

**SOVIET
ECONOMIC
REFORM
AND
ITS CRITICS**

V. Smolyansky

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AND ITS CRITICS

NOVOSTI PRESS AGENCY PUBLISHING HOUSE



[CIRCA LATE 1965 OR 1966]

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Gone are the days when socialism's enemies predicted a rapid and imminent collapse of Soviet power and proclaimed the birth of the Soviet state an accidental zigzag of history.

That the ill-starred prophets were indulging in wishful thinking was shown by living realities. In a brief historical period the Soviet Union made a vast leap from backwardness to progress. The devoted labour of the Soviet people enabled Russia to advance from the age of the wooden plough to the age of space exploration. The triumph of socialist production relations enabled the USSR in less than fifty years to traverse a road which took the most developed capitalist states nearly two centuries to cover, and to become one of the mightiest industrial powers.

There is no bypassing the truth of life, for it follows a straight road. But there are some in the West who continue to harp on the old tune, alleging that "the production crisis is an intrinsic feature" of communism. Misinterpreting the decisions of the September 1965 Plenum of the CPSU Central Committee, whose basic aim was further to improve the system of planning and economic management, they want to distort the truth and confuse a clear issue.

It is well known that in our era the Soviet Union influences the entire course of world history, primarily through its economic policy.

That is why the Soviet Communist Party's economic programme, aimed at creating a society of genuine abundance, the concrete measures of carrying it into practice and the reform now being implemented to ensure more rapid and effective economic growth are giving rise to so much diverse comment in all parts of the world.

The Essence of the Soviet Economic Reform

Politics resembles algebra much more than arithmetic, it is said. And this is true of politics in general and of economic policy in particular, for it requires most careful consideration of all the motive forces of economic development, ability to foresee and predetermine the immediate and future consequences of decisions adopted and their influence on the whole gamut of intricate social and economic processes.

Economic policy plays an exceptionally important part today, when mankind is going through tempestuous scientific and technical revolution. Progress in fathoming new fields of human knowledge during the last decade alone surpasses anything achieved in the course of past centuries.

Discoveries and achievements in nuclear physics and atomic techniques, exploration of outer space and evolving new synthetics, in automation and electronics—all these signify the greatest upheaval in means and instruments of labour which help man to subdue nature.

A correct economic policy accelerates production and increases its effectiveness. Lenin attached vast importance to scientific substantiation of economic policy promoted by a party standing at the helm of state. He regarded economics as "the most interesting policy," as the key to solution of cardinal tasks connected with communist reorganization of society. The plans charted by Lenin and translated into reality by the devoted labour of the Soviet people enabled the Soviet Union to carry out a far-reaching industrial and cultural revolution in a brief historical period. Even the most rabid anti-Sovietees are now compelled to recognize the Soviet Union's obvious and impressive achievements in economic and cultural development.

In the past seven years (1959-65), the average annual rate of increase in Soviet industrial production amounted to 9.1 per cent. Comparison of this figure with the rate of economic development in the USA (3.9 per cent), Britain (3.5 per cent), France (5.6 per cent) or West Germany (6.3 per cent) convincingly testifies to the advantages of the socialist economic system. But the potentialities latent in the socialist economic system make it possible to expand production still more rapidly, and further improve quality standards.

The task now facing the Soviet state is to bring methods of economic management into conformity with the level attained in social development. It should be clear that concrete forms and methods of planned economic management cannot remain rigid and immutable. They are continuously evolving with the pro-

gress of the economy, with its broader opportunities and increasingly complex tasks it has to solve. True, the economic reform was also prompted by several other factors.

In recent years the system of economic management was marked by serious shortcomings. Some questions were often solved in a hurry, without profound study and all-round discussion. Not infrequently there were manifestations of subjectivism, high-handed methods, errors in planning. All this hampered planned development of economic processes.

That is why there arose the need for a business-like appraisal of positive and negative aspects of previous economic reforms in order steeply to raise the efficiency of socialist production, to bring out and fully utilize the advantages of the socialist economic system. Another important consideration was to provide material incentives to every worker to raise his interest in the results of his labour and operation of his team, shop and enterprise. All this presupposes stronger centralized planned management, on the one hand, and further encouragement of economic initiative of socialist enterprises and collectives, on the other.

The heightened interest shown by various specialists abroad in Soviet economic life is quite natural. Some of them genuinely want to understand the complex processes taking place in the Soviet economy. Others pursue quite different aims, namely, to discredit and disparage every Soviet measure under the guise of "objective analysis."

There are many ideologists and politicians

in Western capitalist countries who try to give a negative appraisal of the Soviet economic management methods on the basis of individual facts and examples torn out of their context. Thus, J.B. Philipp, a prominent economist from the French General Commissariat for Planning, writes in his book, *Destin de la Planification Soviétique*, that voluntarism is typical of the Marxist-Leninist teaching. There is not a grain of truth in this assertion.

Marxism-Leninism has always opposed subjectivism and voluntarism, has always stressed the need of a scientific approach to the formulation and realization of economic policy. At every stage of socialist and communist construction in the Soviet Union the Communist Party has invariably been guided by this cardinal principle. The underlying feature of Soviet economic management is its profoundly scientific character. To assert that voluntarism is intrinsic in the Soviet system of economic management is to raise individual shortcomings to the absolute, not to see the wood for the trees. Directing the process of communist construction, the CPSU has always been guided by objective economic laws, resolutely opposing any reforms which have no basis in economic reality.

It was precisely in this light that the CPSU Central Committee discussed at its September 1965 Plenum the urgent problems of improving the system of industrial management and planning and of stimulating industrial production. The Plenum outlined concrete paths for speedier Soviet economic advance. Following an all-round discussion of urgent economic problems,

the Supreme Soviet adopted a law providing for changes in the system of industrial management bodies and reorganization of certain other organs of state administration.

In the sphere of economic planning, it was decided to reduce the number of indicators approved by the central bodies. The operation of enterprises will henceforth be judged not by gross output, but by the amount of products actually sold. The role of profit as a planned indicator is increasing. Profit is the difference between the selling price of goods and their production cost, and the price expresses the amount of socially necessary labour invested in the production of commodities. Hence, profit is the most important indicator of production efficiency. In a socialist society profit merely reflects the amount of working time, raw materials, fuel and power actually saved in the process of production. The size of profit determines the contribution made by each enterprise to the national net income — income which goes for further expansion of production and improvement of the people's well-being.

In his report at the CPSU Central Committee Plenum Premier Alexei Kosygin said:

“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, increase it. . . 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 modernizing the range of manufactured

goods and raising their quality. Profit reflects all these aspects of the production activities in a much more complete way than the production cost index. What is important in this case it to take into account not only the amount and increment of profit obtained, but also the level of profitability, i.e., the amount of profit per rouble of productive assets.”

Essential changes have been introduced in the planning of labour at enterprises. Whereas until recently enterprises were handed down from above four labour indicators—productivity, number of workers, average wages and wage fund—now there remains only one centrally planned indicator—total wage fund.

The Central Committee meeting demanded of all economic and planning bodies flexibility and efficiency in the planning and management of production, ability to assess and promptly react to the changing economic situation, to make more efficient use of available resources and to keep production keyed to the population's rising requirements and effective demand. Correct planning of primary social requirements, of their structure and volume for one or another period, is one of the paramount tasks of the economic policy. That is why the national economic plan must combine production, consumption and accumulation in the most harmonious and practical way to ensure maximum satisfaction of society's requirements.

