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Kosygin and the 11th Five-Year Plan (U)

The Chairman of the USSR Council of Ministers, Aleksey Kosygin, has recently published a wide-ranging, future-oriented article on economic plans and priorities in the July issue of Planned Economy, the journal of the State Planning Committee (Gosplan).\* The article's appearance coincides with what appears to be a high point in the campaign, prodded along by President Brezhnev, to institute changes in economic planning and management.\*\* The 1978 Politburo decision allocating greater

\*A. N. Kosygin, "Course Toward Effectiveness--The Most Important Link in the Party's Economic Policy," Planovoye Khozyaistvo, No. 7, 1979, pp. 3-17, signed to press 6 June.

\*\*President Brezhnev has criticized the planning mechanism for years. At the November 1978 plenum of the Central Committee, he revealed that the Politburo had approved a decision "recently" that extended the powers of Gosplan, increased its coordinating role, and enjoined it to focus its attention more on long-term planning. He also revealed that the Council of Ministers had been charged with preparing recommendations for "perfecting the entire economic mechanism." On 28 July 1979 it was revealed that the Politburo had adopted a resolution "on further perfection of the economic mechanism and tasks of party and state organs" (Moskovskaya Pravda, 28 July 1979). The next day Izvestiya published a lengthy summary of a separate Central Committee and Council of Ministers' resolution "On Improving Planning and Strengthening the Impact of the Economic Mechanism on Raising the Effectiveness of Production and the Quality of Work." This document apparently represents the fruit of the Council of Ministers' effort, aided by Gosplan, to reform itself. Still further changes were promised by the 28 July announcement, which stated: "It is planned to work out proposals for the further improvement of the organizational structure of administration, having foreseen in them measures for overcoming departmental diffusion, perfecting branch and territorial administration and organizational forms for implementing target programs and also proposals for raising the role of Soviets of People's Deputies."

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power to Gosplan (which has not been published), the 29 July 1979 resolution on planning, and Kosygin's article together suggest that the basic course for any change in economic management has been established for the remainder of the Brezhnev era, although some details--especially organizational--appear to be still under debate. The thrust of these measures is clearly toward greater centralization, an enhancement of directive elements in economic administration (particularly with respect to the binding character of five-year plan targets), and cautious experimentation with a range of mutually contradictory "success indicators."

Premier Kosygin's article is in a sense a personal statement, as it defends certain positions long advocated by him (e.g., on energy policy), ignores other positions that are developed in the 29 July joint Central Committee-Council of Ministers resolution "On Improving Planning . . ." (e.g., the need for program-centered planning), and pays only minimum obeisance to the Brezhnev cult. But, it is also an authoritative expression of the point of view of the Soviet Union's top economic policymaker; and it has been published at a time when key decisions must be made in drafting the 11th five-year plan (1981-85) and what is in effect a 10-year plan--the "Basic Directions of Economic and Social Development of the Country to 1990."\*\*\* It projects courses of action that are likely to be pursued between now and 1985, at least if Kosygin remains in office.

Politically, the article represents a defense of the existing system of plan elaboration by Gosplan, coordination through the Presidium of the Council of Ministers and Central Committee apparatus, and implementation of plan targets by vertically structured branch ministries. Economically, the article emphasizes technological innovation as the strategic key to economic growth; the labor problem as the central constraint on economic performance; and the need to keep the rate of

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\*\*\* [REDACTED] the article may originally have been a speech, perhaps delivered in April to the Council of Ministers, or in May to a gathering convened to celebrate the 50th anniversary of the first five-year plan. It is clearly intended, in any event, to lay down the line for planners.

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growth in investment lower than the rate of growth in national income--virtually guaranteeing low growth in the 1980s.

### Centralized Administration of the Economy

Kosygin strongly implies that there is no need for fundamental change in the existing system of centralized state planning and ministerial implementation of plan directives. In his view, this system, operating on the basis of "democratic centralism," provides the linchpin for translating party policy into economic reality, and it has served the Soviet Union well for 50 years. It follows that what is required is simply adaptation of the system to the contemporary situation.

