficiency of using productive assets has recently declined in a number of branches of industry. It is most important, therefore, to interest enterprises in increasing their output and raising not only the sum total of their profits but also the percentage of these profits in relation to productive assets assigned to them. To do that it is necessary to

credit the state budget with charges against the profits of enterprises in proportion to the value of fixed assets and working capital allocated to them, calculating these deductions as payments for productive assets.

The norms of payments for fixed assets and working capital will be established for a prolonged period of time—several years—so that a normally functioning enterprise will have profits left, after making its payments, for setting up incentive funds of its own and providing for planned expenses. Those enterprises which make better use of their fixed assets and working capital will retain more profits for setting up incentive funds, and thus provide the necessary material encouragement for the better use of state money allocated to the enterprise.

New machines, newly-installed equipment, and shops or enterprises just put into operation, cannot in every case produce their maximum effect immediately and enterprises might experience certain financial difficulties in this connection. Therefore it is proposed that deductions for fixed assets be made only after the end of a period envisaged to permit the full utilisation of these capacities.

It must be stressed that these payments are not proposed as additional payments to the state budget over and above payments which enterprises are making now; the idea is that a considerable portion of these payments to the state budget be obtained through new channels. Looked at in perspective, payments for fixed assets will become the most important part of

state income, and the importance of other payments, including the turnover tax, will be correspondingly reduced.

It is also planned to introduce cost accounting on a broader scale in inter-enterprise relations. At present the economic responsibility of an enterprise in its dealings with other enterprises is most inadequate. Contracting has not as yet acquired the importance it deserves in relations between enterprises.

It is proposed to increase an enterprise's or organisation's material responsibility in cases of non-fulfilment of contract obligations for deliveries of goods so that, as a rule, the party at fault will make good any losses incurred. Rail, water, road and other transport organisations should bear greater responsibility for delays in moving goods from enterprises and retarding their delivery to the customer. It is also necessary that design organisations should be accountable for errors they make in projects, technical drawings and designs, when these errors lead to material losses and additional expenditures during the building or commissioning of a project.

The introduction of the goods-realised index makes the position of producing enterprises and the size of their funds dependent on payments by customers. It goes without saying that every enterprise must itself bear full responsibility for making payments and settling accounts with suppliers on time. A cost-accounting relationship between enterprises demands that payment discipline be tightened. Simultaneously the role of state credit in economic turnover must be in-

tensified with the aim of guaranteeing unhindered settling of accounts between suppliers and their clients.

On Measures to Stimulate the Material Interests of Workers in Improving the Work of Enterprises

At present, the material incentives provided for production collectives and for individual workers to make them interested in improving the over-all results of their enterprise's work are quite inadequate. Enterprises possess very limited opportunities for raising the remuneration of industrial and office workers from the sources of income created by the enterprise itself.

About 50 per cent of industrial enterprises do not possess funds created from their own profits, and in those cases where enterprises do possess them, these funds are very small and sums paid out from them for encouraging workers are insignificant. Nearly every kind of bonus and other stimuli are being paid out not from profits but from the wages fund. The achievements of the enterprise in increasing profits and profitability of production do not have any direct effect on the wages of the staff of the enterprise.

It is necessary to change this system in order to give the workers a greater material incentive. It is necessary to introduce a system under which the enterprise's opportunities for increasing the remuneration of its workers would be determined, above all, by the growth of production, improved quality, increased profits and

greater profitableness of production. The basic wages and salaries of factory and office workers will continue to be raised by central impetus as before. At the same time the enterprises must have at their disposal—in addition to the wage fund—their own source for stimulating the workers to individual achievements and to high overall results for their enterprises.

This source must be a part of the profits obtained by the enterprise. Out of this profit the enterprise will not only pay bonuses to the factory and office workers for high labour achievements in the course of the year, but also a lump sum at the end of the year. In doing this the length of uninterrupted service of the worker at the enterprise will be taken into account, which will have a positive effect on the stabilisation of manpower.

Under the existing system of material incentives, the enterprises are not interested in providing for the utmost utilisation of their internal resources in their plans, because the entire appraisal of the enterprise's work and the system of material incentives for the workers are mainly based on encouraging overfulfilment of the plan. Such a system encourages enterprises to strive for lower plan assignments in terms of volume of production, for growth in labour productivity, and lowering costs of production, and for higher assignments in terms of the wage fund, the number of workers, capital investments and material funds, so that it will be easier for them to overfulfil the plan. This makes it more difficult to compile realistic plans. How is this system to be changed?

A fund for the material stimulation of the workers will be set up at each enterprise from the profits obtained by the enterprise. Allocations made to the material stimulation fund should be made according to stable norms, established for a number of years and in such a manner as to ensure that the volume of the material incentive funds is dependent on an increase in the volume of goods sold or in profit and on the level of profitableness envisaged by the plan. The sums for stimulating overfulfilment of the plan will be relatively less than the sums paid for achievement of the planned indices. This will tend to induce enterprises to find reserves in sufficient time and to agree to larger planned assignments.

The material stimulation fund will also increase, depending on the share taken up by new goods and on additional income derived by the enterprise from higher prices for better quality goods. The enterprises will be interested in mastering the production of new models as quickly as possible and in improving their quality.

Because the pattern of production, the cost of production and the ratio between profit and wages are not the same in different branches, a differentiation is suggested in the norms for deductions made to the stimulation funds according to the branch of industry and perhaps even according to separate groups of enterprises with due account to the wages fund.

A fund for financing social and cultural undertakings and for housing construction must also be set up at enterprises. This fund will go for new housing (over and above the centralised

resources allocated for this purpose), for building and the upkeep of pre-school children's institutions, Young Pioneer camps, rest-homes, sanatoriums and for other social and cultural needs.

Consequently, the better an enterprise functions the more opportunities it will have not only for raising wages but also for improving the living conditions of its workers and for cultural and health-protection undertakings.

The proposed changes in the methods of planning and economic stimulation are not based on theoretical conclusions alone but also on the results of practical experience which we have already obtained.

In 1964 and 1965, new methods of planning and economic stimulation were introduced in a number of enterprises of the garment, footwear and textile industries. The work of those enterprises was evaluated on the basis of the fulfilment of the plan for goods sold and of the profit obtained.

Recently a new system of bonus payments to managers, engineers, technicians and office workers was introduced at enterprises in a number of industries, aimed at raising the workers' interest in the growth of production and the quality of the goods. The first results already confirm the correctness of the road chosen. I would like to dwell in greater detail on one practical experiment involving the use of the new system. I shall speak about enterprises concerned with road transport.

There are some major shortcomings to be observed in the work of these enterprises. About

half of all journeys are performed by empty lorries. The plans, of course, envisage annual assignments to reduce empty runs, to diminish maintenance costs, to increase loads carried by lorries, etc. In practice, however, they yield little result. The road transport organisations cite a host of arguments to prove the impossibility of fulfilling the planned quotas assigned to them.

Five months ago the Council of Ministers of the USSR delegated the Labour and Wages Committee, together with the Moscow and Leningrad City Soviets, to introduce a new system of planning and economic stimulation in some road transport organisations. The system was introduced in three Moscow and two Leningrad organisations. They were major organisations with different specialities—servicing construction, the trade network, industry, and inter-urban transport.

The economic independence of those organisations was expanded: they had a reduced number of planned indices assigned from above; they were granted major rights as regards the use of any profit above the planned level, and savings in the wage fund, for the material stimulation of their workers, for improvement of socio-cultural conditions and for developing their own production base.

The Presidium of the Council of Ministers of the USSR recently examined the first results of their work and heard the reports of the directors of two of the Moscow road transport organisations. Already the first results of their work have shown that the introduction of the new system of planning and material stimulation

yields a considerable effect. Being in receipt of major rights and opportunities, the collectives found ways to improve their work and to carry more cargo, above all by reducing empty runs. They expanded the circle of enterprises and organisation which they were servicing, considerably increased the quality of the services they offered, interested their clients in cutting down the time required for loading and unloading operations, improved the organisation of repairs and maintenance, sold off superfluous lorries and equipment and dismissed redundant staff members.

The new system of planning and economic stimulation increased the workers' interest in the results of their work. In the course of four months' work under the new conditions (May-August, 1965) empty runs were reduced by 15 per cent, and the freight turnover jumped 34 per cent as a result. Labour productivity went up by 31 per cent and profits more than doubled, making it possible to raise the workers' wages. The profit for the five organisations over and above the planned level totalled 969,000 roubles in four months. As before, they transferred 40 per cent of profits to the state budget, and the balance—over 550,000 roubles—was used for improving the production base, accumulating reserves, for socio-cultural requirements and for the material stimulation of the workers.

Of course, one can hardly expect the work of all road transport organisations to improve as easily as this. Nevertheless, the results of the experiment speak for themselves. We cannot fail to see in them new factors which will yield im-

portant effects in other branches of the national economy, too.

The transition to new forms and methods of economic stimulation of industrial production demands the improvement of the system of price formation. Prices must increasingly reflect expenditures of socially necessary labour, and must cover production and turnover outlays and secure the profits of each normally functioning enterprise.

The existing neglect of economic levers in planning and managing the national economy, and the weakening of the system of cost accounting, are to a great extent connected with the considerable shortcomings in the system of price formation. If prices are not substantiated then economic calculations lose their dependability which in turn encourages the adopting of subjectivist decisions.

At present, when wholesale prices are determined for industrial goods, it is becoming absolutely necessary to substantiate scientifically the calculated level of profitability in the branches of industry. Normally functioning enterprises must obtain their profits from the realisation of their produce at wholesale prices; in this way they must derive an opportunity to set up stimulation funds and to dispose of the necessary means for expanding their activities, for paying for their fixed assets and for making other transfers to the state budget.

Price must also play a major role in tackling the problems connected with the raising of the quality of goods, and improving the length of service and durability of goods. Thus, when

prices are determined for new improved models, they must reflect the additional expenditures made by the manufactures and the economic effect which the customers will get from using better quality goods. In such a situation, manufactures will be more interested in improving their produce and it will be economically more advantageous for consumers to purchase such goods.

In the course of preparing for this Plenary Meeting, the Presidium of the CPSU Central Committee and the Council of Ministers of the USSR have decided to set up a State Committee for Prices attached to the USSR State Planning Committee. This Committee is entrusted with working out and presenting, by January 1, 1966, proposals relating to the main trends in the evaluation of wholesale prices for industrial goods, basing its decisions on the need to bring prices as near as possible to levels of expenditure of socially necessary labour. These prices must guarantee the implementation of the planned measures for the improvement of planning and the economic stimulation of the enterprises.

Improvements in the system of price formation and in the methods of determining wholesale prices will help in improving the economic organisation of the work of industry, in finding additional reserves and in securing systematic and constant reduction in the cost of production. There can be no question but that retail prices can be reconsidered only with the aim of reducing them.

Experience shows that the task of establishing wholesale price levels for all kinds of

goods, and the preparations of new price lists for all branches of industry, take considerable time. It will probably be possible to introduce the new prices in 1967-1968.

At the same time, the State Planning Committee, the Ministry of Finance and the Committee for Prices will have to introduce—for those branches of industry where the transition to new forms of economic stimulation will take place at an earlier date—the necessary amendments to operating prices in order to eliminate unjustified differences in profits derived from goods made by those branches.

Such is the general outline of the main proposals for improving planning and the stimulation of industrial production. The proposed system of planning and stimulation is also applicable, in its main features, to construction work, railway transport and certain other branches of national economy. But it must not be extended to those branches mechanically, without taking into account their specific economic features and the tasks facing them. Work in this direction will be carried on gradually.