The economic plan will be more and more closely coordinated with the methods of economic management which set in motion the forces of material interest based on the principle: what

is good for society is good for the factory and for every worker. It is one of the laws of the Soviet Union's economic development that growing technical and economic maturity enhances the role of economic methods based on precise analysis and calculation in the process of planning.

The new Statute of the Socialist Industrial Enterprise adopted since the CPSU Central Committee Plenum gives factory managements more rights and more opportunities to run their enterprises on a profit-making basis. The amount of profit left at their disposal will now depend directly on more efficient use of plant, increased sales and higher profitableness and quality standards. Every factory will have its development fund, made up of contributions from profit. Subsidies for capital construction are to be replaced by long-term credits, and subsidies to working capital by short-term credits. Factory managers will carry greater responsibility for failure to meet contract deliveries.

The elementary principle of socialism consists in the fact that the individual's close contact with the production collective can only be ensured by properly combining material and moral incentives. Any attempt to ignore material incentives adversely affects the labour process, which forms the basis of all social relations. The new system of planning provides for establishment of an incentive fund at every enterprise, made up of contributions from profit fixed for a number of years.

All these changes cannot but affect the sys-

tem of price-formation, which is called upon to show the actual cost of meeting the requirements of society, to orient enterprises on optimal types of output and optimal directions of technical progress. Price-formation must become a precise instrument of effective economic planning.

In the final analysis, all aspects of the Soviet economic reform are aimed at accelerating scientific and technical progress of socialist production, at creating the production apparatus of communist society, capable of ensuring the fullest possible satisfaction of man's requirements.

In conditions of public ownership of the means of production, the state enjoys vast opportunities to carry out a uniform policy of technical progress with the aim of discovering new sources of energy, extending automation and chemicalization of production processes, increasing the scope of industrial specialization and cooperation, creating new industries and deepening the process of differentiation in existing industries.

Such are the factors determining the country's transition to the sectoral system of economic management through the ministries, which are called upon to exercise planning and production management, to solve major problems of technological progress, material and technical supply and financing of labour and wages. The basic content of their activity in present-day conditions is connected first and foremost with the economic methods, enhancement of the cost-accounting principle, extension of the economic rights and initiative of enterprises.

Is Marx's Teaching Being Renounced in the USSR?

Like street pedlars, the critics of communism have wares to offer for every possible occasion. Whenever one or another achievement of socialism cannot be denied, they try to make out that it was achieved long ago by other countries. And, conversely, whenever socialist countries come up against any difficulties connected with economic growth or carry out any reforms in the sphere of planning and management, they hasten to proclaim the "collapse" of the socialist mode of production. The chief aim of the critics of communism is to discredit the socialist system in the eyes of the masses, weaken the impact of the Soviet example, question the very possibility of peaceful coexistence and economic competition between capitalist and socialist states.

Of course, peaceful coexistence is a good thing, the anti-communists say. But is it possible on our troubled planet in present-day conditions? Would it not be better to repose our hopes in the "internal evolution," which will merge the two differing socio-economic systems into a system embracing the best elements of capitalism and socialism—private property, competition, planning and so on.

It is in the light of this theory of the "synthesis" of the two antagonistic social systems that many bourgeois ideologists assess the Soviet economic reform. Yet one has only to imagine for a moment the fusion of private property, competition and economic planning on a scale

embracing the entire capitalist system to see the absurdity of such a "synthesis." Of course, achievement of rhythmic and harmonious operation of all parts of the social mechanism is a cardinal requirement of the economy. But it can be attained without crises and recessions, without painful fluctuations and disproportions only when the basic means of production are converted into public property. That is why the idea of "synthesizing" the two diametrically opposite social systems is absolutely fallacious.

Commenting on the decisions adopted by the September Plenum, many Western observers speak profusely about "the introduction of capitalist methods in the Soviet Union." Assertions of this kind can be found in a series of articles carried by the *New York Times* as well as in a speech made by the US Secretary of Commerce John T. Connor at the Foreign Press Club in New York on September 20, 1965. But has anyone in the Soviet Union proclaimed the transfer of the means of production from public ownership into private possession? No—bourgeois ideologists are merely indulging in wishful thinking. The economic foundation of socialism remains inviolable. At the same time, one and the same content may assume various forms at the different stages of development.

Distortions of the essence of economic processes in the USSR usually begin with allegations that the Soviet economy is "absolutely ineffectual." The false version about "stagnation and chaos reigning in Soviet industry" is being assiduously disseminated. Such assertions have found their concentrated expression in a report

on the current economic indicators of the Soviet Union submitted in June, 1965, by the Joint Economic Committee of the US Congress.

Statistics and Sophistry

It may appear at first glance that this report does not contain any distortions. It cites dozens of tables, a wealth of factual and statistical data; its tone is rather reserved, and the conclusions are presented in the form of "objective" appraisals and "good will recommendations." And yet the chief propaganda aim of its authors is perfectly clear—to prove the "weakening" of the Soviet economy as a result of the alleged "non-effectiveness" of the economic system prevailing in the USSR.

The authors of the report base their estimates on statistical data for 1963, completely disregarding the fact that 1963 was quite an exceptional year. In the opinion of many experts the 1963 crop failure in the USSR can only be compared to the crop failures that preceded the terrible Volga area famine in 1921. It is absolutely impermissible to base statistical estimates on one adverse year, for this can only produce a distorted picture.

If we make an objective analysis of the progress and prospects of economic development by comparing statistical data not for any adverse year, but over a longer period, we shall get the real picture. We have already pointed out that the average annual rate of Soviet economic growth over the seven-year period (1959-65) was

9.1 per cent. The volume of industrial production increased 84 per cent, the output of engineering goods rose 140 per cent, chemicals nearly 150 per cent, foodstuffs and consumer goods 50 per cent.

Industrial advance in the People's Democracies likewise testifies to the indisputable achievements of the socialist economy. Thus, the 1964 volume of industrial production was 18.6 times above prewar level in Bulgaria, 11.5 times in Mongolia, 9.7 times in Poland, 8.5 times in Rumania, 5.8 times in Hungary, 4.8 times in Czechoslovakia, 4.1 times in the German Democratic Republic and 6.8 times in Yugoslavia.

All member-countries of the Council for Mutual Economic Assistance are now improving their economic management methods. This creates more favourable conditions for mutually advantageous coordination of their economic development plans, promotes the socialist countries' fraternal cooperation and strengthens international positions of socialism. Hence, objective analysis of the socio-economic processes convincingly shows that the anti-communist thesis on the "non-effectiveness" of socialism is absolutely unfounded.

Another confirmation of this is provided by long-term economic prospects of the USSR. Indeed, the Directives of the 23rd CPSU Congress for the Five-Year Economic Development Plan of the USSR for 1966-70 envisage a 38 to 41 per cent rise in the national income and a 30 per cent increase in real earnings per head of population. And the Soviet plans are always

realistic, for they are based on public ownership of the means of production. Their feasibility is attributable to the fact that the Soviet state possesses sufficiently broad executive and administrative powers to translate its economic programme into reality on a country-wide scale, to ensure harmonious development and high stable rates of economic growth in diverse sectors and areas.