In contrast to the position he took during implementation of the 1965 economic reform, Kosygin does not assign a strategic role to improvement in the functioning of "economic levers." His main concern in this field is that plan indicators provide more incentive to save labor and raw materials; but, he has nothing to say about price reform--a crucial precondition for harnessing incentives to the regime's declared economic objectives. The thrust of his argument, on the contrary, is directed toward "effectiveness"--enhancing innovations in the economy that will be imposed from above regardless of managerial responsiveness to microindicators.

This posture is reflected most clearly in his emphasis on the preeminent role of Gosplan and on the drafting of long-term plans (the 11th five-year plan and the "Basic Directions . . . to 1990"). The intention behind this planning effort is to develop far more concrete long-range targets than have previously been operative, compel their incorporation from year to year in annual plans, and then tie incentives to fulfillment or overfulfillment of the plans derived in this manner.

In keeping with his defense of existing planning and managerial arrangements, Kosygin approaches very gingerly the politically sensitive issue of improvement in regional-territorial planning and coordination. While paying lipservice to the need to improve territorial planning, and acknowledging the importance of "integral

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development" (kompleksnost') in republic and regional economic management, he implies that the problem basically has been solved, citing a number of existing regional programs as positive examples of the "complex systems approach to the solution of regional problems." He admits a need to do better in the coordination of construction activities and synchronization of completion of production and infrastructure facilities in new territorial-production complexes (TPKs). But in contrast to the position recently taken by First Deputy Chairman of the Council of Ministers Nikolay Tikhonov, he says nothing about organizational changes (long urged by local party and economic officials) to cope with the problem of horizontal integration of the economy.\*\*\*\*

#### Technological Innovation

Kosygin clearly states that the solution to Soviet economic problems lies in forcing the pace of technological innovation. Realization of the Soviet Union's scientific-technical potential will not occur spontaneously; it must be planned and administered from above:

The most important task of all participants in working out the new five-year plan is to make sure that the plan and all its targets are based on the achievements of science, that they open the way for the

\*\*\*\*Tikhonov states: "An intensive search is now under way for the most effective organizational forms of administering economic and territorial-production complexes. This task, however, has still not been solved. It is necessary, as was pointed out at the 25th congress of the Communist Party of the Soviet Union (CPSU), to approach more boldly the creation of authoritative organs of administration of the complexes that dispose of the necessary resources, which is especially important for overcoming diffusion, lack of coordination, and the large losses connected with this. As regards planning, however, some complex territorial plans and programs at times amount simply to an assembly of the territorial sections of branch plans. At times there are no organizational bases for planning and administration for large economic regions. The solution of this problem is especially topical for the RSFSR." Kommunist, No. 7, 1979, p. 43.

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introduction of technical innovations, that the plan represent an elaborated program of actions for accelerating scientific-technical progress.

The main lines of technology strategy upon which planning should be based, Kosygin implies, have been set out in the "Complex Program of Scientific-Technical Progress and Its Social-Economic Consequences to the Year 2000," a document prepared under the guidance of the Presidium of the Academy of Sciences and the State Committee for Science and Technology.

### Investment

The rate of investment. Kosygin approaches the investment question by observing that the Soviet Union has proved itself by already having outdistanced the United States in the production of such important commodities as oil, steel, cement, and mineral fertilizers, and that every year it implements "one of the largest programs of capital construction in the world." The stress now must be placed on effective utilization of existing capital stock:

A characteristic feature of the party's contemporary economic policy lies in the orientation toward fuller utilization of the mighty economic and scientific-technical potential that has been created in the country, toward all-round raising of the effectiveness of social production, the quality of all work. It is namely in this that the party sees the main path for further economic and cultural construction, the growth of public well-being.