III. Improve the Organisation of Industrial Management

The improvement of organisational forms of managing the national economy on the basis of the Leninist principle of democratic centralism and the timely elimination of outdated forms of management is an objective necessity. It is dictated by the need of developing productive forces and socialist relations of production.

It goes without saying that the true improvement of economic management has nothing in common with unfounded, hurried reconstructions divorced from real economic life and contrary to the requirements of objective economic laws.

The recent years have seen large-scale reorganisation of economic management in our country. Beginning with 1957, industry has been managed through economic councils. Industrial ministries were abolished, and the enterprises operating under them were subordinated to economic councils.

The management of industry through economic councils had a number of positive aspects. In some cases this resulted in the useful amalgamation of related enterprises, in the setting up of plants for equipment repair, manufacture of semi-finished parts and tools for enterprises in a wide range of industries.

But as time passed, major shortcomings became apparent in the management of industry. Management of an industry, which presented a single whole as regards production and technical features, was scattered throughout numerous economic regions and proved to be absolutely inadequate. The branches seemed to have become "dissolved" in the economy of economic regions. The enterprises of heterogeneous branches were often managed by economic councils not through specialised, but through multi-sector boards. The economic councils lack the necessary skilled personnel for many branches of industry.

This made us look for ways and means to

eliminate these shortcomings. In 1960, republican economic councils were set up in the Russian Federation, the Ukrainian SSR and the Kazakh SSR, and in 1962 economic councils were enlarged. The USSR National Economic Council, the Supreme Economic Council of the USSR, and State Committees for the branches of industry were established. However, these additional organisational measures could not eliminate the basic defects of that system of management.

The branch committees did not exert any decisive influence on raising the technical standards of industrial production. Lacking sufficient authority they actually turned into consulting bodies divorced from their enterprises and from the wide range of production problems.

The situation in the national economy today is such that the plans for new equipment, for instance, are examined and drafted by one body, plans for production and capital construction by another, and the issues of supply are dealt with by still another. There actually is no single body that could examine from all aspects and decide on issues of the development of production in all its variety.

All this has retarded technical progress, development of industrial production, specialisation and adequate production relations among enterprises located in different economic regions.

The divergence from the branch principle has led to poorer efficiency in the management of the branches, to violations of the uniformity of technical policy, to scattering of competent

personnel and given rise to a multi-stage system of management. Numerous bodies which bear no direct responsibility for the development of the branches have appeared. All this has led to irresponsibility, to endless coordination of issues, and to managerial inefficiency.

Thus the issue of seriously improving the pattern of industrial management has become quite ripe. To develop industry successfully, it is essential to provide unity of management in the sphere of production, technology, economy and scientific research in each and every particular branch. In the socialist system of economy, an adequate concentration and centralisation of industrial managerial forces can be effected only by implementing the branch principle of management.

It is noteworthy that the needs of industrial development have put forward a new form of organisation—branch amalgamations operating on the cost-accounting principle. The origination of branch amalgamations based on cost accounting within the framework of economic councils bears out the fact that a better form of management—the branch form—is persistently coming to the fore in practical life. This form promotes the specialisation, cooperation and concentration of production, permits a more sensible use of competent personnel, and creates favourable conditions for improving technical and economic management.

To improve the management of industry, it is necessary to set up managerial bodies patterned on the branch principle. These must be industrial Ministries vested with all the rights to

manage the production branches and fully responsible for their development.

The Ministries will plan and control production and deal with the issues of technical policy, material and equipment supplies, financing, labour, and wages. The branch research institutions will be subordinated to them, too. This will facilitate the enterprises' production and economic activity, since all the basic issues concerning their production and economic activities will now be settled by a single body—the Ministry.

The Ministries will be responsible for satisfying the needs of the national economy and of the population in the necessary produce. They must show initiative in the manufacture of new, progressive kinds of goods and deal quickly and efficiently with issues that would guarantee the development of the production of these goods in conformity with the growing demand.

Naturally, the centralised planned management of the economy must be combined with the development of initiative in the Union Republics, local bodies and enterprises.

It is planned to establish Ministries for the industrial branches—All-Union, Union-Republican and Republican Ministries—with due consideration to the production and technical features of the industrial branches.

We propose that All-Union Ministries be set up for the branches of the engineering industry which particularly requires single technical management on a country-wide scale so as to carry out the standardisation, unification and normalisation of machines, units and parts and to gua-

rantee their high quality corresponding to modern standards of world science and technology. These problems can be successfully solved provided that the enterprises of the engineering industry are managed on a country-wide scale.

We propose the following All-Union Ministries for the management of engineering branches:

Ministry of Heavy, Power and Transport Machine-Building,

Ministry of Construction, Road-Building and Municipal Service Machinery Building,

Ministry of the Tractor and Agricultural Machinery Industry,

Ministry of the Automobile Industry,

Ministry of Electrical Engineering,

Ministry of Instrument-Making, Automation Devices and Control Systems,

Ministry of the Chemical and Oil Machinery Industry,

Ministry of Machine-Tool and Instrument-Making Industry,

Ministry for the Production of Machinery for the Light and Food Industries and of Household Machines.

It is intended to place other branches under Union Republican subordination. This means that the participation of the Union Republics in the management of enterprises of these branches will be secured. Both Union-Republican Ministries of the USSR and Ministries of the same name in the Union Republics will be set up, and the Republics themselves will decide, on agreement with the corresponding Ministry of the USSR, whether to set up a Ministry or a Board (Economic Amalgamation) in the given branch

in the Republic.

It is proposed that the following Union-Republican Ministries of the USSR be set up:

Ministry of Ferrous Metallurgy,

Ministry of Non-Ferrous Metallurgy,

Ministry of the Coal Industry,

Ministry of the Chemical Industry,

Ministry of the Oil-Extracting Industry,

Ministry of the Oil-Refining and Petrochemical Industries,

Ministry of the Timber, Pulp and Paper, and Wood-Working Industries,

Ministry of the Building Materials Industry,

Ministry of the Light Industry,

Ministry of the Food Industry,

Ministry of the Meat and Milk Industry.

Union-Republican industrial Ministries or Boards (amalgamations) in the Union Republics will be subordinated to the Councils of Ministers of the Union Republics and the corresponding Union-Republican Ministry of the USSR, and in their work in managing enterprises will be guided by the instructions issued by the Union-Republican Ministries of the USSR.

As regards industry of Republican subordination, the Republics will themselves decide on the expediency of setting up Ministries and economic amalgamations. A vital function of the Republican organs will be the utmost development of local industry to take care of the needs of the population.

The CPSU Central Committee and the USSR Council of Ministers discussed and adopted a decision envisaging the granting of new rights to the Union Republics in the field of

planning, capital construction, financing, labour and wages. We in the future must also pay serious attention to the development of the initiative of the Union Republics in the sphere of economic and cultural construction.

The organisation of Ministries must in no case entail an increase in managerial staffs. On the contrary, they must be reduced. It is necessary to draw up a simple structure of Ministries and small staffs since enterprises and economic amalgamations are to be granted big rights and there is no need of creating machinery which would keep enterprises under petty wardship.

The setting up of branch Ministries will call for enhancement of the role of the State Planning Committee. With the existence of centralised organs of branch management the importance of coordinated development of separate branches of the economy and economic areas of the country grows.

The State Planning Committee is now subordinated to the USSR Supreme Economic Council. But the task of the State Planning Committee is, as Lenin stressed, the scientific planning of the entire national economy. Therefore, it is suggested that the USSR State Planning Committee, as a Union-Republican organ, be directly subordinated to the USSR Council of Ministers.

In order to ensure proper territorial planning and comprehensive exploitation of natural, labour, power and other resources in the economic areas, the State Planning Committees of the Union Republics will elaborate draft plans for the development of the national economy

of the Republics, including industries of Union-Republican and Republican subordination. The Republican State Planning Committees must also draw up proposals on draft plans for production of enterprises of All-Union subordination, which are situated on the territory of the Republics.

Thus, the State Planning Committees of the Union Republics become organs which elaborate development problems of the industry of each Republic as a whole, proceeding from the general interests of national economy. This will enable Union Republics to cut short possible manifestations of a narrow departmental approach.

It is intended to reorganise the USSR State Research Coordination Committee into the All-Union State Committee of the USSR Council of Ministers on Science and Technology. It is expedient for the USSR State Construction Committee, at present subordinated to the USSR Supreme Economic Council, to be reorganised into a State Committee of the USSR Council of Ministers for Construction, preserving it as a Union-Republican body.

It is planned to abolish the USSR Supreme Economic Council, the USSR Economic Council, and the Republican Economic Councils and Economic Councils of the economic areas.

Questions of the organisation of material and equipment supply occupy an important place in the management of the national economy. The rational utilisation of material resources, increase in labour productivity, profitability of production, and quality of finished goods

largely depend on how material and equipment supply is organised. In order that material and equipment supply accord with the needs of the national economy, it must be planned and managed as a single independent system.

A departmental system of material and equipment supply with a great number of small offices, depots and warehouses, overlapping one another's work, existed up till 1957. It was a costly supply network, which did not allow for flexible manoeuvring of material resources available in the national economy.

The measures effected in recent years in organising supply and sale along territorial lines made it possible to improve this system somewhat. The vast number of small supply-and-sale organisations was cut. Bigger and better-equipped specialised depots, general (inter-branch) offices and warehouses have been set up. Fuller use is being made of resources available on the spot.

In the future the USSR State Planning Committee will place material and equipment resources at the disposal of the USSR Ministries, which will exercise control over these funds. These Ministries will distribute resources among the consumers subordinated to them.

The realisation of funds will be effected by the central supply-and-sale boards and territorial material and equipment supply bodies operating at the present time.

It is intended to retain the existing territorial material and equipment supply bodies with the network of offices and specialised and general depots and warehouses for the realisation

of the funds for materials, equipment and raw stocks in conformity with the plans. They will be responsible for the realisation of the material funds set aside for enterprises located in those areas, and control delivery of commodities of these enterprises to consumers in other areas.

Direct contacts between manufacturing enterprises and consuming enterprises should be developed more broadly in the future in the sphere of material and equipment supply. It is necessary to gradually go over to wholesale trade of separate kinds of materials and equipment through territorial supply-and-sale centres in the areas of consumption.

In order to secure the guidance of material and equipment supply in the country, it is planned to set up a Union-Republican State Committee of the USSR Council of Ministers on Material and Equipment Supply. On it will rest the realisation of supply plans, the securing of inter-branch coordinated deliveries, and control over the timely fulfilment of output delivery plans. It is intended to transfer to this Committee the central boards of inter-Republican delivery of commodities now functioning under the USSR Economic Council.

However, no organisation of a supply system can ensure the interests of the national economy if genuine responsibility of and sufficient material incentive for enterprises and organisations in fulfilling economic agreements are not introduced.

Such in the main is the new system of the organs of economic guidance of industry, mapped out in connection with the reorganisation.

It may seem at first glance that a mere return to former Ministries is being suggested. To think so, however, means to disregard a number of new factors, to make a mistake. The newly organised Ministries will work in entirely different conditions when the functions of the administrative management of industry are combined with a considerably greater application of cost-accounting methods and economic incentives, when the economic rights and the initiative of enterprises are substantially extended.