In the next five years it is planned to increase the volume of industrial production by 47 to 50 per cent, with output of producer goods increasing 49 to 52 per cent and of consumer goods 43 to 46 per cent. This process will be attended by progressive changes in the pattern of social production. The reference here is to priority development of power, engineering, chemical and metallurgical industries, improvement of intra-sectoral proportions, increasing the share of more progressive and economical industries capable of meeting social requirements with minimum outlays. On the basis of technical progress, improved organization of labour, better working conditions, greater economic stimulation of production and provision of material incentives to workers, productivity in industry during the five-year period will increase 33 to 35 per cent and profit more than 100 per cent.

Agriculture will keep pace with industry. Its average annual volume of output will increase 25 per cent over the previous five-year period.

The entire Soviet economy is forging ahead at rapid pace. The new economic reform will

help maintain its high stable rates of advance.

Theoreticians from US Senate Committee allege that economic growth rates cannot serve as a criterion in appraising the course and prospects of competition between the two social systems. The only reliable criteria, according to them, are quality of output and the level and degree of utilization in the economy of scientific and technical progress.

This one-sided approach to the question is profoundly erroneous, both historically and theoretically. One cannot artificially divorce and oppose growth rates to the results of scientific and technical progress and quality standards. Is it possible to assume that a country systematically maintaining high growth rates—and, moreover, in such key branches as ferrous and non-ferrous metals, power, oil, engineering and so on—can achieve this without gigantic progress in science and technology?

When the Soviet Union launched on its industrialization programme, thereby laying the material and technical foundations of socialism, it completely refashioned the old pattern of social production, created entirely new industries, equipped them with highly efficient machinery and organized large-scale production of goods whose quality corresponded to the requirements of that period. It is by no means accidental that the USSR emerged with flying colours from the grim ordeals of World War II (1941-45), which was a serious test both of the Soviet social and political system's stability and of its industrial might.

Is the Plan Oriented on a Peace or War Economy?

The material and technical basis of communism being created by the Soviet people presupposes the existence of a production apparatus capable of utilizing the best achievements of the scientific and technical revolution. Unable completely to deny the scientific and technical achievements of the Soviet Union, the critics of communism are alleging that Soviet industrial development is one-sided, that scientific and technical progress is confined exclusively to the military sphere. This cold-war conception of the Soviet Union's "totalitarian planned economy," which is "strictly military" in character, and whose only purpose is "expansion of communism," is now being trotted out by the authors of the afore-mentioned Senate Committee report.

Of course, as long as the Soviet people live on a planet where imperialism still operates, as long as the possibility of aggressive imperialist circles unleashing another war cannot be precluded, the Soviet Union is compelled to direct a definite share of its material, financial and manpower resources to defence needs. The fact that the Soviet Union in the postwar period created powerful nuclear-missile weapons, which are a stern warning to would-be aggressors, is convincing proof of the effectiveness of planned economy based on public ownership and permitting concentration of necessary economic forces to solve major national problems.

However, it is a deliberate lie to assert that this feature of the Soviet economy is manifested exclusively in the military field, and testifies to "militarism." The ability of the socialist economic system promptly and effectively to solve cardinal economic and social problems has been proved time and again both before and since the war. It is sufficient to recall such important measures carried out in the Soviet Union in recent years as acceleration of the most progressive industries and the vast housing programme.

The general perspective of the Soviet Union's economic policy is to build a communist society, to ensure a steady rise in the people's material and cultural standards, to create an abundance of foodstuffs, clothing, footwear and other articles of consumption. The scope of activity directed towards solution of this task and financial, material and manpower resources allocated to this end are steadily increasing in proportion to the USSR's growing economic might. Graphic confirmation of this was provided by the recent session of the Supreme Soviet, which approved the economic plan for 1966. One of the plan's distinctive features is that it envisages a considerable growth of the national income as a basis for further material and cultural advancement of the Soviet people.

The plan provides for speedy expansion of agriculture and consumer goods output. The narrowing of the gap between the growth rate of consumer goods output and the growth rate of means of production output is now under way in the Soviet economy. Existence of a powerful

heavy industry now permits the USSR not only to meet more fully the requirements of economic development as a whole and continuously strengthen defence capacity, but also to supply agriculture, light and food industries and other sectors directly catering to the population with producer goods on a far bigger scale than before.

Contrary to many objective facts and forced admissions of capitalist spokesmen, some anti-communist critics harp on the socialist economy's "organic inability" to solve the problem of quality. To prove their claim that the Soviet state does not want to make quality "the underlying principle of its extensive plans," the authors of US Senate Committee report cite diverse negative facts, widely commented upon in the Soviet press, in an attempt to present them as a general socio-economic law of the socialist mode of production.

Needless to say, the quality of products turned out by some Soviet enterprises does not always correspond to modern scientific and technological requirements. Certain types of equipment installed in our factories are sometimes below world standards in design and operation efficiency. Consequently, the American experts make no discovery when they refer to such facts, for the Soviet people themselves frankly speak of our shortcomings and seek ways to eliminate them. Any objective observer cannot but admit that Soviet industry is producing more and more goods whose quality corresponds to the highest world standards. This applies to cameras, radio-sets, clocks and

watches electrical appliances, machine tools, power and drilling equipment and many other items. But the ill-starred "experts on the Soviet economy" have no use for objective facts. Their aim is to exaggerate in every way the temporary difficulties and unsolved problems arising in the process of growth, to speculate on them and resort to all possible means to present the Soviet economic picture in a distorted light. They "adjust" the facts in favour of their conclusion concerning the "inability" of the Soviet state to solve intricate problems of scientific and technical progress and quality. But these lies are effectively refuted by living realities.

Radical improvement of quality, wide-scale introduction of high-productive and economical equipment, extensive application of the latest scientific and technological achievements in industry—these important tasks are now being solved by the Soviet people. Extension of the economic independence of enterprises and their greater responsibility for fulfilment of quantitative and qualitative indicators fixed by the plan, and the enhanced role of profit and material incentives will greatly accelerate solution of these tasks. A series of measures is now being planned in the USSR with the aim of systematically renewing and extending the range of manufactured goods and bringing them into conformity with consumer demands and with the world science and technology standards. Direct contacts between enterprises and trading establishments are being extensively developed. Similar contacts between sellers and buyers are

being established in sectors manufacturing iron and steel, machine tools, equipment and other means of production.

Speaking in a broader sense, it can be confidently asserted that the Soviet national economy is entering a stage when effective utilization of the latest scientific and technological achievements will become the main criterion of economic activity.

Why has the problem of quality acquired such urgency in our day? Can it be explained only by a desire to remove shortcomings in production of specific types of goods? Of course, the speediest possible elimination of any shortcomings is essential to progress of socialist production and better satisfaction of the people's requirements. But of no less importance is the fact that in the process of communist construction, the Soviet people are effecting a profound qualitative change in the material foundations of social production by radically altering the very pattern of the national economy on the basis of the latest achievements of the scientific and technical revolution. And this can only be ensured by steady rise in the quality of output, by attaining a level corresponding to the highest technical standards.