In perhaps the single most important policy statement in the article, Kosygin unequivocally commits himself to the proposition that the rate of growth in investment in the period 1981-85 and beyond should be less than the rate of growth in national income--a thesis underpinning the 10th five-year plan. He comments:

For many years we have rapidly stepped up the volume of capital investments, the tempo of growth of which has noticeably exceeded the growth of national income. According to the results of the first three years of the

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current five-year plan, the tempo of growth of national income was higher than the growth of capital investments. This is a positive tendency that testifies to a raising of effectiveness of social production. It must be incorporated in plans for the future.

Given the declining rate of growth of national income in recent years (growth in GNP has fallen from a yearly average of 3.8 percent in 1971-75 to 3 percent in 1976-78), increases in capital investments during the 1980s anticipated according to this formula will remain modest. If the strategy is carried out, it will tend over time to depress growth of national income even further, unless productivity gains far exceed anything the Soviets have been able to achieve so far. Slower economic growth will somewhat alleviate pressure on energy and raw materials (which may be a central consideration), but it may also force Soviet policymakers to examine more closely the opportunity costs of maintaining the long-term 4 to 5 percent annual growth in military spending.

Sectoral allocation of investment. In the article Kosygin provides only fragmentary hints about the desired allocation of investment among branches of the economy. He is clearest with respect to a chronic source of contention, investment in agriculture. Agriculture, he notes, has been getting vast investments; but increases now, he implies, will have to be scaled down:

As is well known, the party has provided for a sharp increase in capital investments in agriculture. They will continue to grow in the future as well. Nevertheless, as was indicated at the July plenum of the Central Committee of the CPSU, under contemporary conditions the task must be moved to the foreground of improving the utilization of material and financial resources in sovkhozes and kolkhozes, of raising the effectiveness of agricultural production.

In the article Kosygin mentions defense only once, at the end of a list of sectors of the economy in which the solution of problems is viewed as being dependent upon the development of science and technology.

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The sector most favored by Kosygin would appear to be machinebuilding, quite in accordance with his stress on technological innovation as the key to economic growth. He sets the machine-building ministries the ambitious task of "providing for the technical reequipping of all branches of the economy on the basis of new machinery that meets contemporary world standards." This task, reflected in both the 9th and 10th five-year plans, will be continued in the five- and ten-year plans now being drafted.

Territorial allocation of investment. Important issues in territorial allocation of investment include the rapidity and scope of Siberian and northern development; the division of investment resources between major urban-industrial centers, on the one hand, and smaller cities and towns, on the other; and satisfaction of the claims of non-Russian national republics to equalization of economic growth. Kosygin appears cautious with respect to Siberian investment. He stresses how much has already been accomplished there (especially in the oil and gas region of West Siberia), and while noting President Brezhnev's "directions" on Siberian development, calls simply for the "phased expansion of the potential of the eastern regions." On the contentious point of whether or not development in northern territories should proceed along a broad or narrow economic front, Kosygin explicitly aligns himself with the historically dominant strategy of narrowly based resource exploitation. On the urban issue, he stresses the need to avoid investment in new fixed capital in the heavily industrialized regions of the USSR where there is an increasing labor shortage and repeats the familiar call for renewal of equipment and reconstruction of enterprises in these areas, with higher rates of investment in smaller cities and towns where there is a pool of underutilized labor.

Investment in labor surplus regions is, to a substantial degree, investment in non-Russian republics. But Kosygin adamantly rejects the notion that inequalities persist among the republics, asserting--realities to the contrary--that equalization has already been "achieved" and that consequently the interests of individual republics can and must be subordinated to the achievement of "common goals."

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## Sectoral Development Priorities

Energy. Kosygin emphasizes those elements in the energy picture with which he has long identified himself: coal (based on development of the enormous Kansk-Achinsk brown coal deposits of central Siberia), and nuclear power, especially breeder reactors. A new note that he strikes is the stress on coal liquefaction, evidently because of doubts about oil availability and intractable coal and electricity transportation problems. "Growth in oil extraction, and to a considerable degree gas as well," he notes, "must be directed toward technological needs for the production of chemical industry output."

