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DISTRIBUTION OF PRODUCERS' GOODS UNDER SOVIET SOCIALISM

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The distribution among various branches of the national economy of that part of the total social product which is called producers' goods is one of the most important tasks of socialist planning. As the principal part of the over-all problem of distributing the total social product, the distribution of producers' goods is determined by the nature of social reproduction. The process of reproduction as a whole represents the coordination of production, circulation, distribution, and consumption.

The bourgeois political economy treats distribution as a category independent of production and as representing the basic objective of political economy. Actually, the driving force in the whole process of reproduction is production. It determines and conditions all the remaining forces, including distribution.

The nature of socialist distribution corresponds to the socialist system of production and differs radically from distribution in capitalist society. Under capitalism, the distribution of the social product reflects the incongruity of the capitalist system of production. It is based on the law of capitalist accumulation, under which the privileged group of the bourgeois world accumulates riches and luxury, while the workers exist under conditions of increasing poverty and unemployment.

The normal course of reproduction assumes the establishment of definite quantitative proportions between two main subdivisions of social production -- the production of producers' goods and the production of consumers' goods.

In capitalist society, where private ownership of producers' goods is in effect, the allocation of these goods, as well as the distribution of work among the individual branches, is based on the arbitrary law of cost operating

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the social wealth, to strengthen the might of the Soviet state, and to raise the material and cultural standard of living. The distinction between the means of labor and the material of labor is expressed as the difference between fixed and working capital. Fixed and working capital, as the most important components of national wealth and as principal means for the expansion of socialist reproduction, reflect any new production relationships that arise in socialist society.

In planning the total volume of production, the government is guided by the goals of Communist economic development. The volume of planned capital accumulation, capital construction, and the taking into operation of new assets, as well as increases in production through increased labor productivity and better utilization of productive capacity, are taken into account. The proportion of the total social product set aside for production is determined in conformity with these factors.

The planning of state material reserves is also very important since large-scale socialist economy cannot continue to develop without reserves. State reserves are formed both from producers' and consumers' goods. The volume of state reserves retained for individual branches of production depends on the importance of that production to the national economy and national defense, on its cost, on the scale of production, on the storage facilities, and on how rapidly it could be increased in case of emergency. After the general correlation between the basic components of the social product in relation to the amount of productive and unproductive consumption and reserves is established, the correct allocation of the material and technical supply fund (producers' goods) among the various branches of the economy becomes of primary significance. These branches are linked by the unity of the whole process of social reproduction. The prerequisite for the development of each branch is the replacement and increase of fixed and working capital. For this, each branch must receive from other branches equipment, raw materials, commodity stocks, and fuel. In turn, each branch becomes a supplier, since its products are used either in production or private consumption.

With the constant growth of socialist economy and the increase in the technological and organizational level of production, the industrial links between branches widen and become more intricate. Rapid technological progress, one of the characteristic features of development in the national economy of the USSR, strengthens the links of all branches of the national economy with machine building in the reproduction of equipment, which is the most important component of fixed capital. On the same basis, the links between capital construction in all branches of the national economy with industry, and particularly with machine building, are also strengthened.

Numerous and intricate links also exist in the reproduction of working capital. For example, the ties of the machine-building industry, metallurgy, and fuel industry with rail, water, air, and motor transport have been considerably broadened, while successful technological reconstruction of agricultural production has considerably strengthened production links between industry and agriculture.

All mutual links between various branches must be expressed in precise quantities. Before the metallurgical industry, for example, can smelt a planned quantity of pig iron, it must receive the necessary quantity of ore and coke, while the production of a planned quantity of power requires a corresponding quantity of fuel. Accordingly, the production of metallurgical equipment requires the allocation of a definite quantity of metal, which in turn, requires a corresponding quantity of machinery for its production, etc. Therefore, one of the basic problems of socialist planning consists of the establishment of correct quantitative proportions among various branches of the economy.