Within industries a network of cost-accounting organisations is being set up to exercise direct management of their respective enterprises. This management will be increasingly built on the principles of cost accounting with the strict observance of state planning discipline, of course. The Ministries will rely in their work on cost-accounting organisations by handing over many operative functions to them. Moreover, within Ministries (this particularly applies to the Ministries of the Light and Food Industries) many chief departments must also operate on the principle of cost accounting. The Ministries will concentrate on the main trends of the progressive development of their respective branches. Emphasis will be made on economic levers, on rendering practical assistance to enterprises in the improvement of their work and in the consistent implementation of complete cost accounting.

The development of economic methods of industrial management changes the very character of relations between enterprises and the

higher bodies. One should give up the old notion that in relations between leading economic bodies and enterprises the former have only rights and the latter only duties. The development of economic methods of management and the extensive introduction of cost accounting in industry call for mutual rights and duties in these relations and for a greater responsibility of both enterprises and industrial management bodies.

The draft Rules of a socialist state industrial enterprise was discussed at length with the broad participation of factory workers. These Rules were studied by the Presidium of the Central Committee of the CPSU and the Council of Ministers of the USSR and will be introduced after the Plenary Meeting. The Rules solve the pressing problems of economic activity of enterprises not only in industry but also in construction, agriculture, transport and communications.

The enterprises will enjoy wider powers in the use of their working capital, depreciation charges and also the money from the sale of surplus equipment and other material values. The housing built by enterprises will be distributed only among their workers. The enterprises will enjoy wider powers in the use of the money saved in the wage fund during the year. They will endorse independently, without registering in financial bodies, their structure and staff and also the amount of administrative and managerial expenses. The economic initiative and independence of enterprises will also be extended in the solution of other questions of

their production activity. The Rules of an enterprise will no doubt help to strengthen cost accounting at plants and factories.

The proposed measures for improving the organisation of management and the economic methods of industrial management are based on the combination of centralised state planning with the complete cost accounting of enterprises, of the centralised management of industries with a broad local economic initiative, of the principle of one-man management with a greater role of the personnel. Such a system of economic management corresponds to the present-day requirements and will help to make better use of the advantages of the socialist system.

The rapid progress of our socialist economy will continue to raise new problems of improving economic management. This calls for a resolute overcoming of the lag of research in this field and for a profound elaboration of the scientific principles of the organisation of management of social production.

IV. Implement New Planned Industrial Management System in an Organised Way

Comrades, the resolutions of the Plenary Meeting will bring about big changes in the planned management of industry. In actual fact, it is an important economic reform which embraces the production activities of the entire many-million army of workers in industry—

workers, office employees, engineers, technicians, economists and executives.

The transition to new economic-organisational methods in industry will no doubt have a positive effect on the entire national economy. It becomes possible to raise the entire system of economic management to a qualitatively new stage. This will make it possible to put into operation additional sources to increase the material wealth of our country and to raise the living standards of the Soviet people.

But success will not come of its own accord. To realise the favourable opportunities which now open up it is necessary: to carry out clearly defined organisational preparations for switching economic management of industry to the new working conditions; to raise the standards of economic activity of industrial personnel to suit the new tasks and requirements; to develop broadly the creative activity of the working people, the personnel of production units.

The measures planned to improve industrial management must be implemented in an organised manner, by degrees and strictly to the plan. The organisation of Ministries will take some time. The transition to a new managerial system must be arranged in such a way as to ensure the fulfilment of state plans and the normal operation of industry.

Until all enterprises are placed under ministerial control, the economic councils must continue to work and bear complete responsibility for uninterrupted operation of subordinated enterprises. In the same way, state production committees are held responsible for the dis-

charge of their duties.

At the present time, the work to draw up the national economic development plan and the state budget for 1966 is nearing completion. The plan and the budget have been worked out on the basis of the present structure of industrial management. It is necessary, therefore, that the Councils of Ministers of the Union Republics, the economic councils and state production committees distribute the plans down to the enterprises in time.

In view of the establishment of new Ministries it is necessary to define as early as possible the list of enterprises to be assigned to each Ministry, and accordingly, the national economic plan and budget targets should be determined for every industry with an eye to the new managerial structure. The State Planning Committee should carefully organise and supervise this work. The Finance Ministry must also organise corresponding work to shape the state budget for 1966 with due consideration to the new structure of industrial management.

On the basis of the adopted resolutions the State Planning Committee, the Finance Ministry, the State Labour and Wages Committee, the State Prices Committee, the State Bank and also industrial Ministries must this year, and especially in 1966-1967, carry out large-scale work to prepare the statutes, methodological instructions and directives, duly considering the specific features of each industry and even groups of enterprises. Factory and office workers, leading specialists and scientists must be drawn into this work.

In view of the transition to the new industrial management system it will be necessary to reshuffle executive personnel. This big and important job must receive serious attention from the Central Committees of the Communist Parties of the Union Republics, the Councils of Ministers of the Union Republics, Ministries, local Party, government and economic organisations.

The necessary measures should be taken to provide highly qualified personnel for enterprises: after all, the success of the matter is decided there. At the same time experts should be carefully selected for the newly organised Ministries, for the efficiency of the whole work of industrial management will largely depend on this. We must display maximum concern for executive personnel and use every worker sensibly.

Many thousands of capable and competent organisers of socialist production have been trained in the country in Soviet times. At present more than two million specialists with a higher and special secondary education are employed in industrial establishments. There are more than four million Communists working in industry. That is a big force, by relying on which we can solve the most complex problems. The Party and the people highly value the experts and executives, place great confidence in them and give them utmost support in their difficult and socially useful work.

The demands on our industrial and managing personnel are substantially growing. They are advanced by life itself. Initiative based upon

competence, ability to take quick decisions, a business-like approach, a sense of the new, an ability to make the maximum use of production resources in each concrete situation—such in essence are the new demands.

With the expansion of their powers, the leading personnel in the economy will bear greater responsibility to the Party and the state. They and their staffs will themselves have to solve problems which frequently were worked out for them by their superiors.

The training of specialists for industry under the new conditions assumes much greater importance. There are serious shortcomings here for which the Ministry of Higher and Specialised Secondary Education and the State Planning Committee are to blame. Serious proportions have been allowed to develop in the training of technicians and engineers, with the result that we have a shortage of specialists in some industries and a surplus in others.

The economic training of engineers and technicians is poorly organised. It is intolerable under modern conditions for an engineer, a designer or a constructor not to have a profound knowledge of the economics of production.

Today the training of economists is of paramount importance. It is all the more necessary to give more attention to this matter because the country experiences a serious shortage of trained economists. By the beginning of 1965, specialists with a higher economic education constituted only six per cent of the total number of specialists in the USSR, somewhat less even than at the end of 1940.

The system of raising qualifications of leading personnel, which existed earlier and proved quite satisfactory, should be revived. The abolition of this form of personnel training was a grave mistake.

In many enterprises the engineers and technicians are not used to the best advantage; heads of factories and building projects, engineering and technical workers are made to participate in futile conferences instead of attending to their duties. Some specialists are engaged in drawing up reports, statistical data and information, which is not in their line at all.

All these shortcomings in the training and use of personnel must be eliminated.

The industrial managers bear entire personal responsibility for the work they are charged with by the state. This responsibility, the role of one-man management in industry is becoming of special importance now. But one-man management must organically blend with the broadest participation of the workers and office employees in discussing all the most important questions of the economic life of the plant and of production management. The success of a manager's work depends on the support he gets from his staff and the authority he wins by his efficiency and adherence to principle.

Perfection of economic management is impossible without a further development of its democratic principles, without a considerable extension of the participation of the masses in industrial management. The role of the factory workers and organisations in the solution of planning problems, the mobilisation of internal

production reserves, the assessment of the results of the work and stimulation of workers must be raised to a high level. In view of the expansion of the funds of the enterprises the role played by the factory public organisations in the proper use of these funds rises very considerably. A feeling must be instilled in all workers that they are masters of their factory. It is impossible to imagine a factory operating efficiently without strict labour discipline and production routine, without the demand that each leading official, engineer, office employee and worker properly fulfils his duties and assignments.

An important means of drawing the workers and office employees into the struggle for more efficient operation of the factories is the collective agreement. Its role will now be greatly enhanced. Collective agreements should be extensively and thoroughly discussed by the workers and office employees of the factories, for it must be remembered that their interest in improving the general results of the work will greatly increase. Every worker and office employee of the factory should know what concrete measures will be taken to ensure that the factory works better and more profitably, how improvement in the factory's operation will affect working and living conditions, the workers' wages, and what responsibility the collective agreement places upon the worker and office employee. Managers and trade union organisations must improve the practice of concluding collective agreements and see that the obligations embodied in them are carried out.

The successful implementation of the measures for the perfection of industrial management demands that the Party and trade union organisations and the leaders of enterprises radically improve the organisation of socialist emulation of the working people. Improvement of the methods of economic management provides a firm economic foundation for socialist emulation. Socialist emulation should be spear-headed towards the early introduction of new machinery, the scientific organisation of labour, the raising of the profitableness of production, the improvement of the quality of produce and towards raising labour productivity in every way. All that is progressive in an enterprise should be thoroughly popularised through the medium of socialist emulation. This is an important condition for achieving a new and a higher stage of socialist management at every enterprise.

The Party, trade union, government and economic bodies are called upon to arrange for the extensive explanation to all working people of the measures proposed for the improvement of planning, for intensifying the economic stimulation of industrial production and for improving management of industry, so as to mobilise their efforts towards ensuring that each enterprise, and industry as a whole, works efficiently.

Comrades, our Leninist Communist Party is the guiding and the leading force in the development of socialist economy on the road to communism. It always takes care to find the most effective means and methods for solving ma-

for economic problems confronting our country. The present Plenary Meeting of the Central Committee of our Party will discuss and adopt important decisions. The implementation of these decisions and, consequently, the success of the development of our economy, will depend in decisive measure on the political and organisational work of our Party, of Party organisations and all Communists.

The very essence of the measures proposed indicates the ever growing role of Party guidance in economy. Increasing sharply will be the responsibility of the Central Committees of the Communist Parties of the Union Republics and of the Territorial and Regional Party Committees for ensuring truly scientific management of industry, management free of any influence of parochialism and departmentalism, their responsibility for the complete utilisation, in the interests of communist construction, of the opportunities which will provide new methods of management. The responsibility of the Territorial and Regional Party Committees for management of industry now increases more than ever before.

Without doing the job of the economic managements and abandoning petty patronage over them, the Party Committees of all denominations are called upon to use their means and methods, working, above all, with the people, with the cadres, with the workers and with the industrial intelligentsia. The main thing is to be able to mobilise the initiative and activity of the workers of our industry, to accumulate their experience and their creative energy.

The extension of the rights and independence of the enterprises will be accompanied by the growth of the part played by the Party organisations of the enterprises. An important place in their activity should be finding reserves for increasing output, improving the quality of produce and making proper use of economic stimuli. It is none other than the Party organisations that are called upon to develop in every way the moral stimuli to labour, and to work for the further growth of the communist consciousness of the working people.

There can be no doubt that, with the tireless work of all our Party organisations, the measures, proposed for the improvement of industrial management, will yield favourable results and their success will promote the communist society in our country.

