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Commentary: "NEW DEAL" IN SOVIET INDUSTRIAL ADMINISTRATION

Under the sovnarkhoz (economic council) system of industrial administration, introduced by Khrushchev in 1957 and subsequently modified in the direction of centralization, all industry within a designated economic area was administered by an economic council. Thus, for example, in Lithuania, which was one such economic unit, 83% of the industry was under the jurisdiction of the Economic Council of the Lithuanian SSR, while 17%, mainly smaller industrial enterprises, were managed by other local institutions.

The Brezhnev-Kosygin leadership reformed radically the Khrushchev system, reverting essentially to the branch-management of industry that was in effect prior to 1957. Accordingly, the 83% of Lithuanian industry will now be managed by Moscow — based ministries — certain industries by ministries of the "all-Union" type (direct administration from Moscow), others by ministries of "union-republic" type (with ministerial branches in the republics, thus indirect administration from Moscow). In Lithuania, six all-Union ministries will take over the following branches of industry: agricultural machinery, electrical engineering, metal processing lathes and consumer implements; eight union-republic ministries will have jurisdiction over the following branches: chemistry, lumber, paper, cellulose, woodworking, melioration and waterways, construction materials, milk-meat, food, and other light industry.

Officially, the new industrial administration is to unite in a uniform system the centrally planned economy and local initiative. Whether, indeed, the synthesis of centralism and local initiative is possible only time will tell. Meanwhile it may be enlightening to consider what is the purpose of the new administrative system for national economy or, to be more exact, of the new experiment and, in particular, what will be the likely impact upon the industrial worker and management.

An analysis of the new administrative system for industry seems to reveal two main purposes: 1) the desire of the State to obtain higher contributions from the industries for the exchequer, and 2) a more thorough exploitation of the labor force. Under the new system the achievements of an enterprise are not assessed on the basis of its total output but according to the principles of profitability and rentability. It is an inducement to its management in »hat the enterprise is allowed to retain 60 per cent of its profit over and above the plan. The enterprises may establish three separate funds from this surplus: 1) The fund for industrial promotion to finance further increases of output by perfecting working techniques, buying new machinery, etc 2) The fund for material stimulation to pay premia to the workers, based on last year's achievements, with a view to stimulate them to further efforts. 3) The fund for social and cultural activities and for housing, to be spent on the construction of houses and on the current repairs of houses, cultural and communal establishments.

The management, however, is not obliged to establish all these three funds. The management may, for instance, establish only a "fund for industrial promotion" and spend all the surplus at its disposal to buy new machinery or to construct new plants. Nor is it unusual for an enterprise to have no profits over and above the plan. Under the old administrative system many enterprises fell short of the planned profits and several worked at a loss instead of a profit.

Under the new system the enterprises must themselves buy their machinery. Referring to capital constructions Kosygin said: "With regard to the construction of factories it is advisable to use long-term credits." The existing enterprises must pay the State a fee for the use of buildings and machinery, taking the money from the "fund for industrial promotion".

One wonders inevitably how would the enterprises be able to make such high profits over and above the plan under the new system that they can, with the 60 per cent of this surplus that they are permitted to retain, buy new machinery, pay premia to the workers and build houses and blocks of flats for their labor force.

Under the new system the enterprises are no longer so strictly managed by the central planning agencies as they were. The authorities are staking their hopes on the "wisdom" of the boards of management of the individual enterprises. The central agencies in Moscow now prescribe only the volume of production and the basic assortment, the wages fund, the

amount of profits, rent-ability, taxes to the State and grants from the State budget. Otherwise the management has a free hand: for instance, it is no longer prescribed how many locksmiths, turners, engineers and office workers an enterprise must employ. The management will also be able to maneuver as it sees fit with the wages fund — employ fewer locksmiths and pay somewhat higher wages to engineers, etc.

The new system, however, entails also new difficulties for the enterprises. Earlier the enterprise had fulfilled its plan when it had produced its prescribed quantities, which were then in its storerooms. Under the new system only those enterprises have fulfilled their plans who have sold their output and received money for it. To do this, the management must itself make advance contracts with the consumer enterprise or with the marketing and trading agency as regards the volume, assortment, quality and delivery dates of its output. It is hoped that this will put an end to the production of faulty goods, make the enterprises produce only high-quality commodities and prevent a piling up of unsaleable stocks.

The new system contains a deliberately evil characteristic — a ruthless exploitation of the workers who are those who suffer most for any Utopian targets set. The directives on the implementation of the new system state: "Wages shall be dependent not only on the worker's individual work but on the results achieved by the enterprise as a whole" and "Whereas hitherto an enterprise which was short of means of exchange received more means of exchange at the end of the year and, in the worst case, the management received a severe admonition, henceforth the State shall no longer cover any deficit of means of exchange via its budget. The enterprise itself shall earn enough to eliminate the deficit" (Rahva Haal (Tallinn) Oct. 21, 1965).

"Lack of means of exchange" is, according to the Western way of defining things, bankruptcy. The bankrupt enterprise in the West winds up spontaneously and workers may seek new jobs. If a Soviet enterprise must now eliminate its bankruptcy by its own efforts or "earn enough to eliminate the deficit", as the Soviets put it, this means that the workers may not leave it. The entire collective labor force at the enterprise has been made responsible for its bankruptcy and must work at minimum wages to save the enterprise.

This makes the workers entirely dependent on the economic skill of the management. It is said that the "collective" of the enterprise may state its ideas and make decisions about the management at production conferences. It ought to be plain, however, that production conferences which are attended by a couple of hundred workers and where speakers are senior functionaries of the management, cannot serve in this manner: the workers might be able to say something only if they knew the details of management, and these they obviously cannot know.

The Soviet rulers maintain that the importance of party organizations will increase even further under the new system—it will be their task to make all workers feel that the enterprise belongs to them. A pre-requisite for this, the authorities say, is a stiffening of the labor and production discipline. "It must be demanded that every foreman, engineer, office worker and worker shall fulfill his duties exactly. It is among the foremost tasks of the party organization to educate the workers towards responsibility, toward collectivism and towards regarding the enterprise as their very own" (Rahva Hiial, Oct. 20, 1965.)

The new system applies mainly to the light industry although this is not clearly stated. The military industry, the machine-building industry, the industry for the construction of heavy machinery, naturally, need not buy machinery from the State, pay a fee to the State for the use of factories and machinery, or find purchasers for their output. The workers in heavy industry (group A) will thus be privileged compared with the workers in light industry. They need not fear that they must "earn enough to eliminate the deficits" of bankrupt enterprises. The deficits of their enterprises will be paid by the State.

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