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The planned distribution of producers' goods among branches is indissolubly linked with the planning of production volume as part of the production program. In the allocation of coal, for example, the planning organizations start with the estimated volume of production in the branches consuming coal, such as metallurgy, steam electric power stations, railroads, etc. Electric power is distributed in accordance with the planned volume of smelted ferrous and nonferrous metals, mining of coal, production of machinery, chemicals, etc. The allocation of machinery is established in relation to the estimated volume of mined coal, smelted pig iron and steel, production of electric power, rolled steel, various chemicals, textiles, and foodstuffs or in relation to the planned volume of construction, etc. Therefore, it is impossible to plan the allocation of producers' goods independently of the volume of production, as it is impossible to plan production without planned allocation of necessary resources. The initial point in the whole process of planning is the planning of production.

The method of material balances plays a large role in the socialist distribution of producers' goods and is the basic method used for establishing the proportions between different branches of the national economy. Material balances make it possible to discover and develop the lagging sections of the national economy, to coordinate the plans for the development of individual branches, to direct the growth of the national economy in accordance with the most important economic and political tasks, and to develop and utilize the internal reserves of production.

Material balances are established for all important industrial and agricultural production and consist of two parts: (1) the resources part; and (2) the distribution part. In the resources part of the balance, all sources available to the national economy for given types of production are added together. Socialist production itself supplies over 90-95 percent of all resources used in most types of production listed in the balance. The procurement and utilization of stocks accumulated by suppliers and consumers can be another source of resources. The expenditure part of the balance shows the basic requirements and the amount of expenditure of given types of products. As a rule, the material balances show the allocations of essential products for industrial needs, capital construction, the retail market, export, the replenishment of state reserves, and other state expenditures. The material balances, therefore, compare and coordinate resources with the requirements for different types of products.

The method of material balances, or the method of comparing and coordinating resources and requirements is utilized in the system of socialist planning from top to bottom. This method is employed in planning production and supply in enterprises, committees, and ministries. It is widely utilized by the Gosplan USSR in planning of production volume, the construction program, as well as financing of the different branches of the national economy.

In the work of Gosplan USSR (State Committee of the Council of Ministers USSR for Material and Technical Supply of the National Economy), the method of material balances is the only method used for planning the allocation of producers' goods and for planning the total volume of resources for different types of production.

The material balances established for the whole national economy of the USSR are composed of funded products, that is, products allocated directly by the Council of Ministers USSR. They include pig iron; steel; rolled ferrous metals; pipes; basic types of metalware; rolled nonferrous metals; fuel and petroleum products; electric power; basic chemicals and technical rubber products; important construction materials; lumber; paper and paper products; foodstuffs and industrial goods; agricultural raw materials; many types of machinery,

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mechanisms, and other types of plant and technological equipment; automobiles; tractors; machine tools; steam boilers; motors; pumps; metallurgical, coal, petroleum, chemical and other equipment; locomotives; railroad cars; agricultural machinery; construction machinery; mass-produced instruments; and others.

In the past years, the number of material balances established by the government has significantly increased until it now includes more than 1,600 items, representing all major products.

All the remaining centralized planned output of the national economy which is not included in the list of allocations is distributed by ministries, while a certain part of decentralized planned output is distributed by local Soviet organs and local trading organizations.

Simultaneously with the planning of material balances, the Gosstab USSR works out allocation plans for individual ministries and departments. Thus, while the balance of rolled ferrous metals shows the total quantity of rolled metal allocated for industrial needs of the economy as a whole, the allocation plans will indicate how much rolled ferrous metals were allocated to the Ministries of Automobile and Tractor Industry, Agricultural Machine Building, Transport Machine Building, Construction- and Road-Machine Building, Coal Industry, Communications, etc.

The allocation plans are drawn up for the same range of items as the material balances, but they show the annual and, in many cases, the quarterly allocations to individual consumers.

The material balances and allocation plans provide for the distribution of the social product in specified types and quantities. Enterprises and construction projects are allocated specific types of rolled ferrous metals in a specific number of tons, coal of specific quality and from specific mines, and specific types and quantity of machine tools, etc.