Comrades, the work of this Plenary Meeting will certainly get extensive response abroad. We are sure that our friends in the socialist countries, watching with interest the Soviet Union's life and economic progress, will meet the Plenary Meeting's decisions with satisfaction. However, our enemies will certainly try to distort the essence of these decisions. The bourgeois ideologists, having heard about the economic reform which is being prepared in the USSR, are already trying to portray it as a manifestation of the weakness of the planned socialist system of economy. The bourgeois press, emphasising some of the actual but mostly imaginary shortcomings of our economic management, talk of some kind of a "chaos" and "crisis" in Soviet economy. Apparently

such is the distorted way in which the discussions we had on questions of improving planning and management of our national economy were reflected in the minds of some of the bourgeois "experts on Soviet affairs." We are thinking of how to make our work still more effective, of how to make still fuller use of the opportunities of socialism, while they keep harping, as in days gone by, about the failure of our system of social production, about the Soviet Union returning to the positions of capitalist economic management, about the substitution of the principles of planning by the chaotic mechanism of market regulation.

These are vain hopes! The essence of an economic system is in the fact who holds the state power, the means and instruments of production, in whose class interests production is being developed and profits are being distributed. This is a basic issue, and on this question we have always been and will remain on the unshakable positions of Marxism-Leninism. The Soviet Union is an invincible country of triumphant socialism, a country which is confidently building the material and technical base of communism. Socialist property in the USSR is developing into communist property. And the talk of some bourgeois economists about the gradual return of Soviet economy to the rails of capitalism is mere wishful thinking.

We realise that the propaganda clamour about the "difficulties" in Soviet economy, about its "bourgeois transformation" also has another aim. Our enemies are dismayed to see

many independent Afro-Asian countries select the socialist way of development, study the experience of the Soviet Union and other socialist countries, and develop economic and political contacts with them.

With their inventions about some kind of a "crisis" in Soviet economy they would like to discredit socialism, its economic methods, its efficiency in the sphere of economy, to cast aspersions on our country's economic policy. However, this is a futile attempt. The decisions which our Plenary Meeting will adopt will open new opportunities for making still better use of the advantages of the socialist system of economy.

The great international significance of the economic reform proposed lies in the fact that it will strengthen the positions of socialism in the economic competition between the two different social systems.

The improvement of the methods of economic management is being carried out in almost all the European socialist countries. Some of the differences in the approach to the solution of the concrete problems reflect the specific features of the state of economy in separate countries. The essence of the changes taking place is in raising the scientific level of planning, intensifying the economic stimuli of production, strengthening cost accounting and increasing the independence of the enterprises.

Characteristic of all the European socialist countries is the development of the principle of branch management of industry, with the industrial branch production associations, work-

ing on a cost-accounting basis, playing an ever growing part in these countries.

The transition to the new methods of socialist economic management in our country, as well as in other socialist countries of Europe offers better prerequisites for developing the international socialist division of labour and for a close and mutually profitable coordination of economic development plans. This in itself also attests to the great international importance of the decisions which will be adopted by the Plenary Meeting.

The Presidium of the CPSU Central Committee and the Council of Ministers of the USSR consider that the transition to the new methods and forms of planning and management of industry will strengthen the economic foundations of the Soviet policy of cooperation between the peoples of different countries. The reform proposed conforms to the basic interests of the Soviet people interested in the prosperity of their country. Its practical implementation will help to achieve an improvement in the life of the Soviet people and to increase still more the power and defence capacity of our country and to boost our onward march to communism.

Allow me to express my confidence that the measures worked out by the Presidium of the CPSU Central Committee and the Council of Ministers of the USSR for the further improvement of the management of industry will meet with the full support of the Central Committee members and will get the unanimous approval of the Party and the people. (*Prolonged applause.*)

*SPEECH BY LEONID BREZHNEV,
FIRST SECRETARY
OF THE CPSU CENTRAL COMMITTEE*

**I. Industry Must Measure up to the Tasks
of the Communist Construction**

Comrades,

A question of exceptional importance in the life of our Party and state, in the life of the entire Soviet people has been submitted to the present Plenary Meeting for discussion. The proposals drafted by the Presidium of the Central Committee touch upon the cardinal problem of further improving industrial management and planning.

While drafting these proposals, the Presidium of the Central Committee proceeded from the necessity of removing all barriers that prevent the economic laws of socialism from coming into full play. We proceed from the idea that the new organisational structure of industrial management, the measures to improve planning and economic work must create possibilities for even greater development of our in-

dustry. They must help to develop to the full the creative initiative of everyone in industry—from worker to top executive.

Comrade Kosygin's report outlines in detail the measures submitted to the Plenary Meeting for consideration.

It should be stressed once more that the Presidium of the Central Committee of the Party has not raised the question of improving industrial management, perfecting planning and increasing economic stimulus with regard to industrial production because of failures in the work of our industry. It goes without saying this is not the case.

Our industry is not doing badly. This is obvious enough from the facts and figures on the growth of our industry mentioned in the report and in the speeches at the Plenary Meeting. Our working class, engineers and technicians have scored notable successes in many sectors of the industrial front.

Under the leadership of the Communist Party, the Soviet people have created a mighty, comprehensively developed industry. On this basis we successfully solved the task of meeting the demands of our national economy. On this basis we ensured the defence potential of the Soviet Union, supplied our glorious armed forces with the most up-to-date military equipment. Our industry more and more fully meets the demands of the Soviet people. The output of consumer goods has increased considerably and keeps growing all the time.

It is well known that with regard to gross

industrial product the Soviet Union ranks second in the world and with regard to many important products ranks first.

All this might well be called the quantitative aspect of the matter. But one should remember that the quality of our industry is quickly changing as well.

The relative share of branches which are decisive for the level of technical progress is continually increasing in our industry. We are beginning to use processes which until recently seemed a long way from practical application. Super-high and super-low temperatures and pressures, enormous energy concentrations are being put at the service of man. Nuclear power, electronic computers and cybernetic devices are being put to ever wider and more versatile practical use in our country.

The tremendously increased possibilities and scale of our industry greatly increase the demands on the workers and complicate the tasks involved in the organisation, management and planning of total production.

The objective trend in the development of our industry is that the dividing lines between the separate branches of production are becoming more and more clear-cut, each developing in its own specific way. Each has its own technology, its peculiar features of technical development. In each of these branches the tasks of applying and introducing the achievements of science and technology, the tasks of training and raising the qualifications of personnel assume a specific countenance. In the meantime, the system of industrial management through

Economic Councils conflicts with the tendency of branch development.

This results in a situation correctly characterised by many of the comrades who spoke here. One cannot but agree that the present forms of industrial management and major shortcomings in economic work prevent us from making full use of all the advantages in our social system in the interests of the people. This is the principal meaning of the question we are discussing at the Plenary Meeting today.

While drafting proposals for the Plenary Meeting, the Presidium of the Central Committee was guided by the repeated instructions of Lenin who conceived our Soviet economy as a single whole, and considered it necessary to ensure the unity of economy on the scale of the entire country, the close economic alliance of the union republics.

Lenin vigorously stressed that to deprive a unified centre for the entire country of the right to directly administer all enterprises of a given branch of large-scale industrial production throughout the country "would be regional anarcho-syndicalism, not communism."

Practical experience has shown that the system of industrial management through economic councils could not properly satisfy these important demands of unified economic management. This is quite natural: it is a fact that no single economic council with only separate enterprises of some branch or other under its competence is able to manage any branch of industry as a whole. This was clearly brought

out in the speeches of many comrades at our Plenary Meeting.

Branch management will make it possible to better ensure unified technical and economic management, to distribute and utilise more rationally the workers and the cadres of engineers and technicians, to introduce more effectively the latest achievements of science and technology into production. This is a tremendous advantage of the branch system of management.

A branch organically cannot be confined within narrow limits. Its very nature prevents it from existing without constant contacts with other branches of industry and the national economy as a whole. It was not accidental that even under the present system of managing industry through economic councils, we had to retain the branch principle of planning the industry. This has saved us from many errors.

Under the present structure of managing industry the guidance of research and designing organisations is, actually, separated from production. The economic councils which are in charge of industry do not have adequate cadres of scientists, designers and technologists. On the other hand, the state committees which are in charge of scientific and designing organisations do not have sufficient rights for introducing in production their achievements, and, as a rule, have therefore to limit themselves to recommendations unbinding on anyone. As a result, conditions have evolved wherein the introduction of achievements of science, technology and progressive experience in industry is in many

cases artificially retarded and this, naturally, has a negative effect on the development of industry as a whole.

I would once more like to most emphatically stress the importance of our main task—to raise the technical level of our industry, to introduce all the best achievements of our scientists and designers in production.

Another question arises here. Apparently, we shall have to seriously consider if the present system whereby scores of enterprises of the same profile try to organise the designing of their own products independently from other enterprises is correct. Here is one indicative example.

The Kharkov Tractor Plant produces tractor DT-74 and the Volgograd Tractor Plant makes tractor DT-75. Both have the same capacity and serve the same purpose but nevertheless differ in design.

The same is observed in the automobile industry. For instance the Likhachov Automobile Plant produces ZIL-130 lorries and the Gorky Automobile Plant puts out the GAZ-53a. Both vehicles have the same carrying capacity but quite different designs: their engines, rear axles, gear boxes and other main units are not uniform and cannot replace one another.

It is superfluous to prove how uneconomical such a state of affairs is and how much it complicates the operation of our tractors and automobiles.

This unnecessary parallelism is, apparently, rather widespread. Was it not the same thing that Comrade Tolstikov spoke about here when he cited the glaring example: the fact that ten

designing organisations of different departments are now in charge of designing sea and river-going tugboats. This is why tugboats of the same capacity are built according to nine different designs!

Giving these examples, I would like to stress once again that the ministries and planning organs that are being created anew will have to give serious thought in the immediate future to introducing a single technical policy in corresponding branches of our industry.

In discussing the problems of improving management of industry at this Plenary Meeting, we are not speaking of a mechanical return to the old system which existed prior to economic councils, but of branch management on the basis of new principles of planning and assessing the economic activity of enterprises on the basis of further development of centralised management and broader operative and economic independence of enterprises.

In order to use fully all possibilities of the socialist method of production, it is proposed to strengthen the economic method of managing economy.

With the help of a system of economic incentives every worker, foreman, technician, engineer and office employee of an enterprise must be made directly interested in introducing new equipment, in perfecting technology, increasing labour productivity and improving the quality of produce. The same purposes will be served by broadening the rights of every individual enterprise as envisaged by the recently adopted Statute of a Socialist Enterprise.

The measures proposed by the Presidium of the Central Committee are directed towards, and envisage the utmost development of initiative and creative endeavours of our cadres, of the personnel of enterprises. We are, if we may say so, regrouping our forces, revising our possibilities in order to advance at a still faster pace, to develop the economy of our state still more successfully.

The question of properly combining centralisation with the authority, initiative and responsibility of local organs is a question of principle, a major policy question. The new system represents a fortunate combination of centralism and democracy in industrial management. This is expressed particularly in the establishment of union republic ministries and economic amalgamations in a number of industries and also in broadening the powers of the union republics in the fields of planning, capital construction, financing, labour and wages. This will make it possible to combine well the general interests of the state with the interests of each republic.

The executive cadres of our union republics have accumulated valuable experience in directing the work of industry. This experience will undoubtedly find full application under the new system of industrial management.

In changing over to the new system of management we are reducing the number of steps between the enterprises and the central managing body. The usefulness of this is self-evident. At the same time it should be stressed that the new system will demand greater independence,

responsibility and daring in deciding matters on the part of our cadres, in all posts and at all levels.

The system of management which existed until now, under which the same matters were tackled simultaneously by several organisations (the economic council of an economic area, the economic council of a republic, the Economic Council of the Union, the Supreme National Economic Council) created conditions under which certain workers were tempted to blame their blunders and shortcomings on another department, to explain all difficulties by "objective factors." Under these conditions not infrequently even good executives began to lose their sense of direct responsibility for the matter entrusted to them.