Socialism and Quality

One of the principal theses put forward by anti-communist spokesmen is that the Soviet Union lags behind the United States in key branches of science and technology, that the

Soviet economy does not provide any incentives to systematic scientific and technical progress and so on. Senator Thomas Dodd, Vice-Chairman of the US Internal Security Subcommittee, even went to the length of asserting that space research is not typical of Soviet industry.

The absurdity of this statement is self-evident. The creation and launching of more than a hundred Soviet sputniks and spaceships can only be regarded as an expression of economic progress, resulting from outstanding achievements in the most important and promising branches of science and technology. At the same time, this is a key indicator of the level and potential of industrial production. The thesis of the "gap" allegedly existing between our achievements in space research and the general level of Soviet economic development is needed by the critics of communism to neutralize the impact made by Soviet scientific and technical triumphs on the minds of hundreds of millions of people all over the world, who cannot conceal their admiration at the colossal progress of the socialist state.

The "gap" is merely a propaganda invention. The remarkable successes achieved by Soviet scientists, designers, engineers and workers in all sectors of science and technology are indisputable. The scope of this process can be judged from the fact that in the past decade alone Soviet industrial enterprises, research institutes and designing bureaus created more than 22,000 new types of complex machines, mechanisms, instruments and equipment. Keen interest has been shown abroad in Soviet cons-

truction of powerful hydro-electric stations and vast highly automated power grids transmitting super-high-tension current over large distances, in Soviet oil industry equipment, notably electric and turbo-drills, in our new open-hearth and blast furnaces of great capacity, in the nuclear-powered ice-breaker, in hydrofoil craft, gas-turbines and other Soviet industrial accomplishments.

It is fitting to compare the conclusion of Senator Dodd and his colleagues with the opinions of competent American scientists and appraisals contained in a number of official documents. Take, for instance, the report on recent trends in Soviet scientific and technical education, prepared by the US House of Representatives Committee on Education and Labour and published on August 20, 1964. This report cites a number of statements by eminent scientists. Dr. Terman, Rector of Stanford University, writes that in the past 18 years Russia's achievements in technological development were astounding. Russia now has subtle electronics, notably a multibeam microwave radar. It has reliable programming devices and big computing machines... The Russian intercontinental ballistic missiles, he continues, represent a new level of technological development; moreover, the Russians are ahead of the Americans in this field, and their rockets are capable of carrying heavier loads than American.

The report also cites the impressions gained by Glenn Seaborg, Chairman of the US Atomic Energy Committee, during his visit to the USSR. Dr. Seaborg declares, that it is easy

to observe a very bold and energetic approach in many fields, particularly in the field of high-energy accelerators, controlled thermonuclear reactions and trans-uranium research. It is perfectly obvious that Soviet scientists are quick to appreciate the significance of any new device, theory or principle, and subsequently strive to improve the new discovery. Lastly, the report cites the opinion of Professor J. Billington of Princeton University to the effect that the achievements of Russian science helped to alter the alignment of world forces. In the final part of the report the authors come to the conclusion that the Soviet Union will undoubtedly achieve the set goals in the spheres of science, technology and education, and can surpass the United States in all fields.

The West's Prospects

The postwar years have witnessed a marked rise in rates of economic development in several capitalist countries. Referring to this fact, many Western propagandists indulge in theoretical disquisitions about the "growing similarity" between the economic dynamics of socialism and capitalism, going to the length of asserting that the economic competition between the two systems holds out no prospects for socialism.

It should be obvious that any attempt to depict the high rates of economic growth in a number of capitalist states as a stable tendency of modern capitalism and to build prognos-

tifications on competition between the two systems on that basis is wishful thinking. Analyzing this phenomenon, many Western researchers came to share the conclusion of Soviet scientists that it was determined by the interaction of specific conditions and factors (post-war rehabilitation, wide-scale renewal of plant and equipment, impact of the scientific and technical revolution, and so on), whose operation is anything but stable. Moreover, the rapid growth of some countries (Japan, Italy, France, West Germany) was attended by slow rates in others (USA, Britain, Canada, Belgium, Sweden). In other words, in the post-war period uneven economic development continues to remain a law of capitalism, and is manifested in very acute forms.

When their prognostications are intended for use in their own countries, bourgeois economists are extremely cautious in forecasting both long-term and immediate prospects. Defining the basic economic problems facing the USA, most of the participants in the American Economic Association, which represents American Big Business interests, pointed to the further aggravation of unemployment and balance of payments deficit. The economic situation in Britain has likewise deteriorated, and Italy's economic growth has slowed down. Common Market countries have to contend with serious inflation.

Bourgeois economists refer to the growing economic role of the capitalist state as proof of the "economic stability" of modern capitalism. Indeed, monopoly capital has made the

best possible use of the state as an instrument for carrying out a series of emergency measures, designed to ensure more or less stable economic development. While producing certain results, these measures failed to solve the main problem of eliminating the contradictions of the capitalist economic system. On the contrary, they ultimately resulted in still further aggravation of these contradictions. Other problems of grave concern to the business community of the imperialist states are in the spheres of capital investment and markets. It is not accidental that the Senate Committee report speaks of life-and-death competition between British, French, West German, Japanese and Italian business. This is only natural, considering the present volume of production capacities and technical potentialities. The development of capitalism has given rise to a number of new difficulties, including decline of whole sectors of the economy and emergence of distressed areas.

It should be pointed out that these problems are both economic and social. The striking social contrasts typical of the United States of the 1950s and 1960s are vividly described in M. Harrington's book *The Other America*. Side by side with the world's highest material standard of living enjoyed by one part of American population, there are some 50 million destitute people who eke out a wretched existence. While 20 per cent of the wealthiest families accounted for 45.5 per cent of all personal incomes in 1958, the same percentage of low-paid families had to content themselves with only 4.7 per cent.

In 1963-64 the USA witnessed a considerable rise in business activity. The American press began to speak of a new era of "prosperity," extolling "new production records." In the meantime J. Fryer, Research Director of the Food Workers' Union, justifiably asked: Who needs these "records" and who benefits from them? Citing data on the unprecedented growth of monopoly profits, Fryer drew the conclusion that the much-advertised era of "unparalleled prosperity" signified further enrichment for big capitalists only.

The admissions, contained in "The Manifesto of the Ad Hoc Committee on the Triple Revolution" (published in 1964), whose authors include Nobel Prize winner Linus Pauling, noted American economist Robert Theobald, trade union leader Pauling Helstein and other prominent personalities, are a damning indictment of capitalism. "The present system," write the authors of the Manifesto, "encourages activities which can lead to private profit and neglects those activities which can enhance the wealth and the quality of life of our society."

Analyzing the influence exerted on the USA and other countries by the three revolutions developing in the present-day world—cybernetics, military techniques and the Negroes' fight for civil rights—the Manifesto trenchantly criticizes the American reality. Referring to the USA, they declare that the modern system of industrial production has become unviable because the revolution in the sphere of productive forces brings about the sharpening of social con-

traditions and renders invalid the general mechanism of distribution. The authors see a way out in the "conscious and rational direction of economic life by planning institutions under democratic control."