One of the most important problems of socialist planning is the coordination of natural indexes of the state plan with cost indexes. This coordination is necessary because at the present stage of Communist development relationships between marketable commodities and money still exist in the Soviet economy. This means that finished production assumes the form of commodities and moves from one enterprise to another not free of charge but through the process of buying and selling. It is clear that materials allocated to branches or enterprises, must be correlated to their ability to pay for these materials, as shown by financial indexes. Such coordination is obtained by means of monetary evaluation of material assets allocated to each consumer. At present, monetary evaluation of material assets on a national scale has been strictly applied in planning the supply for capital construction. It is necessary to apply the method of monetary evaluation even on a wider scale in planning the allocation of resources for industrial production.

In allocating producer's goods, the planning organs must, first of all, insure the fulfillment of the most important tasks in the development of the national economy, as specified by the party and the government for a given period. Here, as in all planning, all inefficiencies, narrow departmentalism, and unjustifiable demands from individual economic organizations must not be tolerated.

Identification of key industries is also of primary importance in the allocation of producers' goods, as it is impossible to set up an allocation plan without knowing which industries are basic and must receive first priority.

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In planning production and allocation, it is necessary to set high goals that will mobilize productive resources. The party and government have repeatedly shown that reduced plans do not lead to mobilization, but force production to a low level and retard progress. Material balances and allocation plans are established on the basis of progressive norms of material expenditure based on first-rate Stakhanovite experience. At the same time, they must be realistic and well founded, taking into account the capabilities of socialist economy.

The continuity of supply is very important in the development of material and technical supply plans. Interruption of supply may bring about disruptions in the operation of the enterprise, cause an accumulation of above-norm surpluses, and slow down the turnover of working capital. The coordination of material balances and allocation plans of producers' goods insures the continuity of supply, which is the most important task of planning organs.

One of the principles of socialist planning is the unceasing improvement of the plan in the course of its fulfillment. Drawing up the plan is only the beginning of planning; the plan is amended and made more precise in the course of fulfillment. This is fully applicable to planning of supply. In the process of supply, there is constant adjustment of material balances and allocation plans. A systematic check on the fulfillment of the state supply plan is particularly important, as is the development of measures to improve the delivery of needed producers' goods to the national economy.

In drawing up the resources part of material balances, the determination of the volume of production in individual branches has decisive significance. The laws of development of socialist production call for the steady rise in the level and the tempo of production and the complex development of all its branches. These laws, emanating from the basic characteristics and advantages of the socialist economy, serve as the most important initial force in socialist planning. In planning the rate of growth of individual branches, the importance of a given branch to the national economy, its economic and technical level of development, the state of its capital construction, its internal reserves for increased production, etc., are carefully analyzed. Consideration is also given to the current and prospective tasks of the national economy.

The planned increase of production volume of the various branches must have a technical and economic basis. The planning of production volume must be based on the productive capacity and availability of labor and raw materials. At the same time, it is necessary to take into account the possibility of increasing the productivity of labor and working capital, as well as improving the utilization of the productive capacity. In planning, the economic and party organizations must discover all internal reserves of production and take into consideration the experience of foremost collectives and Stakhanovite workers. Concealing industrial reserves and resources from the government is a crime against the state and is severely punished by the party and the government.

The planning of production on a national scale is carried out by the Gosplan USSR, while the Gosnab USSR, which maintains direct daily contact with all branches of the national economy concerning their supply, makes recommendations to the government concerning the assortment and the volume of output of various types of products.

Special attention is given to some above-norm commodity stocks that appear in the resources part of material balances; they consist mostly of products left directly at the plant, in supply bases, and in main trading organizations.

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One of the tasks of socialist planning consists of determining the minimum commodity stocks actually needed for normal turnover. In particular, the finished output must remain at the plant only long enough to be sorted and made ready for consignment and shipment. At the base of the trading organizations, the norm of commodity stocks must be determined by two factors: (a) the distance of the base from the supplying plants and the regularity of commodity inflow to the base; and (b) the pattern of consumer relationships, which include the distance they are from the base, their requirements for types of products, and the frequency of their orders. All above-norm commodity stocks must be counted as additional sources of supply.