I shall quote only one example taken from life. In order to accelerate the drilling of oil wells, oilmen of the Volga have decided to develop a complete set of equipment and tools for drilling with a turbodrill suspended on a flexible cable instead of drill pipes. That would have made it possible to reduce pulling and running operations many times. It would seem clear to everyone that this was a vital matter. But it took nearly a year just to agree on the schedule for the manufacture of the aforementioned equipment and cable. Unfortunately it has not been settled to this day because this matter required the signatures of fifteen representatives of different organisations under various state committees and economic councils. The schedule must be approved by four chairmen of state committees and two heads of re-

publican economic councils. But even this is not the limit by far. Comrade Zarobyan today described another instance when 30 signatures from various departments were needed to agree upon a simple matter. Such bureaucratic practices must be ended. Questions of this kind can and must be settled much more simply.

One could cite quite a few other facts of practical work being substituted by formal procedures, by the establishment of numerous commissions, numerous coordinations, where people instead of doing themselves what they are supposed to do in every instance try to pass the matter over to someone else.

It is clear that reorganisation of the system of management alone is not enough to eliminate these shortcomings. What is needed is prolonged and persistent work both by the management and especially by Party and public organisations in educating people, in resolutely eradicating irresponsibility, red tape, bureaucratic attitudes to work. Very important is the choice of personnel capable of working boldly and independently.

Comrades, the tasks facing the newly formed ministries have already been outlined in the report and the speeches. Without going over the same ground I would like to mention briefly the following:

We place great hopes in the ministries. Here at the Plenary Meeting it must be said quite firmly that the ministries and the ministers personally must bear full responsibility to the Party and the state for the work of the branches

they head. They are called upon to ensure integral development of industries on the basis of modern achievements of science and technology in order to satisfy more fully the demands of the national economy for industrial products with regard to volume, assortment and quality. An important task of the ministries is to strengthen state discipline in every conceivable way, to ensure exemplary order and high efficiency in the operation of enterprises.

In order to successfully accomplish the tasks set before them the ministries must be vested with supreme power in their branch, be truly government bodies. The experience of many years in the work of ministries and economic councils shows that numerous restrictions of their powers and sometimes even petty tutelage do not help to improve matters. Vice versa, the granting of greater powers to executives creates conditions for still greater unfolding of their abilities. All these questions were correctly posed in the speeches of Comrade Butoma and other comrades.

We must achieve utmost simplicity in the system of management of enterprises. We must painstakingly examine the structure of every ministry, either existing or newly formed; reduce the number of stages with regard to management of production activities of enterprises so as to make the machinery of the ministries more flexible, capable of promptly, efficiently and in a competent manner settling all problems concerning the operation of enterprises.

Work with personnel will be an important part of the activity of the ministries. In the

first place we must see that the ministries are staffed with highly qualified specialists, good organisers, capable of managing matters in a statesman-like way. The ministries must be made up of the best people from state committees, economic councils and enterprises. At the same time a proper combination of young and older personnel must be ensured. We must boldly advance capable young workers to leading posts.

From our viewpoint, the day-to-day direction of the work with cadres should be the responsibility of one of the deputy ministers. This, comrades, is not a formal measure. It will make it possible to improve considerably the choice, distribution, training and retraining of cadres, about which many comrades have spoken here. It goes without saying that such a measure in no way should absolve the collegiums of ministries and the ministers from responsibility for the choice of cadres.

In their time quite a few wonderful captains of production, specialists possessing great experience and high qualifications came to work in the economic councils. By their work and skill they made a great contribution to the development of industry. Not a single worker of economic councils, state committees or other bodies which are being abolished should wonder if his know-how will be put to good use. We have a good deal to do, comrades, there will be work for all and it is our duty to take care of that.

Great assistance to the ministries in the introduction of scientific and technological achieve-

ments must be rendered by the State Committee for Science and Technology. In no case should the qualified apparatus of this important body be allowed to divorce itself from the vital requirements of our industry and work, so to say, for putting out scientific material.

The new organs of managing industry should see to it that their research institutes bear full responsibility for their decisions and recommendations. Unnecessary parallelism must be eliminated as well as the scattering of forces and funds of our research institutes due to a great number of far-fetched prospectless themes.

The reorganisation of the management of industry and measures for bolstering economic methods in guiding economy means constantly expecting more of our national development planning and, consequently, of planning organs.

We have pointed out more than once that our plans, both long-term and annual, must be elaborated on a scientific basis, must be economically justified and well balanced. Unfortunately, we have not achieved this yet. Here, at the Plenary Meeting, specifically in the speeches of D. A. Kunayev, P. M. Masherov, A. A. Kokarev, K. A. Novikov, and others many examples were given of serious shortcomings in our planning and their consequences. There are still disproportions in the development of industry, the number of uncompleted construction projects and the volume of uninstalled equipment is growing, big sums of money and material resources are tied up for a long time. The work to eliminate these shortcomings is, of course, complicated, but it must be carried out

unswervingly by joint efforts of the centre and the republics.

The shortcomings in our plans and incorrect attitude of some managers to their fulfilment are proved by numerous changes in different indices and assignments in the course of the planned period. It often happens that managers of enterprises or economic councils raise the question of revising this or that assignment, in some cases only because they themselves did a poor job of seeing that it was fulfilled. And there are some Party organisations which find it possible to support such proposals and press for reconsideration of the assignments.

It is necessary to improve planning on all levels, beginning with enterprises and ending with the central planning organs. Our planning organs must become real headquarters of scientific guidance of economic development. The plans must be based on accurate evaluation of the existing and foreseeable demands of society, on thorough knowledge of existing possibilities and reserves. All questions connected with speeding up technical progress must be settled through plans, to provide the state with sufficient reserves for all eventualities and for solving new tasks not envisaged by the plan.

We must most carefully choose the most experienced, most highly skilled, conscientious workers, good economists to work in planning organs and primarily in the State Planning Committee of the USSR. The State Planning Committee, as Lenin said, must represent a conglomeration of knowledgeable people, experts, representatives of science and technology. It is nec-

essary to enhance the role of the State Planning Committee, its independence and prestige in the system of the organs of management of national economy.

Briefly speaking, everything must be done in order to put an end to voluntarism and subjectivism in planning. The workers of planning organisations must be guided in their work only by objective economic appraisals and must have the opportunity to do so.

Comrades, the measures for improving the management of industry, perfecting planning and increasing the economic incentive for industrial production, which will be endorsed by the Plenum, imperatively demand a drastic raising of the level of the organisational and political work of our Party. It must be said outright that if the economic measures which we are outlining are not bolstered by the work of the whole Party, by the multimillion army of Communists, we shall not be able to carry them out with due success.

Now the main thing in the work of the Central Committees of the Communist Parties of the Union Republics, territorial, regional, city and district committees of the Party, of all Party organisations is comprehensive explanation of the decisions of our Plenum. Our decisions must be brought home to everyone in the Party, every Communist, all working people. It is extremely important that every Soviet citizen should fully understand what prompted the decisions of the Plenum and what role they are to play in the further development of our industry and economy as a whole, in raising the material

welfare of the people. It is necessary that every worker, technician and engineer fully understand his role and be aware of his responsibility for improving production. Much can and must be done in making known the decisions of the Plenum of the Central Committee by the press, radio, television, by our propagandists.

The most important problems of the economy of industry must be always in the focus of attention of Party organisations.

Their duty is to ensure the proper application of the principles of material incentives and other economic methods of management, to encourage the creative initiative and activity of the workers, engineers, technicians and office employees in every conceivable way.

It should be borne in mind that successful implementation of the planned changes in industrial management and the use of economic stimuli will not only create conditions for the further upsurge of our industry as a whole but will increase the interest of plant personnel and each worker individually in the results of their work.

Good work by the personnel of a plant to an even greater degree than now will yield concrete fruit in the form of additional funds for building more houses for workers of the plant, for the construction of new kindergartens, cultural and educational centres, athletic facilities, etc.

This important factor was stressed with good reason in the speeches of many comrades at the Plenum.

Successful realisation of great tasks confronting the newly formed ministries places spe-

cial responsibility on the Party organisations of ministries. Highly skilled, experienced Party workers should be recommended as secretaries of the Party committees of ministries. The Party committees of ministries must regularly inform the Central Committee of the CPSU about the state of work of Party organisations, of measures they are taking to improve the work of the ministry apparatus.

The widening of the powers and the granting of greater independence to industrial enterprises particularly enhances the role and responsibility of the lower Party organisations, i. e. those units where the fate of production is being decided. Now many plan indicators will be drafted and finally approved and the prospects for enlarging production and introducing new technology will be outlined directly at enterprises.

Under these conditions the primary Party organisations of enterprises should delve more deeply into matters of production. But work with individuals, with people, with our working class, as before, remains the main task of primary Party organisations.

It is the working class that now, as before, is the main creator of material assets; by its work, by its skills the working class together with our industrial intelligentsia decides the fate of national economic plans.

In this connection I should like to stress the importance of properly combining the factor of material incentives with the extensive use of moral stimuli, with intensifying communist education which Comrade Egorychev spoke

about here correctly.

The primary Party organisations in industry, construction and transport amassed great experience in directing economic development, in striving to realise national economic plans. They are the initiators of many patriotic undertakings in the field of technical progress, in improving the quality of products, in seeking to consolidate the cost accounting system and step up the economy drive.

Now even more responsible tasks are arising before primary organisations. Now particular importance is attached to initiative, to enhancing the role of the Party organisation in the struggle to realise plans and improve economic indicators, to develop socialist emulation which throughout our construction has invariably played a very great role.

Questions of struggle for economy, for thrift in everything should hold a great place in the work of Party organisations. This is not a new question, of course. It has been posed more than once in the Party. But as we progress, with the increasing scale of the national economy, the importance of the struggle for the strictest economy keeps increasing.

Considering the present volume of production, the loss of even a small fraction of a percent of materials or working time runs into enormous figures, and is extremely damaging to the country.

It should be to the credit of every Party organisation, of every Party leader if they succeed in nurturing in all Communists, all factory workers a great concern for saving state funds,

for most effective use of raw materials, supplies and equipment.

The present Plenary Meeting poses serious tasks for those concerned with theory. The Party expects representatives of the social sciences to make a worthy contribution to the further development of the Marxist-Leninist economic theory.

In the course of building communism there continually arise many acute problems which require profound theoretical elaboration for their practical solution. Today, for instance, such questions come to the fore as socialist cost accounting, the use in planned economic management of profit, prices, credit, economic contracts, etc., elaboration of the theory of organisation and management of socialist industry in the conditions of the current revolution in science and technology, the combination of centralised planning with economic independence of enterprises, etc. All these questions become especially pressing now. A creative approach to vital economic problems should become the first and imperative commandment in the work of scientists, theoreticians and propagandists.

It is also necessary to intensify the struggle against the attempts of representatives of hostile ideology to distort the meaning of the economic measures being carried out by our Party.

One of the cardinal tasks of Party organisations is the choice, distribution and education of cadres. Work with cadres is a key matter of Party activity, its chief concern. It goes without saying that our Party did much to supply industry with skilled cadres. Of late, however,

attention to these matters has slackened.

Party committees and Party organisations will have to do a great deal of work in educating cadres. This is all the more necessary since in some places such harmful trends as parochialism have become evident in recent years.