Agriculture. Growth in agricultural output, Kosygin acknowledges, is--"as L. I. Brezhnev has emphasized"--a key indicator. "But it is no less important," he implicitly contradicts Brezhnev, "that output be stored and brought to the consumer." Kosygin stresses the need to view agriculture as "an integral part of the agroindustrial complex." Operationally, what this means is that of the resources allocated to agriculture, relatively more should now be devoted to storage, transportation, and processing, as opposed simply to increasing output. In the production sphere allocations should be relatively greater for mechanization implements, fodder production equipment, and agricultural chemicals than, for example, tractors. There should be less stress on expansion of irrigated land and more on its effective utilization. By blurring the difference between agriculture proper and the various industries that service agriculture, Kosygin is saying that agriculture's share of investment should be shared with other sectors--that is, in effect, reduced.

Machinebuilding. Kosygin stresses the need to produce larger capacity, more efficient equipment: for example, huge 1,500 megawatt nuclear power reactors. He also calls for greater concentration of production in the machine-building industry, and the establishment of subassembly and technologically specialized factories and assembly plants.

Transportation. The key problem Kosygin addresses is transportation of electricity and fuel over great distances--the dilemma posed by the location of gas, coal,

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and hydroelectric reserves thousands of kilometers from domestic and foreign consumers. His preferred solutions include deployment of multiwalled gas pipe (creating greater throughput capacity, in combination with higher pressures and chilling of the gas); location of energy-intensive nonferrous metallurgical and chemical industries near the Kansk-Achinsk coal deposits; and--in the longer run--development of ultra-high voltage electrical transmission lines.

Water. "Even now," Kosygin observes, "some regions in the European part of the country, including the Urals, and irrigated farmland in Central Asia, are experiencing difficulties with water supply." The solution to this "water problem" is not rapid implementation of costly and ecologically problematic schemes to shift the flow of Siberian rivers, but elaboration of "measures for the rational, thrifty use of water."

#### Labor

Kosygin views the emerging labor shortage as a critical constraint on future Soviet economic development:

In the future the growth of labor resources will be sharply reduced. To provide the economy with a labor force under these conditions, to maintain high tempos of economic growth, it is necessary to work out and make provision in long-term plans for a system of social-economic measures aimed both at a fundamental economizing of labor expenditures and at drawing additional laborers into social production. Planning workers and leaders must take this into account. Each of them must recognize that the opinion one still encounters, "just get the capital investments, and labor will take care of itself," is hopelessly outmoded.

The motivation problem. Kosygin does not suggest the slightest sympathy for moves in the direction of worker participation in management. He does argue, however, that labor productivity now depends directly upon creating a more comfortable working environment. Likewise, he does not broach the sensitive issue of "group B" and the relative priority of consumer goods production.

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Yet he does call for "measures aimed at meeting the wage-based demand of the population." In this context he observes that "satisfaction of demand expressed by the population, the creation of normal conditions for spending monetary incomes by the population, is an important aspect of consistent realization of the principle of distribution according to quantity and quality of labor, of strengthening stimuli for raising labor productivity." In the controversy over the relative efficacy of material as opposed to "moral" incentives, Kosygin unquestionably sides with the proponents of the former. Moreover, he explicitly urges greater wage differentiation: "It is necessary to overcome still-existing elements of leveling in the payment of labor, to apply more broadly progressive forms of payment of labor that link the magnitude of earnings of each worker with the final results of his personal labor and of the activity of those collectives where he works."

Labor redistribution and training. At several points Kosygin calls attention in passing to the problem of labor redundancy in the economy and to the need for redistribution of labor resources. He speaks obliquely of "rational resettlement of the population," "reduction of the number of people employed at existing enterprises," and "planned systematic relocation of workers." He is not prepared, however, to urge the politically risky course of a frontal attack on labor hoarding and featherbedding, which would offer the quickest alleviation of the Soviet labor supply problem. Instead, he calls for improvement in training and retraining of the labor force to promote mobility and a rise in labor productivity. In this connection he endorses what appears to be a fundamental shift back toward a combining of general and polytechnical secondary education, as well as tighter planning and control over the production of specialists with higher technical education.



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