Resources listed in the balance sheet also include reserves of materials, fuel, and raw materials held by consumers, which, in distinction from commodity stocks, are called production reserves. While normal commodity stocks are a necessary part of commodity turnover, normal stocks of production reserves are essential to uninterrupted production. However, above-norm reserves of materials and raw materials slow down the turnover of capital, waste resources, impair the financial condition of the economy, and lead to increasing material losses.

Consequently, the main task before the planning, economic, financial, and party organizations is to prevent the accumulation of above-norm commodity stocks and excessive production reserves and to utilize them as sources of supply, thereby accelerating the turnover of capital and reducing storage expenditures.

In working out the expenditures part of material balances, all problems of distributing the total social product are considered. These problems are of broader scope than those dealing with the material and technical supply of the national economy. Material balances cover not only the allocation of producers' goods, but also the volume of resources which is included in state reserves, in the retail market, in the commodity stocks, the special clothing fund, etc. These are allocated to the state budget organizations.

The allocation of producers' goods has a central place in material balances and allocation plans and presents a series of complex problems such as the problem of allocating resources between industrial production and construction. Rolled ferrous metals, lumber, cement, and other materials can be utilized in both industry and construction. In determining the volume of industrial production and construction, the apportionment of material resources must guarantee the designated volume of construction. It is taken into account that capital construction increases the productive capacity, which, in turn, increases the production volume, although, as a rule, the increase does not occur in the year when the construction is begun but only after a certain period (depending on the length of construction).

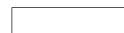
The most important factor in planning the supply of capital construction is to assure the necessary supply and concentrate material resources on vital projects and projects already under construction. It is necessary to be constantly on guard against the dispersion of material, monetary, and labor resources between too many construction projects, as this will lead to unutilized resources, long delays, and increased costs.

The process of allocating producers' goods involves the problem of allocating material resources among the branches making producers' goods, (heavy industry) and the branches producing consumers' goods (light industry).

In working out this problem, Gosplan USSR proceeds from the goals set by the state plan for the development of heavy and light industry. The production of producers' goods is the basis of economic strength and wealth of the country

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and is the most vital branch of the national economy. Heavy industry played a leading role in the industrialization and mechanization of the national economy in the period of reconstruction, in World War II, and in the first postwar Five-Year Plan. Even in the present stage, the production of producers' goods is given primary consideration.

In the allocation of producers' goods, there also arises the problem of guaranteeing the reproduction of socialist property in its present forms: (1) state property; and (2) kolkhoz-cooperative property. While insuring the leading role of state property, the socialist state is concerned with the development of both forms of socialist property. Therefore, the government is responsible for the material and technical supply not only of state industrial enterprises, railroads, maritime and river transport, sovkhozes, MTS, etc., but also of kolkhozes and industrial artels. Material assets are allocated to kolkhozes mostly by the Ministry of Agriculture USSR and to cooperatives by the Central Council of Industrial Cooperatives, the Central Union of Consumers' Cooperatives, and the councils of the ministers of union republics.

The needs of an enterprise for material resources are determined by the planned volume of production, by the extent of capital and current repairs and other industrial needs, as well as by problems of replenishing industrial reserves if they fall below the norm. The requirements of construction projects for material resources depend on the structure and volume of planned construction.

In planning the allocation of producers' goods, all possible improvements in their utilization are considered. The socialist economic system does not suffer from economic crises and excessive waste of labor and capital, inherent in capitalist economy. The advantages of the socialist system make possible the complete and efficient utilization of all elements of production with minimum losses.

A more efficient utilization of basic producers' goods is the most important problem of allocation. Allocation is a powerful economic lever in the utilization of all producers' goods. Definite norms for the utilization of fixed capital and the consumption of material resources for each unit of output contribute greatly to economical use of producers' goods.