Being non-Marxists, the authors of the Manifesto are unable to give a scientific interpretation of problems they examine. Some of their appraisals and, what is most important, the proposals for changing the situation are patently unacceptable. But, taken as a whole, the Manifesto discloses the basic contradictions of contemporary capitalist society, and reflects the profound anxiety of the more far-sighted representatives of American society.

On the other hand, frank apologists of the capitalist system are deeply concerned over the prospects of competition with socialism. That is precisely why the authors of the Senate Committee report, who set out to prove the "inefficacy" of the Soviet economy, inadvertently declare that... the survival of the free world depends on how successfully they can cope with the ever more resolute economic offensive launched by the Soviet Union...

"Synthesis" of Socialism and Capitalism?

The concept of "identity" between socialism and capitalism is expounded by representatives of neo-liberalism—a trend in contemporary bourgeois political economy which arose way

back in the 1930s, and became particularly widespread in West Germany after the war. Seeking to substantiate their concept, they substitute differences in forms and methods of economic management for the essential economic, social and political distinctions between socialism and capitalism. And the latter differences, according to the neo-liberals, are being increasingly obliterated and weakened. In other words, if socialism is "a centrally regulated" economy "precluding spontaneous market relations," then capitalism is a system based on a free market, free prices and "elastic costs." The economic policy now being effected in the USSR is interpreted by exponents of neo-liberalism as a return to the market economy with its price fluctuations.

Such views are propounded by Professor Erik Bettcher of the Hamburg Institute of General Economic Problems, Professor Karl Talheim and certain other West German experts on Soviet affairs. A similar approach is typical of many American and British experts on the Soviet economy.

Professor Abram Bergson, a prominent American expert on the Soviet economy, who heads Harvard University's Russian Research Institute, declares in his book *The Economics of Soviet Planning*, that there exists much more similarity between socialism and capitalism than the founders of Marxism believed. Sharing the views of other bourgeois theoreticians, Professor Bergson says that if the Soviet Union achieves a high level of economic efficiency, this will only lead to the further obliteration of

distinctions between the two social systems. Much the same ideas are put forward by Professor Marshall Goldman of the USA, sociologist Raymond Aron of France and many other noted bourgeois economists.

The wish is father to the thought, it is said. No sooner had the results of the CPSU Central Committee September Plenum become known in the West than the monopoly press set its propaganda machine in motion. *The New York Times* (September 30, 1965) announced that the Soviet Union's new economic reform "resembles capitalism." The same interpretation of Soviet economic measures was given by the Tokyo *Yomiuri* and many other capitalist papers. The London *Daily Telegraph* wrote that the present changes...virtually renounced the Marxist doctrine that labour was of cardinal importance and made a step towards recognition, albeit in covert form, of the capitalist concepts of rent, interest rates, profit, market and prices.

It is not difficult to see that these Western legends do not square with facts.

Everybody knows that state property in the Soviet Union belongs to the whole people, and is used in the interests of all members of society. The transfer of key economic levers into the hands of the socialist state put an end to the alienation of producers from the means of production, and completely abolished the exploitation of man by man. The means of production in our country are made to serve the entire people, and cannot be used for personal enrichment.

The entire Soviet national income is distri-

buted in the interests of the working people. Thus, the aggregate national income in 1963 amounted to 169,100 million roubles, of which 166,600 million (less non-distributed expenditure and losses) went to the national economy, including 124,100 million for consumption and 42,500 million for accumulation and other expenses.

In capitalist countries, on the other hand, more than half the national income is appropriated by the exploiting classes, which account for only about one-tenth of the population.

However, contrary to obvious facts, Professor Bergson attempts to deny that elimination of private ownership of the means of production makes for higher living standards. It is easy to detect in Professor Bergson's argument certain elements of the bourgeois "social stratification" theory, which divides socialist society into antagonistic classes and maintains that planning benefits only a certain group of people.

Soviet economists have repeatedly emphasized that the different positions of people in social production under socialism are attributable not to differences in their social status, but to the still inadequate level of productive forces. They are also determined by the still persisting socio-economic dissimilarity of labour—its varying complexity, intensity, differing level of workers' skill and experience, peculiarities of mental and physical labour and so on. It is precisely these factors that determine the differences in people's incomes and ways of life under socialism. Needless to say, these distinc-

tions are beyond all comparison with the glaring social contrasts intrinsic in capitalism. Public ownership of the means of production precludes the possibility of employing hired labour by private persons and provides no conditions conducive to existence of rentiers. Hence, all talk of "exploiting classes" in the USSR and of the functional character of economic planning in furtherance of their interests is designed to achieve one aim—distortion of the truth

The Plan and the Market

Western ideologists often refer to the fact that not so long ago Soviet economic literature sometimes gave an erroneous and one-sided interpretation of the role and operation of the law of value under socialism. This law was depicted as survival of capitalism, as a result of immaturity of socialist relations of production. Its very existence was attributed to the existence of two forms of public ownership. Hence, the law of value was frequently considered incompatible with planning; it was believed that the plan was bound to restrict the operation of the law of value.

Having made an all-round study of the mechanism of operation of the socialist economy, Soviet economists now proceed from the premise that the plan and the law of value are not mutually exclusive but closely interconnected categories in the Soviet national economy. The law of value and the economic categories based on it comprise an inalienable feature of the

socialist economy, the most important condition for its normal functioning and development. Planned management is inconceivable without reliable and precise economic estimates embracing the entire national economy and every one of its links. And economic estimates are based on categories of value, primarily on a system of economically substantiated prices, which permit correct estimations both of overall outlays and actual results of production.

Of course, the critics of communism have their own approach to these problems. They expatiate upon "capitalist consequences" of planning consumer goods production on the basis of consumer demands and direct contacts between industrial enterprises and trading organizations, depicting such planning as a "switch-back to capitalism," inasmuch as it is closely bound up with effective demand and requirements of the population.

In his article, "The Problem of Indicators in Soviet Industry," which appeared in a collection entitled *Capitalism, Market Socialism and Central Planning* (Boston, 1963), British economist Alec Nove criticizes the system of material incentives in Soviet industry from the viewpoint of an advocate of the capitalist market economy. Professor Nove declares that only spontaneous operation of the law of value can ensure maximum profitability. His ideas are repeated by American *Time* magazine (February 12, 1965), which proclaims "the failure of one of communism's cardinal creeds: that the profit motive is wrong and evil, and unnecessary in running a society."

The concepts of Western theoreticians are intended to prove that the measures to improve the Soviet mechanism of market relations and devote more attention to the study of demand in the process of planning will inevitably turn the market into the chief regulator of the national economy. The monthly bulletin of the First National City Bank of New York, for instance, declares in its October, 1965, issue that the changes in the socialist countries' economic policy imply the acceptance, to a certain extent, of Western market and industrial management methods.

It will thus be seen that bourgeois theoreticians are unstinting in their effort to depict the development of money-commodity relations in the Soviet economy at the present stage as a "return to capitalism and capitalist methods." But these assertions are far removed from reality.