This is what happens sometimes: let us say that a republic or economic council of an economic region produces some thing that is in short supply, but when it comes to the distribution of this product, real concern is shown only for satisfying the needs and demands of "their own" consumers who are well provided for, while it is considered possible to take little interest in fulfilling deliveries to other republics or consumers of other economic regions and there are cases of failure to fulfil inter-republican deliveries. What is this, comrades, if not a real parochial approach, a harmful and absolutely impermissible phenomenon in the life of our socialist state!

It also happens that leaders of some economic region try to organise production of certain equipment in their own region, although it is much more economical for the state to organise production of this equipment in another region. All these are harmful tendencies and the Party must combat them systematically and persistently. Comrades Mzhavanadze, Akhundov and others were quite right when they spoke here about the harmfulness of a parochial approach and the necessity to combine skillfully the interests of individual republics and economic regions with the state interests of our great socialist

homeland, which must be the supreme interest for all of us.

The progress of our industry, of all our national economy can be attained only on the basis of the harmonious economic development of the whole country. This is obvious.

This is precisely what guided the Presidium of the Central Committee in working out the proposals which are now being considered by the Plenary Meeting. Realisation of the proposed measures will still further contribute to the progress of the entire economy of our country, to the consolidation of the Union of Soviet Socialist Republics.

While unswervingly following the line towards enhancing the role of the Party in communist construction, we must never forget that the realisation of this line necessitates active work of all organisations and primarily of the Soviets, trade unions and the Young Communist League. We are sure that the Soviet organs, the trade unions and the Leninist Komsomol will do everything necessary to fulfil in the best way the great tasks that we face in connection with the implementation of the decisions of this Plenary Meeting.

II. March Plenary Meeting of the CPSU Central Committee—Unshakable Basis of the Party's Policy in the Countryside

Comrades, although the questions of the development of agricultural production are not

the subject of special discussion at this Plenary Meeting of the Central Committee, allow me, nevertheless, to inform you briefly of the situation in agriculture following the March Plenary Meeting of the CPSU Central Committee.

The members of the Central Committee know that the Party and the Soviet people were most interested and satisfied with the decisions of the March Plenary Meeting of the CPSU Central Committee. It is still too early to sum up the results of carrying out these decisions on a wide scale. But it is already obvious to all that they have given rise to extensive political and labour activity in the countryside. This year agricultural work is being carried out in a more organised way and serious difficulties due to unfavourable weather are being successfully overcome. The main difficulty has been the cold and protracted spring in most parts of the country followed by a dry summer in a number of large grain-growing regions. The serious shortage of water this year in regions of Central Asia, the main cotton producing centre, was also a problem.

What preliminary results of the year can be reported to the Plenary Meeting?

Good harvest of grain and other crops was gathered in the Ukraine, the Kuban area, in the districts of the Central black soil and non-black soil zones, in Byelorussia and Baltic republics.

The severe drought in Kazakhstan, Siberia

and in some regions of the Volga area resulted in a drop in the yield of grain crops.

In accordance with the decisions of the March Plenary Meeting grain deliveries still continue. But, apparently, general state purchases of grain will be below the planned target.

The Central Committee and the Government have done everything necessary in order to ensure a normal supply of grain products in the country.

The CPSU Central Committee and the Council of Ministers of the USSR envisage further improvement in supplying the population with bread both qualitatively and quantitatively.

This year much has been done to extend the area planted to rice which has increased by 10 per cent.

This year we expect a certain increase in the procurement of cereal crops, in particular rice and buckwheat.

As far as other crops are concerned, the situation is as follows. As a result of the tremendous work of collective farmers, state farm workers, specialists and also Party and government bodies of Uzbekistan, Tajikistan, Turkmenia, Azerbaijan, Kirghizia, Kazakhstan and Armenia a good cotton crop has been raised. The state plan of procurement of this important crop will be fulfilled. Everyone realises how important this is for the economy of our country.

One should note the great work carried out in the Ukraine, the Russian Federation,

Byelorussia, Moldavia, Kirghizia and Kazakhstan in growing sugar beet: the sugar beet crop is fairly good and, provided the industry works well, will enable us to meet sugar production targets. This is also a very important indicator in the national economy.

The overall harvest of oil-bearing crops, above all sunflower seeds, is expected to be quite satisfactory. It is possible to meet the established plan figures and procure one million tons of sunflower seed over and above the average obtained annually for the past five years.

Harvesting of potatoes and other vegetables, fruits and grapes is under way everywhere and we have every possibility to meet the demand of the population for these products.

You are aware, comrades, that of late the situation with regard to cattle-breeding had taken an unfavourable turn, particularly after 1963. Now a certain dynamic push has been given to the development of this branch. Over the past year all livestock and livestock productivity have increased. For instance, over the past eight months the average milk yield per cow in the country as a whole increased by 283 kilograms.

By the 20th of September, 28 per cent more milk had been purchased than during the similar period in 1964. Meat purchases increased by 15 per cent and purchases of eggs by 30 per cent over the corresponding period last year.

It is evident from the reports of the Councils of Ministers and the Central Committees

of the Communist Parties of the Union Republics that the established annual procurement plans for meat, milk, eggs and wool will be overfulfilled for the country as a whole.

With the exception of certain drought-stricken areas the conditions for maintaining cattle during winter seem to have shaped up favourably. This provides good requisites for the further development of livestock-breeding and increasing its productivity.

Following the repeal of the well-known unwarranted restrictions there is more livestock on the private holdings of collective farmers, workers and employees.

All this has made it possible even this year to improve somewhat the supply of the population with dairy products, meat and meat products. But we must still work a good deal to completely do away with the lag in this branch of agricultural production and fully meet the demand of the population for livestock products.

By working out economic measures at the March Plenum of the Central Committee for progress in agriculture, our Party made a very important move. But our concern for the development of agriculture does not end there, as we have stressed more than once. Our plans for the current five-year period envisage the allocation of considerable sums for developing the manufacture of automobiles and tractors and the production of other farm machinery. The basic tasks and extent of development have been determined for enterprises producing fertilizers and insecticides, herbicides and

the like which, as we all agree, will be an important factor for further increasing the fertility of our fields and guaranteeing high harvest yields.

It must be emphasised that in some links of our state apparatus—in the State Planning Committee, ministries and different departments—the tendency has not yet been overcome to improve other affairs, “to balance” figures at the expense of agriculture, to infringe on the interests of the collective farms and state farms. And this happens despite absolutely clear-cut decisions of the March Plenum of the Central Committee which call for utmost assistance to agriculture.

Such tendencies are rather dangerous to our common cause because without an upsurge in agriculture it is difficult to expect successful fulfilment of the tasks of communist construction. We must demand precise fulfilment of the decisions of the March Plenum by all workers, all ministries and departments which are to help agriculture.

In our plans for advancing agriculture we must take into consideration the great influence which unfavourable weather still has on agriculture every year in different regions of the country.

It is known that a considerable part of the ploughland in our country lies in a zone with insufficient precipitation. This is at times the main factor that reduces the effectiveness of our efforts in the output of farm produce. According to information provided by the

Central Weather Forecasting Institute in the period between 1930 and 1965, that is in the course of 35 years, severe drought hit Saratov Region ten times, Kuibyshev Region—12 times, Volgograd Region—15 times, Astrakhan Region—18 times, Rostov Region—12 times and Stavropol Territory—14 times. In the Ukraine there was drought eleven out of these 35 years mainly in the southern regions.

In another part of our country—Byelorussia, the Baltic Republics, Polesye of the Ukraine, the non-black soil zone of the Russian Federation—considerable parts of the sown areas, on the contrary, suffer from superfluous moisture and even become waterlogged.

All this brings us to the same idea and the same opinion that it is necessary to start important work on collective farms and state farms of our country for irrigation and reclamation of land. On the instructions of the Central Committee and the Council of Ministers of the USSR, the Ministry of Agriculture, the State Committee for Water Conservation and Irrigated Farming, the USSR State Planning Committee and the Academy of Agricultural Sciences in cooperation with the Union Republics are outlining proposals for carrying out major measures for irrigation and reclamation of land. We intend to discuss this question specifically.

Comrades, the question of further development of agriculture must still remain in the focus of attention of our Party and all our people. Consistent implementation of the decisions of the March Plenum will make it pos-

sible for us to ensure a steady growth of output of all farm products.

It would be highly useful, if the Central Committees of the Communist Parties of the Union Republics, the Regional, Territorial and District Committees of the Party arranged broad discussions at Party organisations, at meetings of collective farmers and state farm workers on the results of the agricultural year and progress in fulfilling the decisions of the March Plenum of the CPSU Central Committee, and mapped out a programme of action for ensuring successful wintering of the cattle and thorough preparations for spring sowing; briefly speaking, if they discussed all questions connected with the new moves for further raising the standards of the entire agricultural production and economic consolidation of collective farms and state farms.

III. Some Matters Concerning International Life

Comrades, the Presidium of the Central Committee finds it necessary to inform the Plenary Meeting of some international questions.

The general trend that is characteristic of the international situation as a whole is the growth and consolidation of forces of world socialism, the successful development of the national-liberation revolution of formerly op-

pressed peoples, the continuing weakening of the world capitalist system.

In their efforts to impede the movement of peoples for freedom and progress, to weaken the forces of socialism, in the hope of retaining their slipping positions or even, where possible, of recouping their losses the imperialists, with the United States of America at the head, are resorting to violence and aggression, to armed intervention in the affairs of other countries and peoples. All this, of course, seriously complicates the international situation. All this calls for greater vigilance on our part, for unflagging concern for strengthening the defence potential and international positions of the Soviet Union, for active efforts to strengthen the unity of the socialist countries and the world communist movement.

Briefly speaking, the substance of our foreign policy is to strengthen the world socialist community in every conceivable way, to support the liberation struggle of the peoples, to preserve peace on earth. This is what we are doing. We strive to make our diplomacy active, forward-moving and at the same time display flexibility and caution.

Recent months have seen visits to the USSR by numerous foreign government and Party-and-government delegations. On the other hand, quite a few of our statesmen and political leaders have visited various countries of the world. Of course, our activity in foreign policy was not confined to that. However, exchange of visits by leaders shows that our country is pursuing an active foreign policy.

Negotiations, each talk with a new delegation meant another opportunity better to familiarise ourselves with the policy of some particular country or fraternal Party, to explain more substantially our views, our policy and thus more effectively influence world developments.

All our talks were of concrete purposeful nature and concerned economic, political and other important matters.

As far as the socialist countries are concerned, this year we received delegations from Mongolia, Hungary, Yugoslavia, Rumania, the German Democratic Republic, Czechoslovakia, Vietnam, Bulgaria and Cuba. In turn, Soviet Party and government delegations headed by members of the Presidium of the Central Committee visited Hanoi, Budapest, Warsaw, Prague, Berlin, Sofia, Bucharest, Pyongyang and Ulan-Bator.

Talks with representatives of the socialist countries and fraternal Parties were aimed at consolidating the unity of the world socialist system and the international communist movement.

Talks with Vietnamese and Korean comrades held in Moscow, Hanoi and Pyongyang made it possible to understand better each other's positions, to come to terms on the strengthening of inter-state and inter-Party contacts and ties.

Talks with Polish, Czechoslovak, German, Hungarian, Bulgarian, Rumanian, Mongolian and Cuban friends were centred on concrete economic matters and also on problems re-

lated to the coordination of the foreign policies of our countries. We are satisfied with the results of these talks.

Speaking of the economic aspect of cooperation, there was found to be full unanimity between us and fraternal countries on the need to strengthen the Council of Mutual Economic Aid. Our economists together with the economists of fraternal socialist countries will have to discuss a number of important questions with regard to improving the functioning of CMEA and drafting appropriate recommendations concerning the development of international socialist division of labour.

