

IN THE USSR: WHAT IS THE ANTI-CRISIS PROGRAMME ORDER OF THE DAY

By Valentin Pavlov

The USSR Supreme Soviet recently approved the basic provisions of the Cabinet's emergency programme to take the country out of its present crisis, but found some fine-tuning necessary. The report on the plan was made by Prime Minister Valentin Pavlov. This article is based on his speech.

The government programme seeks measures aimed at one objective – to normalise the performance of industry, to improve finances and money circulation, and to create a system of social guarantees. The development of private enterprise and measures to support it

and the denationalisation and demopolisation of the economy are seen as the basis for achieving these aims.

In organisational terms, the key role is to be played by the interaction of the centre and republics under new circumstances. This is the most important pre-

requisite for translating the programme into practice.

Alternatives

There are various views as to what practical moves are needed to turn the Soviet economy around. Essentially, though, they are boil down to just two.

One is that the country needs to revert to the old system of command-style economic management, preferably in full. The futility of this is evident, if only because the crisis of today has its genesis in just this system.

The other one is that a basically new system of relations of production and a market economy geared to social needs should be developed. This is a way of drastic economic reform and far-reaching change in the political structure of society.

However, the latter option contains a wide variety of possibilities, with the following three being most likely.

One is based on the assumption that no special measures to resolve the crisis are taken, with economic processes being regulated by existing methods and the social and political situation developing according to current trends. In this case, the net national product would fall by some 20 per cent a year and personal consumption would drop at least 15 to 20 per cent. Some industries would be certain to run into major troubles, with unemployment soaring to 18 million. I think it is safe to say, "that in this case we would see a social upheaval long before the year is out."

Another approach seeks the full abolition of state interference in the economy and fast transition to a purely market system. Initially, this measure would precipitate a steep decline in production, leading to massive closures and job losses. Estimates show that the net national product and industrial output this year would plummet by no less than 30 per cent, with unemployment reaching about 30 million. It is hard to imagine what will be the effect of public anger and widespread losses.

The government, had chosen an alternative way – that of determined, at times tough, and consistent action in which mainstream social forces, all republics and regions and workplaces should be involved with the full measure of understanding. This option would mean the least losses and social costs, enabling the people to adjust to the changing environment.

"Given public support for the programme and proper concentration of efforts, we would most certainly be able to stop the processes leading to economic collapse and to normalise the economy before the end of the year."

Priorities

The programme relies on free-market incentives combined with administrative methods. In fact, there will be cases where the government will internation-

ally use coercive methods. This does not imply free-wheeling practices; this will be law enforcement by legal means.

One important stand of government activities will be to provide motivation for efficient performance, rational management, initiative and enterprise – chiefly by lifting constraints on producers, encouraging competition and private enterprise, and turning market forces to good account. And again, means of production should finally be put into the hands of real proprietors.

The programme provides for a package of privatisation measures. However, the aim is not the complete abolition of public ownership of means of production.

At first, special emphasis will most likely be on what may be called small-scale privatisation, which will cover a large number of retail outlets, catering establishments, everyday services, small industrial facilities, and other spheres. About one third of small business in these sectors will stop being controlled by the state before year's end, and at least two thirds in 1992.

As for medium-sized and large state-run establishments, they are to be turned into joint-stock companies or become collectively owned (people's enterprises). This process will require that within 18 months at least 10 per cent of the shares or assets of all state-sector establishments become the property of members of the workforce or other individuals. A considerable percentage of shares at the first stage will remain in the hands of the state.

The plan is to exempt from tax the incomes of the public used to purchase shares or repay loans that will be extended for the purpose. The same treatment will apply to businesses using their profits to buy property from the state.

Importantly, the programme seeks to boost productivity and improve life through pay reform. Some of the essential elements are already in place. The state has fixed the minimum wage for different trades, professions and skill grades, has abolished limits on the size

of earnings, and has given producers freedom to work out their own pay schemes. The important thing is to ensure that the payroll fund and the rate of consumption generally must be commensurate with end results and actual performance.

Emphasis

The basic difficulty, is that the programme will have to be pursued at a time of major economic decline, with the stocks of all types of resources diminishing. So, the need now is to identify what is of truly vital importance, concentrating all funds and energies on relevant objectives. Topping the list of priorities are the supply of food and medicine, transport and the power industry. "If the food supply problem is to be resolved, we need to take drastic measures." Basically, this will be the job of the republics, local authorities, and, most important, the food producers, themselves.

The emphasis is on measures to improve the finances and money circulation and to stop the fall of the rouble. The method of controlled inflation which is to be used in process is expected to reduce the costs to a minimum.

There should be a final agreement on the budgetary system of the Soviet Union, on the distribution of revenues and expenditures between the centre, the republics, and the local authorities, and on arrangements to ensure proper financial discipline and payments on time. In particular, the government is prepared to find further ways to cut public spending, including the defence budget. For their part, the republics and local authorities should show utmost responsibility and make do with the resources allocated.

Reshaping the taxation system is considered of great importance. Given the possibility of price rises, the budget cannot be balanced and expenditure financing through further emission cannot be stopped if revenues come predominantly from taxes, which increase in pace with rising prices and personal incomes, as world experience indicates. So the plan is to switch over the kind of taxation practised in most developed

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countries, shifting the bulk of tax burden onto those who consume more.

On the issue of foreign investments, aim is to build an open economy. The domestic market should be opened up gradually – capital and other financial markets, the labour market and the market of intellectual property, as well as the commodity market, “Speaking of encouraging foreign investments, we

should first of all look ahead ... The country needs state-of-the-art technology, environmentally friendly industries and expertise.”

Key Point

According to the Cabinet the key point, is that the system of running the economy today must be predicated on a new role of the republics in the political struc-

ture of the Union and on such demarcation of powers between the centre and federation members as would meet common interest. “That is why the programme calls for concerted action to end the crisis gripping the country; this is absolutely essential if the ultimate objective is to be achieved.”

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