No one is going to deny that the level and scope of operation of money-commodity relations in the Soviet economy formerly lagged behind the vital requirements of the national economy. The September Plenum of the CPSU Central Committee characterized centralized planning as a powerful instrument of economic development, and pointed out that more effective use should be made of economic levers and material incentives. But this in no way implies a return to the anarchy of the capitalist market. On the contrary, centralized planning will further enhance socialist ownership and socialist relations of production, which by their very nature preclude spontaneous domination

of the market in regulating the country's economy and rule out capitalist relations. Under socialism the means of production and manufactured products constitute public property, and the distribution of labour and means of production proceeds according to plan. That is presumably why the *Business Week* magazine (October 2, 1965) complains that "the latest reforms lack any element of competition that might move the Soviet Union toward a market economy."

To make social requirements the basis of planning means that the drafting of an economic plan must be preceded, as it is in the USSR, by a close and all-round study of the requirements of the socialist market—that is, actual demand of the population and the requirements of material production. Correct estimation of social requirements and precise definition of their volume and structure for a specified period are important aspects of planning. In drawing up its production plan, every enterprise or industrial complex carefully assesses effective demand, for production must be constantly adapted to changing social requirements. In conditions of socialism there is no spontaneous market which completely subjects the producers under the threat of ruination, but this should not be taken to mean that one can ignore requirements of the socialist market, as a means of distributing commodities.

Can it be said that a deeper study of effective demand and requirements in the process of economic planning in the Soviet Union means that "the plan retreats before the market," that

elements of capitalism "creep" into socialism? Of course not. What is the correlation between the plan and the market under socialism? Under the socialist economic system, the decisive role in which belongs to the plan, the market is organized through a system of planned prices and contracts for delivery and marketing of products. It makes for more accurate distribution of manpower and means of production between various sectors on the basis of balanced, proportionate development of the national economy. Consequently, contrary to the assertions of anti-communist ideologists, a deeper study of market requirements tends to enhance the role of planning in the socialist economy.

It is fitting and proper to recall in this connection certain historical facts which graphically show that a highly principled approach to problems of the market and planning is a long-standing tradition in the Soviet Union. In the early period of the Soviet state, when the New Economic Policy (NEP) was adopted, the struggle against the anarchy of small-commodity production was directed not against the market, but was aimed at gaining control of the market, and subordinating it to the plan. That was precisely how the question was posed by the Twelfth Congress of the Russian Communist Party (Bolsheviks). The Congress warned against two dangers: first, against attempts to replace the regulating function of the market by administrative measures, for which "practical economic experience has not yet created the necessary basis," and, second,

against solution of "economic problems by non-economic market methods in cases when timely interference of administrative and economic agencies could achieve similar results in a shorter period and with less effort and means." Such is the definition of the profound interconnection between the plan and the market.

With the victory of socialism, liquidation of small-commodity production and elements of different economic forms and complete disappearance of the exploiting classes, the role of centralized planning has grown immeasurably. In our day it determines the basic territorial and sectoral proportions of reproduction, the correlation of production and accumulation in the national income and distribution of manpower. Regulation of all these proportions and correlations by the Soviet state is by no means based on the market laws. The complete victory of the socialist system of economy greatly extended and raised the influence of planning on the entire process of economic development. But this in no way implies that the Soviet planning bodies can ignore the market, or refuse to study consumer demand and social requirements, for this could only do serious damage to the very system of economic planning.

Hence, a more profound assessment of market requirements tends to strengthen the principles of centralized planning. This is clearly realized by many objective observers in the West. Significant in this respect is the following statement by the West German newspaper, *Süddeutsche Zeitung*, in an article devoted

to the Soviet economic reform: "Those who think that communism is breathing its last and already expect the communist leadership's shift to the 'capitalist path' are going a bit too far in their comments. One should not indulge in self-deception. The Soviet Union's continued advancement to its present status of the world's second biggest industrial power has invariably been accompanied by such erroneous predictions of the imminent collapse of the system. The Soviet Union cannot turn back to the capitalist path."

One cannot but agree with this.

Different Kinds of Profit

The substance of the Soviet economic reform, declared the Rome *Messaggero* in an editorial article (September 28, 1965), consists in "rehabilitating the typically capitalist profit factor in industrial management." Somewhat earlier the Paris weekly *Express*, published an article by Maurice Roy under the pretentious title "The USSR Has Come to Share Our Belief in Profit." The pages of many American magazines (*Business Week*, for example) have long been filled with articles about the Soviet Union's "flirt with profits as the chief aim of production."

The authors of these articles usually refer to the economic discussions held in the Soviet Union in recent years, notably to the well-known statement by Professor Evsei Liberman several years ago, in which he urged more extensive

utilization of profit as a planned indicator. However, bourgeois economists invariably gloss over the new content that the concept of profit acquires in planned socialist economy.

The new content of the profit category under socialism was clearly defined by the CPSU Central Committee at its September Plenum. The Plenum pointed out that profit must become the chief indicator of economic efficiency and an important stimulator of production. The amount of profit largely determines the contribution by each enterprise to the national net income. But it is important to take into account not only the amount and increase of profit, but also the level of profitability—the amount of profit per rouble of production assets.

The fundamental difference between categories of profit under socialism and under private enterprise is determined by the diametrically opposite nature of the two socio-economic systems. Can it be denied that capitalist profit is a form of appropriating the lion's share of the worker's labour by the owner of the means of production, whereas under socialism profit belongs to the whole of society, and is distributed in the nation-wide interests of extending production and raising living standards? Consequently, the difference consists in the appropriation of the surplus product expressed in profit.

In a socialist society profit is not the negation of planning, but is rather an instrument of planning; it is regulated in the same way as currency circulation. The stronger emphasis on its role in the Soviet Union is aimed at impro-

ving planned economic leadership, strengthening the system of socialist public ownership and raising the efficiency of the national economy in the interests of society as a whole. That is precisely how the role of profit in the Soviet Union is defined by Professor Liberman, whose name invariably appears in every Western comment on the Soviet economic reform. "Of course, we do not regard profit as a social aim and a motive force of economic management," he writes. "It serves as a means of extending socialist production and meeting social requirements." Under socialism, where prices of all products of labour are fixed by the state, an increase in profits can be achieved only by saving material, manpower and financial resources.

A new important feature of the present reform consists not only in increasing the share of profit remaining at the disposal of factory managements, but also in introducing an economically substantiated principle of determining the share of profit each enterprise is to contribute to the state. The main thing is the distribution of net income between the enterprise and society. Inasmuch as net income is distributed in the form of profit, the enhanced economic stimulation of production is accompanied by the growing role of profit.

Introduction of profit indicators in centralized planning does not reduce but rather increases the need to cut production costs. Henceforth, production costs will be planned by the factories themselves. Of course, centralized planning of production costs on a scale embracing the entire national economy will con-

tinue, but the chief indicator handed down to factories by the central authority will cover only profits.

Enterprises operating on a cost-accounting basis have now been functioning in the Soviet Union for over 40 years. They always compare their proceeds with the production costs, and profit, being the difference between the two, is an indicator of production efficiency attained by the given enterprise from the viewpoint of labour-saving. As an economic indicator, profit is more effective than production costs in stimulating higher quality of output. Moreover, the production cost indicator often comes into conflict with the need to improve quality, which involves additional outlays. But they are beneficial to society, and must, therefore, be reflected in the price, to provide a stimulus to the enterprise and thus enable profit to boost quality standards.