Problems of bilateral economic cooperation were also discussed in the course of talks with delegations of fraternal countries. It was decided to establish inter-governmental bodies for economic cooperation with Yugoslavia, Rumania and the German Democratic Republic.

Speaking about economic links with fraternal countries I should like to note that this is mutually advantageous.

Of course, it is not just a matter of mutual advantage. Where necessary, where this is prompted by extraordinary economic and political circumstances we are rendering free assistance to fraternal countries, as, for instance, to Vietnam. This is our internationalist duty, this is the duty of the strongest and the most developed socialist power and we are discharging this duty.

Great attention has been paid to the coordination of the foreign policy of the socialist countries; in particular, to coordinating our

actions in the United Nations and its specialised bodies. We discussed the question of improving the activity of the Warsaw Treaty Organisation, the need to set up within the framework of that treaty a permanent and prompt mechanism for considering pressing problems.

The complicated international situation compels us to pay special attention to problems of military cooperation between the socialist countries. Extensive work is going on in this field: we are standardising armaments, exchanging experience in combat training, holding joint exercises.

The solution of all these matters helps to bolster up the socialist system and its role in the world. On the whole it may be said with confidence that we have succeeded in considerably activating the Soviet Union's relations with the fraternal socialist countries of Europe. As a result the fraternal alliance of the socialist countries has grown much stronger, the states united by the Warsaw Treaty now speak with greater authority on the world scene.

In the months since the 1964 October Plenary Meeting the Central Committee of the CPSU received and had talks in Moscow with numerous delegations of Communist and Workers' Parties. Apart from the delegations from the socialist countries I have already mentioned, we met with the leaders of fraternal Parties of nearly all Latin American countries, Italy, France, Britain, West Germany, Finland, Belgium, Portugal, Spain, Indonesia and a number of other parties. The talks which we regard as very useful concerned first of all

the ways to strengthen the unity of the international communist movement, to rally it in the struggle against imperialism and imperialist aggression. We consider that these meetings helped to consolidate the unity of the ranks of the world army of Communists, to develop our ties with fraternal Parties.

At the same time it cannot be overlooked that there are still many difficulties in the way of uniting the socialist countries and the international communist movement.

Nearly a year has passed since the time our Party adopted a line towards normalisation of Soviet-Chinese relations and re-establishment of unity between the CPSU and the Communist Party of China on a principled basis. A number of major moves has been made on our part in this direction. Unfortunately, it is to be stated that these efforts of the CPSU have not been supported by the leaders of the Communist Party of China.

The Presidium of the CPSU Central Committee is of the opinion that, despite this, we must consistently continue to search for the ways of settling the disagreements and of consolidating friendship and cooperation between the Soviet and Chinese peoples, between our Parties and countries.

Prominent in our talks with representatives of fraternal countries was the situation in Vietnam.

The Soviet Union has been fulfilling its internationalist duty to the Vietnamese people. We have been rendering great assistance to the Vietnamese comrades. We have already de-

livered to the DRV a considerable amount of weapons and military equipment.

Our line is to continue to give the Democratic Republic of Vietnam every assistance, both material and political, which it needs to repulse American aggression. We have been consistently advocating the unity of efforts of all fraternal socialist countries in giving support to the Vietnamese people fighting against imperialist aggression.

Now a few words about our relations with capitalist countries and the states of the so-called "third world."

First of all, about Soviet-American relations. These relations have been, naturally, considerably influenced by the events in Vietnam. We clearly declared to the United States leaders that the normalisation of our relations is incompatible with the armed aggression of American imperialism against Vietnam, a fraternal socialist country.

In this way our relations with the United States have been considerably complicated and have a clear tendency towards freezing. The nature of the further development of our relations with the United States will depend on whether or not the leaders of that country will show enough common sense to abandon the policy of aggressive attacks on socialist countries and interference in internal affairs of other nations.

Since the British Labour Government has taken the position of unqualified support of the American aggression in Vietnam and has even come out as the author of a project to

create the so-called Atlantic Nuclear Forces which gives the FRG access to nuclear weapons, the development of our relations with Britain has been, naturally, greatly impeded, too.

Our relations with the Federal Republic of Germany are still bad and the responsibility for this rests with its ruling circles. The policy of revenge and militarism stubbornly followed by the Bonn government, the persistent efforts of West German militarists to get hold of nuclear weapons, the continuation of the policy of isolating the GDR (the so-called "Hallstein doctrine")—all this leaves us at present no alternative except the course of steadfastly exposing the policy of the ruling circles of the FRG and resisting this policy. Here we are dealing with the main centre of reaction and militarism in Europe, with the main ally of the aggressive imperialist circles of the United States, and it is only natural that under these conditions there are no possibilities for fruitful development of relations with West Germany. (Although economic links on a mutually profitable basis continue to exist, in particular our trade with the FRG remains approximately on the former level.)

Of late we have taken a number of rather important steps to develop relations with France. This refers to agreements on trade, scientific and technical cooperation and cultural relations, exchange of information on certain foreign policy matters, reciprocal visits by a number of statesmen. Considering the realistic position of the French government on

a number of important foreign policy issues and the line of the French government aimed at further development of relations with the Soviet Union and other socialist countries of Europe, it may be said that at the present time the prospects of our relations with France are not bad.

A lively exchange of visits, particularly of an economic nature, is under way between us and Japan. The circumstances are such that the leading business circles of that country are seriously interested in developing long-term economic ties with the Soviet Union. At the same time the political idea of developing good-neighbour relations with the USSR has met favourable reception on the part of the Japanese public. We consider that it is useful and necessary to continue the policy of developing good-neighbour relations with Japan on a mutually profitable basis.

Mention should be made about our relations with Turkey. You are well aware of the fact that in recent months there have been reciprocal visits of a number of statesmen and public figures between us. A Soviet parliamentary delegation and the USSR Foreign Minister went to Turkey. First, Turkey's Foreign Minister and then Prime Minister Urgüplü visited the Soviet Union.

The contacts and talks which took place during these visits definitely bore fruit. A number of agreements on trade and economic matters have been concluded. But this is not the main point. The main point, as we see it, is that after decades of relations marked by

hostility and mutual mistrust which were totally unwarranted and unnecessary our countries managed to achieve a certain turning point in their relations in the direction of growing mutual trust, in the direction of good neighbourship. We intend consistently to pursue the policy of improving relations with Turkey.

As before we will continue a policy of developing and strengthening friendly relations with India. The visit to the Soviet Union of India's Prime Minister Shastri last summer and the talks which we had with him marked a new step on this road.

Since the visit of President Ayub Khan of Pakistan to the Soviet Union and the talks held with him in Moscow certain requisites have appeared for improving relations with Pakistan as well.

Our position on the armed conflict between Pakistan and India is well-known from numerous recent official statements. I shall not dwell on them. I shall say only that the peace-loving, disinterested policy of the Soviet Union prompted by concern for peace and a friendly attitude towards the peoples of India and Pakistan has enhanced still more the prestige of our country in both these countries and in the world in general.

On the whole our relations with the states of Asia and Africa, which have shaken off colonial oppression and seek to conduct an independent policy, are developing actively and successfully.

Speaking about the latest period, I would like to single out the visit to the Soviet Union

of President Nasser of the United Arab Republic. We are satisfied with the results of our talks with him. They have led to further strengthening of the friendly relations between the USSR and the United Arab Republic.

We also take a positive view of the outcome of the meetings with such leaders of friendly states as Chairman of Burma's Revolutionary Council Ne Win, President Sekou Toure of the Guinean Republic, President Alphonse Massamba-Debat of the Congo (Brazzaville) Republic and the Prime Minister of Uganda Milton Obote.

Strengthening our friendly ties with the developing countries, we help to consolidate their national independence, come out jointly with them in the struggle for peace, against imperialist aggression. The importance of this task hardly needs arguing.

Of late a sharp struggle has been going on over the United Nations. The United States and some of its allies, taking advantage of the so-called "financial crisis" which they caused themselves tried to get control of the United Nations, to undermine in that organisation the positions of the socialist states and of the countries of Asia and Africa which have recently shaken off colonial oppression. But you are aware of the fact that the United States failed to carry out this scheme. Due to the consistent and firm struggle conducted primarily by the Soviet Union in support of basic United Nations principles the Americans had to retreat and the General Assembly began its work under normal conditions.

Our delegation posed two major questions there—"On the Impermissibility of Interference in the Internal Affairs of States, on the Safeguarding of Their Sovereignty and Independence" and "On the Non-Proliferation of Nuclear Weapons." Both these questions have an anti-imperialist edge. Both are prompted by the demands of life.

Comrades, such are briefly the most essential points of the foreign policy activity of the Presidium of the Central Committee of the CPSU and the USSR Council of Ministers in recent months. The Presidium of the Central Committee considers that this activity strengthens the international position of the Soviet Union, helps to increase the cohesion of the socialist countries and of all the progressive forces in the struggle against imperialism, in asserting the policy of peaceful coexistence of states with different social systems, for peace, democracy, national independence and socialism.

We are sure that the members of the Central Committee of the CPSU approve this foreign policy.

* * *

Comrades, now that the Plenary Meeting is completing its work one may note with great satisfaction the atmosphere of genuine Party activity, efficiency and comradely criticism, the sense of great concern and responsibility for the further development of our socialist industry which has characterised the entire work of the Plenary Meeting.

It will be easily seen, and this has been noted by many of the comrades who spoke here, that a direct connection and an organic tie exist between the questions we discussed this time and the decisions of the preceding Plenary Meetings of the Central Committee—in October, November and March. Loyal to Lenin's behests our Party steadfastly advances along the charted road of improving the forms and methods of Party and state guidance in all fields of communist construction.

The unanimity displayed by participants in the Plenary Meeting in the discussion on the question of such tremendous importance to the life of the country inspires assurance that the decisions aimed at radical improvement of the management of our industry will be successfully realised. The planned reconstruction must be carried out in an organised manner and swiftly so as not to disrupt the work of enterprises and to ensure successful completion of the economic year.

During the discussion of the proposals of the Presidium, Members of the Central Committee made a number of additional suggestions which are of considerable interest and must be given full attention. The Presidium of the Central Committee of the CPSU and the USSR Council of Ministers will certainly see this is done.

Comrades, the undertaking we have embarked upon is an exceptionally great and important undertaking. The realisation of the decisions of the Plenary Meeting will help the Soviet people to advance even more confi-

dently along their chosen road of building communism. It will also seriously influence the course of economic competition between socialism and capitalism in the international arena.

We shall be able to accomplish successfully the tasks posed before us if we rely on the people, heed the voice of the masses and always remember: everything our Party is doing is aimed at serving the interests of the working people, the interests of the Soviet people—the builders of communism. (*Stormy prolonged applause.*)

*ON IMPROVING MANAGEMENT OF
INDUSTRY, PERFECTING PLANNING
AND ENHANCING ECONOMIC INCENTIVES
IN INDUSTRIAL PRODUCTION*

**The Decision of the Plenary Meeting
of the Central Committee of the CPSU
Adopted on September 29, 1965**

Firmly and consistently pursuing the policy of building a communist society in the USSR, the Communist Party of the Soviet Union since the October (1964) Plenary Meeting of the Central Committee is carrying out extensive work in improving ways and means of guiding the country's political, public and economic life. Leninist organisational principles concerning the structure of Party bodies have been restored. With regard to management of the national economy, the Party probes ever more deeply into the essence of economic relationships in our society in order to utilise properly its economic laws and tremendous creative possibilities in the interests of the people. A concrete programme of development of agricultural production has been worked out at the March Plenary Meeting of

the Central Committee and is being put into effect.

