USSR: ECONOMIC PROBLEMS AND WAYS OF RESOLVING THEM

By Gavriil Popov

Gavriil Popov The newly elected Mayor of Moscow is one of the most popular and important Soviet politicians. At the recent May Day celebrations he was one of the few leaders who received a cheer from the gathered multitude. He is also a Peoples Deputy of the USSR and Editor of the Voprosy Ekonomiki (Economic Matters) - journal of the USSR Academy of Sciences.

Structure

The fact is that the structure of the Soviet economy – sectoral and territorial alike – is such as to generate a great many difficulties. It's this structure that turns consumer goods shortages, transportation and the environment into big problems. Indeed, what kind of transport can cope with tasks prompted not by the socially necessary trade within the country but by the interests of ministries which organise this trade. In doing so, they are not guided by the rules of economic logic; they act contrary to such rules, guided exclusively by their own narrow interests. A ministry may send goods over distances of tens of thousands of kilometres to places where such goods are produced, but by factories controlled by another ministry.

This arrangements may seem preposterous in any other economy. In the Soviet context, however, each region and ministry get resources in accordance with rigidly controlled central allocation lists, and trade to mutual benefits between them is more than just excluded; it is often legally punishable.

Furthermore, how can consumer goods shortages be ended at a time when heavy industry enterprises, are working to meet one another's rather than consumer needs, while their workers, with billions of roubles in their pockets are looking for consumer goods these enterprises do not produce?

Monopolies

Monopolies in the Soviet Union are quite unlike those in capitalist economies. A Soviet monopoly is not a company which is the efficient on the market of goods or services. Rather, this is a greenhouse plant growing in the fertile soil of planning, central allocations and management by mere injunction. It is utterly unused to creative R & D and devoid of entrepreneurial spirit and lacks the ability to compete. This being so, classic ways of de-monopolising the economy and designing anti-trust legislation need serious modification in the Soviet context.

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The Shadow Economy

Apart from corruption and other abuses, this kind of economy gives rise to something which provides a subject of economic study. If the "shadow economy" and plunder were synonyms, the solution of the problem would be easy. But the snag is that the shadow economy in Soviet society is acting as both a destabilising and stabilising factor, but, to a greater degree, as a regulator mitigating and offsetting the defects of the centralised economy.

It is the shadow economy that enables large quantities of ready products, semi-finished goods and raw materials in demand with consumers to be diverted from producer goods industries to the sphere of consumption. Notably, this concerns such things as spares, building materials, petrol, textiles, wool, etc.

It is the shadow economy which converts millions of tons of waste products and fertilisers left to rot in the open by collective and state farms into money, goods and services.

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Conversion

This represents a major reserve of the Soviet economy. For decades, the military-industrial complex has been absorbing the best of what the country had, intellectual assets included. Now that there is an opportunity to use at least part of what has been achieved in this area for meeting consumer needs, it would be folly not to do it.

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However, there is the danger of spending the resources resulting from defence conversion on little things, on papering over the cracks, say, producing saucepans or children's toys. Of course, these things are necessary too, but what is conversion mostly about, having in mind its long-term and real results, is to enable the entire civilian sector, its design and technological thought, to rely on the potential and resources of the defence sector. The important thing is to identify and concentrate on the strong sides of the military-industrial complex and to try to improve its weak points. To put it differently, there is a need to find such areas of activity for defence factories as would not call for their major readjustment, overhaul or rejigging. Finally, such arrangements must be found as would facilitate progress in science and technology in the defence sector itself and in the economy as whole, enabling technological breakthroughs on broad fronts at once.

It will be remembered that correctly organised conversion, among other factors, has contributed to Japan's economic growth. In an unexpected move, the Japanese government decided to use the capacities of its war industries to build the Shinkanzen railway – a technologically unprecedented project, with trains to run at 200-300 kilometres an hour.

As that project went on, Japan's very concept of productive forces deployment had changed. In addition, there emerged the opportunity to draw people in the provinces into industrial production without migration. The result: an efficient production infrastructure which provides the basis for all sectors – from industry to farming. Needless to say, such experience, with the necessary adjustments in terms of time and scale, is very useful for us and must be studied.

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