Lenin always attached vast importance to cost-accounting and profitableness as a basic condition for extended reproduction in the entire economy, regarding profit as an exceptionally important criterion of economic efficiency. He repeatedly emphasized the need to ensure the operation of every factory on a profit-making basis. The present measures to lift the role of profit in socialist economic management represent further practical realization of Lenin's behests. This Soviet policy has nothing in common with the system of economic management, which makes profit the chief motive force and basic aim of production, while popular consumption merely serves as a means of

extracting profit. No one will venture to deny this obvious truth.

Some Western ideologists are deploring the fact that profit in the Soviet Union differs from the capitalist pattern, that it has not been made the chief aim and motive force of production. Thus, in an article headlined "Soviet Planning Is Becoming Flexible," the West Berlin newspaper *Telegraf* writes with chagrin that in the Soviet Union "profit is not elevated to the level of production compass, as is the case in the Western market economy. The solution of questions concerning the means of production will continue to remain the prerogative of the Central Planning Committee."

Credit and Material Incentives

Summing up the results of Soviet economic reform, some Western economists declare that introduction of payment for plant and materials is tantamount, in effect, to imposition of "interest on capital."

Indeed, the new reform introduces serious correctives in the system of financing capital investments. Until recently capital investments were allocated strictly in accordance with the centralized plan, with a substantial proportion of them directed to the construction of new enterprises. This system deprived many existing enterprises of the necessary means for timely replacement of obsolete equipment. And this greatly hampered the growth of labour productivity, improvement of quality standards and achi-

evement of a higher profitableness level. Henceforth, every factory will have its own production development fund, made up of contributions from profit and depreciation allowances.

Until recently capital investments in the Soviet Union were financed out of the national budget and were not subject to repayment. This system did not inspire industrial executives to cut the cost of reconstructing one or another factory or estimate the long-range effect of additional investments. Now subsidies for capital construction will be replaced by long-term credits. In the subsequent period replacement of subsidies to working capital by short-term credits is envisaged.

Can introduction of payment for production assets be regarded as a step back towards the capitalist principle of private enterprise? Such interpretation of this measure, just as of the role of profit under socialism, does not take into account the realities of the socialist economic system. In this case, too, bourgeois economists deliberately gloss over the social function of Soviet credits. As distinct from the capitalist system, where credit serves as a means of strengthening finance capital, credit under socialism ultimately returns to the national budget, thus benefiting society as a whole.

What is the sum and substance of the Soviet measures to provide more material incentives?

Up till now the possibilities of increasing labour remuneration out of the factories' own income were limited. Practically all types of bonuses and emoluments were paid out of the

wage fund, not out of profits. The old system of material incentives did not encourage enterprises to envisage in their plans maximum utilization of internal resources, because the chief criterion of their efficiency and the system of material incentives were based on plan overfulfilment.

Henceforth, every factory will have its incentive fund, made up of contributions from profit fixed for a number of years. Its size will depend on increased sales and the level of profitableness envisaged by the plan. The amount of incentive payments for plan overfulfilment will be relatively smaller than the sum issued for achievement of specified indicators. This will encourage enterprises to bring out latent reserves and strive for higher planned targets.

But does enhancement of the material incentives principle entitle one to say that the socialist and capitalist principles of distribution are identical? What did Marx and Lenin have in mind when they referred to the application of "bourgeois law" under socialism?

In the new socialist society just emerging from the womb of the old one, wrote Marx, the same principle of distribution is applied as in the exchange of commodity equivalents. What are the main distinctive features of such distribution? Every member of society subsists on his individual labour share, receiving from the social fund the equivalent of what he contributed to this fund by his labour. Private property is limited to articles of personal consumption. Hence, the replacement of capitalism by socialism is attended by changes not

only in the form of property, but also in the character of distribution. However, the operating principle—equal pay for equal work—still remains within “bourgeois bounds” in one respect. The factual material inequality which continues to persist owing to distinctions in men’s labour, family position and so on, provides sufficient grounds for speaking about “bourgeois law” under socialism. However, this is not a specifically bourgeois phenomenon, but one which occurs in all economic formations practising equivalent exchange. Inasmuch as in the process of transition to the new social system the basis for exchange—ownership of the means of production—undergoes radical changes, “bourgeois law” operating under socialism is identical to that existing under capitalism only in outward appearance. As regards its essence, it fundamentally differs from the law which regulates the unjust distribution connected with class antagonisms.

Some Western commentators incorrectly interpret the factors responsible for inadequate level of efficiency sometimes occurring in socialist enterprises. American economist A. Bergson names as the chief cause “the Marxist conception of labour costs,” which, he avers, does not permit elaboration of the theoretical principles governing rational distribution of resources. It is precisely the labour costs theory, he maintains, that determines the “weakness of the Soviet price-formation system”: its intrinsic defect allegedly lies in the fact that prices, as a rule, are fixed on the basis of average—not maximum—costs and that they only partially take

into account effective demand. This system of prices, according to Bergson, cannot provide sufficiently accurate information on available resources, and become an effective instrument for their optimal distribution. Genuinely rational economic management, in his opinion, can be achieved only by renouncing the labour costs theory.

There is no denying that the Soviet system of price-formation had certain defects. But Bergson seeks them in a wrong place. The policy of planned prices has proved its effectiveness throughout the history of the Soviet state. The interconnection between the law of value and price-formation finds its planned expression in the fact that it is called upon to take proper account of the changes in the cost and results of social labour, in production costs and profitableness in individual sectors and enterprises, as well as to apply effectively the material incentives resulting from production growth and reduction of outlays.

And, although Bergson maintains that price-formation on the scientific basis of labour costs is “without prospects,” it is precisely this theory that offers our scientists and economic executives the opportunity in conditions of a new price system, to foster the interest of factory managements in bringing down production costs and prices, and differentiate the profitableness of industry and trade depending on the extent to which production corresponds to demand.

Centralism and Democratism

Some Western ideologists allege that the classics of Marxism-Leninism never spoke of centralized planning and democratic centralism—that these concepts are incompatible because centralism and democratism are mutually exclusive.

In reality, democratic centralism embodies two principles: firm state discipline and authoritative leadership and the binding character of decisions adopted by higher placed bodies, on the one hand, and all-round encouragement of the initiative of the masses, fostering their active participation in the management of state and public affairs, on the other.

“...Centralism, understood in a truly democratic sense,” Lenin emphasized, “presupposes the possibility, created for the first time in history, of a full and unhampered development not only of specific local features, but also of local inventiveness, local initiative, of diverse ways, methods and means of progress to the common goal.” Lenin saw an effective way of bringing out the possibilities and advantages of the socialist economic system in combining centralized planning with the broadest initiative of factory collectives and local government bodies, in the consistent application of the principle of democratic centralism in the sphere of economic management.

The substance of centralism in planning, for instance, consists in a uniform system of planning bodies, from the State Planning Com-

mittee of the USSR and the State Planning Committees of the Union Republics to the regional (territorial), city and district planning commissions, with the lower planning bodies subordinate and accountable to the higher ones, as well as to the Councils of Ministers of the Union Republics and to the local Soviets. It will thus be seen that the system of planning bodies constitutes a single closely integrated complex of organizations.