Today the most important task is to attain greater industrial efficiency. A well-organised, highly developed industry is the basis of modern socialist economy, the foundation of the country's might. The successful development of our entire economy, growing well-being of the Soviet people, further strengthening of the defence potential of the Soviet Union depend on the level and scale of industrial progress, on industrial output.

Industrial production is continually growing and improving. Under the Seven-Year Plan the gross industrial product will increase by approximately 84 per cent instead of the planned 80 per cent. The production of power, oil, gas, coal, pig iron and steel will increase by a great margin.

A considerable growth in the output of chemical products, machinery, equipment, instruments and consumer goods is ensured. Over the past seven years more than 5,500 large industrial plants have been built or commissioned. The basic productive assets in industry have nearly doubled.

In keeping with modern demands the structure of industrial production is undergoing substantial changes. The share of power generation, machine-building and chemical industry, i. e. the branches which ensure the technical progress of the entire national economy will have increased in the course of the Seven-Year Plan from 27 to 35 per cent.

A number of measures have been taken to

raise the wages of workers and employees, provide pensions to collective farmers, improve the supply of consumer goods and step up the housing programme.

These successes are due to the tremendous creative effort of workers, engineers, technicians, scientists, the splendid organisational and educational work of the Party, government, trade union and Young Communist League organisations.

In order to cope with the important tasks of raising the level and speeding up industrial development, accelerating technological progress in all branches of the national economy and achieving a further rise in the people's living standards it is necessary to exploit every possibility, to make full use of available industrial reserves for augmenting national income.

The principal means of achieving this are: increased industrial efficiency and labour productivity, greater effectiveness of capital investments and basic productive assets, rigid economy, doing away with non-productive expenditures, comprehensive development of the creative initiative of working people in accomplishing these tasks.

Great importance is attached to improving planned economic management, raising the scientific level of state planning. National economic plans must take into account the prospects for scientific and technological progress and provide for rapid application and mastering of the latest achievements of science and technology. They must be based on realistic

and objective calculations. In drafting the plans it is essential to observe the most important principles: such as strict conformance to the economic laws of socialism, ensuring balanced economic development and a maximum of industrial products at the lowest cost.

The Plenary Meeting of the Central Committee of the CPSU notes that the existing organisational structure of management, the methods of planning and economic stimuli in industry are not in keeping with modern conditions or the level of development of productive forces.

A serious shortcoming of industrial management is that administrative methods have superseded economic necessity. Cost accounting at enterprises in many respects is formal; the powers of the enterprises with regard to their economic activity are restricted.

The work of enterprises is regulated by numerous indices which restrict the independence and initiative of the personnel of enterprises, diminish their sense of responsibility for improving the organisation of production. The system of material encouragement of industrial workers provides little incentive for bettering the work of the enterprises, making production more profitable and improving the quality of industrial products.

Although industrial management based on the territorial principle somewhat widened the possibilities for interbranch specialisation and coordination of industrial production within the limits of economic areas, it has impeded the development of branch specialisation and

rational industrial cooperation between enterprises situated in different economic areas, has created a gulf between science and production and resulted in fragmentation and multi-stage management of industrial branches, in sluggishness.

In order to provide for further industrial development, to further increase the effectiveness of social production, accelerate technological progress, to hasten the growth of national income and thereby ensure a further rise in the living standards of the Soviet people, it is essential to improve planning methods, to augment economic stimuli with regard to industrial production, to increase material incentives for workers in order to improve the work of enterprises.

The Plenary Meeting of the Central Committee considers that industrial management should be based on the industry principle, that union republican and all-union ministries for industrial branches must be established.

It has been found expedient to put a stop to excessive regulation of the activity of enterprises, to reduce the number of plan indices required of enterprises from above to provide them with the necessary means for developing and improving production, to make better use of such key economic levers as profit, price, bonus, and credit.

Economic and planning agencies are called upon to display greater flexibility and expediency in planning and management of production, ability to take into account changing economic conditions in good time to manoeuvre

with their resources, to balance production against rising requirements and public demand to reinforce the cost-accounting system, to apply promptly the achievements of science and technology, to find the best ways for solving economic problems in the concrete conditions of a given enterprise.

The entire system of planning, production management and material incentives must be directed towards ensuring a high rate of development of social production and increasing its efficiency. A most important condition for achieving these aims is to see that the personnel of enterprises have an interest in setting higher plan targets, making better use of productive funds, labour, material and financial resources, perfecting technology, labour organisation, and improving economic indices of production.

Extending the economic independence of enterprises, the Party and the Soviet Government as before will conduct a unified policy in planning the main directions of industrial development, technical progress, capital investment, prices, work remuneration and finance.

The great importance of the proposed measures for improving the organisation of management and reinforcing the economic methods of industrial management lies in the fact that they combine unified state planning with proper cost accounting at enterprises, centralised control of separate branches with broad republican and local economic initiative, the principle of one-man authority with a greater role to be played by production collectives.

This ensures a further extension of democratic principles of management. It creates the economic requisites for broader participation of the masses in the management of production and for exerting an influence on the economic activity of enterprises. Such a system of economic management corresponds more fully to present-day demands and will make it possible to make better use of the advantages of the socialist system.

The Plenary Meeting approves measures drafted by the Presidium of the CPSU Central Committee and set forth in the report of A. N. Kosygin, Member of the Presidium of the CPSU Central Committee and Chairman of the Council of Ministers of the USSR, on improving industrial management and planning and strengthening economic incentives of industrial production. It instructs the Presidium of the CPSU Central Committee and the Council of Ministers of the USSR to take decisions on these questions and submit proposals on industrial management bodies to the Supreme Soviet of the USSR for consideration.

The Plenary Meeting instructs the Presidium of the CPSU Central Committee, the Council of Ministers of the USSR, the Central Committees of Communist Parties of Union Republics, territorial and regional Party committees to settle promptly all organisational matters involved in the establishment of union-republican and all-union ministries as well as local economic management bodies thereby ensuring the normal operation of industry, correct decisions with regard to the use and

deployment of personnel released as a result of the abolition of economic organisations, seeing that enterprises are supplied with skilled cadres, that newly established ministries and departments are staffed with highly skilled specialists, good organisers capable of conducting affairs in a statesmen-like way.

It is considered that the main task of ministries, personnels of industrial establishments, scientific research institutions, and designing organisations is to ensure a high pace of development and greater efficiency of industrial production, a steady rise in labour productivity and the best use of available productive funds. With this in view it is necessary to ensure large-scale introduction in the national economy of the latest achievements of home and foreign science and technology, scientific organisation of labour, improvement of the quality of output, strengthening state and labour discipline and enhancement of the responsibility of every worker for his job.

The Plenary Meeting of the Central Committee stresses that the ministries are responsible to the Party, the state and the Soviet people for the successful development of industry, its high technical level, for equipping all branches of the national economy with technically perfect and highly efficient machines and appliances, quality raw materials and other supplies and satisfying public demand for quality consumer goods as fully as possible.

Transition to the branch principle of industrial management and strengthening eco-

conomic levers in industrial development enhance still more the role of Party organisations in the republics, territories, regions, cities, districts, enterprises, ministries and departments in the drive to ensure a high rate of economic development, increase their responsibility for the work of enterprises and economic bodies in fulfilling national economic plans and state assignments. It is the duty of Party committees, without substituting business executives, to concentrate on organisational work, on the selection, deployment and training of cadres on seeing that Party and government directives are fulfilled, and improving communist education of working people.

It is the duty of Party organisations to study constantly the work of enterprises and help business executives reveal and overcome shortcomings. They must direct the efforts of working people towards seeking and bringing into action all production reserves and fighting resolutely any manifestations of departmental or parochial tendencies.

Party committees should have a profound knowledge of the economics of production. They must make thriftiness and economy of funds, material and labour resources a truly nation-wide concern, see that cadres have a knowledge of economics, and teach them the art of correctly using economic levers for improving industrial production.

Party, trade union and YCL organisations should step up their work to enhance communist consciousness of working people, develop

their creative activity, fight persistently for raising labour productivity, improving labour discipline and production routine and display greater concern for bettering the working and living conditions of workers and employees. It is necessary to improve the organisation of the socialist emulation movement among working people so that everything progressive in production should be popularised and put into practice. Potentialities of the new system of management should be used fully for the further development of production and for material incentives of well-run enterprises and workers.

Economic incentives for raising the productivity of social labour are a powerful means of advancing the socialist economy towards communism. At the same time the Party will continue its persistent course for raising communist consciousness of working people and fostering a communist attitude towards labour. It is only when every worker displays a conscientious initiative and creative approach to the work he does, and has a thrifty, economical approach to public property that it is possible to fight for building a communist society. It is the duty of Party organisations in every way to develop moral stimuli to labour, create all conditions for the development of truly communist creativity of the masses.

The Plenum instructs Party organisations widely to explain the decisions of this Plenum to all the working people, to direct all the forces of Party, government and economic cadres to fulfilling the measures drafted by the

Party and the government. In drafting these measures our Party has proceeded from the vital interests of the working class and all the working people of our country, taking due account of the proposals and wishes expressed by workers, engineers and technicians, scientists, Party, government, trade union and YCL organisations.

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The Plenary Meeting of the Central Committee of the Communist Party of the Soviet Union expresses confidence that measures for improving the management of industry, perfecting planning and increasing economic incentives for industrial production will be met with satisfaction by the Party and all the people of our country. Successful implementation of these measures will further bolster the economic might of the Soviet state, ensure the steady growth of public welfare, strengthen still more worker and peasant alliance, and contribute to the more successful accomplishment of the tasks of communist construction.

*ON THE CONVOCATION
OF THE 23rd CPSU CONGRESS*

**The Decision of the Plenary Meeting
of the CPSU Central Committee
Adopted on September 29, 1965**

1. To convene the next, 23rd, Congress of the CPSU on March 29, 1966.
2. To approve the following agenda for the Congress:
 - 1) Report of the Central Committee of the CPSU—by L. I. Brezhnev, First Secretary of the CPSU Central Committee.
 - 2) Report of the Central Auditing Commission of the CPSU—by N. A. Muravieva, Chairman of the Auditing Commission.
 - 3) Directives of the 23rd Congress of the CPSU on the five-year plan of the USSR economic development for 1966-1970 - by A. N. Kosygin, Chairman of the USSR Council of Ministers.
 - 4) Election of leading Party bodies.
3. To establish the following norms of representation at the 23rd Congress of the

CPSU: one delegate with decisive vote for 2,500 members of the Party and one delegate with consultative vote for 2,500 candidate members of the Party.

4. Delegates to the 23rd Congress of the CPSU are elected, according to the Rules of the Party, by closed (secret) vote at regional and territorial Party conferences and congresses of the Communist Parties of the Union Republics. Election of delegates to the CPSU Congress from the Communist Parties of the Ukraine, Byelorussia, Uzbekistan and Kazakhstan takes place at regional party conferences.

Communists belonging to Party organisations of the Soviet Army, Navy, home guard, convoy escort and frontier units elect delegates to the 23rd CPSU Congress together with the Party organisations at regional and territorial Party conferences or congresses of the Communist Parties of the Union Republics.

Communists belonging to Party organisations of units of the Soviet Army and Navy serving abroad elect delegates to the 23rd Congress of the Party at Party conferences of corresponding military formations.