Norm setting in socialist economy means the establishment of planned goals for the expenditure of labor, means of labor, and tools of labor per each unit of finished output or completed task. The norms serve as quantitative expressions of these tasks. They also establish the basis for developing socialist plans and organization of socialist production, as without them, planned economy would not be possible. The norms should not be confused with the socially necessary working time; the first represents planned volume, the second, volume actually attained. Under capitalism, the socially necessary working time for the production of commodities is established haphazardly under the influence of capitalist competition. In socialist economy, the socially necessary working time is developed under planned state control. Normalization of labor and material expenditures is one of the basic features of this system.

The norms used in socialist production are far different from those existing in capitalist production. In the first place, the norms in capitalism are established individually for each different enterprise. In the second place, disorder and lack of planning eliminate the possibility of genuine scientific and technical norm setting for productive expenditures. In the third place, the normalization of productive expenditures in capitalist enterprises is directed toward increasing profits through the exploitation of the working class and the worsening of working conditions. The working class in capitalism is not interested in the economical utilization of producers' goods.

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In socialist economy, the normalization of productive expenditures is the instrument for planning the reduction of socially necessary working time, for improving the utilization of productive resources, and for increasing capital accumulation. In the USSR, the normalization of productive expenditures on a national scale is a method of perfecting the production process and increasing labor productivity.

The socialist economic system makes wide use of socialist competition for the overfulfillment of norms; for the achievement of new, more progressive indexes of the productivity of equipment; for the conservation of raw materials; etc. The Stakhanovite movement does away with obsolete norms which hinder the growth of Soviet economy and establishes new, more effective norms.

Progressive norm setting must be founded on a sound technical and economic basis. In norm setting, it is necessary to consider the possibility of improving the whole organization of production and technology and to strive for an uninterrupted mechanization of production, the introduction of substitutes and improved designs, and utilization of industrial waste products. The analysis and application of Stakhanovite experience in the conservation of materials has decisive significance in norm setting. Socialist competition serves as an effective means of discovering and utilizing huge reserves present in the Soviet economy, and the creative initiative of the foremost people in Soviet industry continuously brings forth new processes for economical utilization of material resources.

The distribution of producers' goods among the branches is based on the norms of expenditure of basic and subsidiary materials. For example, there are norms of expenditure of fuel and electric power per one unit of output or per one unit of accomplished task (as for a ton-kilometer of freight), norms of industrial and commodity stocks, norms of equipment utilization, etc.

In construction, the estimates of requirements of the great construction projects, as well as of vital and already initiated construction are determined according to the physical volume of work in relation to norms of material expenditures per each unit (per one cubic meter of foundation, per one square meter of sheeting, etc.). Estimates for other construction projects are made according to the norms of material expenditure per one million rubles of construction and installation work.

The planned volume of production and construction and the norms serve as the most important prerequisite for determining the actual requirements of individual branches for producers' goods. By determining the available resources and the requirements, the planning organs coordinate both factors in the final drafting of the material balances. If the resources exceed the requirements, the question arises as to the expediency of increasing the original plan for replenishment of state reserves and also of shifting part of the productive capacity to more essential production. The rate of growth in all branches of the national economy of the USSR, however, is so great that more often, the reverse is true -- when the resources allocated for different types of production are insufficient to meet all requirements. In these cases, the planning organizations study the possibility of decreasing the total requirements for a given product by reducing the expenditure norms per unit of output, by decreasing the expenditure of this product for secondary needs, and by introducing substitutes. At the same time, the possibility of increasing the resources of the product in question through stepped-up production and through utilization of stocks is carefully considered.

The drafting of material balances can be considered completed only when the coordination between both parts is reached, or when the allocation designated in the plan corresponds to the availability of resources.

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The planned allocation of producers' goods, as specified by the nature and scope of socialist production, exerts a great influence on the whole national economy, on the tempo of its economic development, on its defense potential, and on the standard of living.

The planning organs, the organs of material and technical supply and sale, and the economic and party organizations must strive for the mobilization of all resources of production; for the maximum conservation of raw materials, fuel, and electric power; for the best possible utilization of productive capacity; and for the liquidation of above-norm reserves. It is also necessary to perfect the whole system of norm setting, to analyze the foremost Stakhanovite experience, and to develop new technology.



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