Lenin pointed out that economic planning and management must be based on principles of democratic centralism—they must closely combine centralized leadership with the experience and creative activity of the masses. He stressed that “stereotyped forms and uniformity imposed from above have nothing in common with democratic and socialist centralism. The unity of essentials, of fundamentals, of the substance is not disturbed but ensured by variety in details, in specific local features, in methods of approach, in methods of exercising control...” The boundary between centralism and democratism is in a state of perpetual movement, with democratism or centralism manifested more saliently, depending on current economic tasks and the general political situation.

Economics and Cybernetics

One of the concepts that has gained wide currency in the West concerns the “inability of socialist planning” rationally to utilize in economic management the achievements of modern

science and technology, notably cybernetics, W. Leontieff, R. Campbell and other bourgeois ideologists write that the application of economic-mathematical methods in Soviet economic planning will inevitably lead to a change in the basic principles of the socialist mode of production, to renunciation of "the main points of Marx's teaching," of his labour costs theory.

But here, too, the contentions of capitalism's apologists are convincingly refuted by the practical experience of socialism and by the creative development of Soviet economic science. The USSR envisages gradual transition to optimal planning and management based on systematic processing of economic information by electronic computers and on extensive application of mathematical methods. That explains the exceptional importance now being attached in economic management to ways and means of effecting optimal planning, to evolving the most rational and effective system of economic indicators and giving more precise mathematical expression to the socialist economic laws.

The Soviet planning bodies found it expedient to use cybernetics and economic-mathematical methods for perfecting balance-sheet calculations as a basis of socialist planning and for establishing qualitative proportions in the economy. These methods proved highly effective in improving the system of inter-sectoral and inter-district economic contacts and in rationalizing freight carriages, in economically substantiated planning of the development and

geographical distribution of enterprises and branches of production, in choosing the most practical variants of distributing allocations for capital construction, and in making more efficient the system of prices, demographic and other calculations.

R. Campbell, L. Smolinsky and other Western economists maintain that the Soviet system of centralized planning represents a sum-total of arbitrary political solutions of economic problems, that it is based on application of non-economic methods in determining aims and means of economic development, as a result of which the introduction of economic-mathematical methods allegedly contradicts the very nature of the socialist system.

True, there were cases when administrative methods prevailed in management of individual Soviet enterprises and the national economy as a whole. But the laws governing the development of socialist planning conclusively prove—and this is borne out by practical experience—that the growing complexity and diversity of the national economy tend to increase the role and significance of fundamentally new forms and methods of economic management, which essentially differ from those operating under capitalism.

Needless to say, the application of cybernetics in economic planning cannot alter the underlying foundations of the Soviet economy. It cannot alter the character of ownership, or the law of proportionate development of the national economy. It is quite possible that definite correctives will be introduced in the organiza-

tion and methods of planning, but this will not affect the foundations of the social system.

Material Incentives and Moral Stimuli

There are people who like many Western economists, assert that the Soviet leaders carry out experiments in converting socialist-owned enterprises into capitalist-type enterprises. They declare that the new system of industrial management is based on introduction of the capitalist profit principle through strengthening of the role of economic incentives and making profit the chief motive force of production.

It should be clear that such arguments, in whatever ultra-revolutionary terms they may be couched, have nothing to distinguish them from the previously mentioned bourgeois concepts of Soviet economic development, which seek to prove that the new Soviet measures bear a close resemblance to capitalism.

There are still people, it appears, who have to be told elementary truths, namely, that in conditions of socialism, where production and commodity exchange are based on public ownership of the means of production, the overwhelming proportion of goods is produced by collective labour at socialist enterprises. Socialist production and labour expenditure are planned in advance, and trade is organized on a nation-wide scale. Under socialism every commodity is not merely a product meant for

exchange, but a product manufactured according to plan, with the aim of meeting the requirements of socialist society. In other words, commodity production under socialism is production without private ownership, without capitalists and small commodity producers; it is carried on by state-owned enterprises and agricultural cooperatives. Inasmuch as all the means of production are publicly-owned, there exist no conditions for converting them into capital.

With the complete triumph of communism, when the highest productivity of labour is achieved, and an abundance of material values is created, there will be a single form of communist property, and labour will become a prime requirement of life. Only then will money-commodity relations disappear, and free distribution of products between all members of society be introduced. Such is the dialectic of the development of commodity relations.

Any attempts to oppose material incentives for better production results to moral stimulus, to regard more extensive application of the material incentives principle as a departure from revolutionary ideals are profoundly erroneous. As Lenin repeatedly stressed, we can build socialism and bring scores of millions of people to communism "not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive and business principles..."

The correctness of Lenin's prophetic words has been confirmed by the entire practical ex-

perience of Soviet economic development: moral stimulus and material incentives are organically interconnected and complement each other, serving achievement of a single aim.

The principle of material incentives is regarded by the Marxist-Leninists not as an end in itself, but merely as an effective means of raising living standards. The rising productivity of men's labour under socialism increases the efficiency of the entire social production, which lays the foundations of material abundance, and, consequently, promotes the well-being of the whole of society and of every one of its members. In other words, work for the good of society benefits every individual. It is only natural, therefore, that material incentives engender a highly conscious attitude to labour, urge the workers to raise their skill, advance technology, improve the organization of production and labour, eliminate spoilage and stoppages, bring out and utilize latent reserves of production, make more efficient use of fixed and circulating assets and so on. The Leninist principle of material incentives fosters in people conscious socialist discipline and conscientious attitude to labour.

Lenin most categorically opposed the petty-bourgeois egalitarian approach to distribution, stressing that it had nothing in common with the Marxist conception of equality, that it could only hamper development of socialist production. He resolutely condemned Trotsky's attempt to represent priority in production and egalitarianism in distribution as the chief principle of our economic policy. "This is ab-

surd from the economic point of view because it implies a rupture between consumption and production," Lenin wrote. "Priority means preference, and preference without consumption means nothing... Preference in production is preference in consumption. Otherwise priority is a dream, a nebulous cloud, and after all we are materialists. And the workers are materialists. They all say: If you are talking about priority, then give us bread, and clothes, and meat."

Under socialism labour conditions in various branches and in different enterprises are dissimilar. The process of evening out such conditions on the basis of mechanization and automation requires much time. Of course, with the advance of Soviet society to communism, ever larger masses of unskilled workers will be acquiring skills, and the gradually diminishing difference in the levels of skill and labour productivity will be accompanied by the systematic narrowing of distinctions in remuneration. But this will take many years, in the course of which there will remain the need for a differentiated system of payment, depending on the complexity of the labour processes, physical strain and skill. It is only natural, therefore, that the wage system will exist for a long time, side by side with public consumption funds.

Even at the time when all working people will be amply provided with prime necessities at the expense of public consumption funds, it will still be necessary for a certain period materially to encourage the most conscientious workers through wages. But it would be wrong

to extend artificially the sphere of cost-free services before an appropriate material basis is established for this. The experience of the Soviet Union and other socialist countries convincingly proves that the broadest possible application of the material incentives principle in stimulating the productive forces is an indispensable condition for the building of communist society.

В. СМОЛЯНСКИЙ

**«СОВЕТСКАЯ ЭКОНОМИЧЕСКАЯ
РЕФОРМА И ЕЕ КРИТИКИ»**

НА АНГЛИЙСКОМ ЯЗЫКЕ

ЦЕНА 15 КОПЕЕК



