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LIBERMAN'S LATEST PRONOUNCEMENTS--AN EVALUATION

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LIBERMAN'S LATEST PRONOUNCEMENTS--AN EVALUATION

A recently published monograph by Yevsei Liberman,<sup>\*</sup> which has caused some concern among Yugoslav economists as to the future status of Soviet policy toward economic reform, appears to be little more than a reemphasis of the concepts expressed by Liberman in the early 1960's and a defense of the Soviet economic reforms promulgated in September, 1965. Embassy Belgrade had reported that economists at the prestigious Belgrade Institute of Politics and Economics believed the Liberman analysis signaled another round of attacks on Soviet ~~style~~ <sup>style</sup> reforms.<sup>\*\*</sup> A reading of the relevant material in Liberman's monograph (Introduction and Description of the General Character of the Economic Reform (chapter 1)), however, provides no indication that this new work by Liberman

\* Liberman, Ye. G., Ekonomicheskiye Metody Povysheniya Effektivnosti Obshchestvennogo Proizvodstva, (Economic Methods of Raising the Effectiveness of Social Production), Ekonomika, Moscow, 1970.

Yevsei Liberman, the Khar'kov professor of economics who, in the early 1960's advocated increased decision-making autonomy for enterprise managers and the use of profit as the main criterion for evaluating enterprise performance, has often been considered the chief proponent of the economic reforms implemented in January, 1966, and the major iconoclastic figure among Soviet economists.

\*\* Reported in Embassy Belgrade Telegram 357, 8 February, 1971.

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foreshadows any major shift in economic policy by the Soviet leadership.

In the introduction to his book, Liberman stresses emphatically (as he did in 1964) that the aim of the proposals for economic reform, and the resultant reform implemented in 1966, was not to replace or circumvent the system of central planning, but rather to reinforce it by drawing the producing enterprises themselves into the planning process. The appropriateness of the economic reform for strengthening the system of central planning appears to be the central theme running throughout the first part of the book. This theme is consistent with his earlier statements regarding proposals for economic reform.\*

In his new work, Liberman again criticizes the "foreign" press in general, and specifically the Western press (as he did in 1964) for misrepresenting the significance of the increased role of profits in evaluating enterprise performance and providing material encourage-

\* See Pravda, 9 Sep. 62, "Plan, Profit, and Bonuses," and 20 Sep. 64, "Once Again on Plan, Profits, and Bonuses."

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ment for increased production. Reiterating the standard official position, he points out that the function of profits in the economic reform is only significant to the extent that it promotes the functioning of the entire system of central planning and management of the national economy. As in the past, he again criticizes the foreign press for exaggerating the role of individual economists (implying himself) in developing the reform, and goes to some length to point out that the reform announced in 1965 represented the combined work of a great number of economists and was carried out under the leadership, and with the support, of the Communist Party.

In describing the general characteristics of the reforms, Liberman emphasizes that the increased independence which they [ostensibly] provide to the individual enterprise is designed to promote initiative at the enterprise level for the economical utilization of resources in fulfilling the centrally planned targets of volume of production, assortment of product, and dates of delivery. He praises the successes that the reform has enjoyed to date, citing examples from articles published in Ekonomicheskaya Gazeta, Pravda,

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and Izvestia, and stresses that one of the most important results of the economic reform has been to establish "increased effectiveness of production" as the common goal of each and every member of society, (VSEKH I KAZHDOGO).

Liberman also devotes a section of his first chapter to shortcomings that have appeared in implementing the reform. In this section, he cites examples, again from articles previously appearing in Ekonomicheskaya Gazeta and Pravda, of enterprises and ministries which tend to adhere to the traditional success criteria. He sees this as the primary deficiency in implementing the reform, and notes that the ministries retain the old methods of direction because they do not believe that enterprises will operate at full capacity on their own initiative. In addition, he points out that difficulties exist in the area of material supply because the material supply organizations have not yet been fully transferred to the new methods, and a delimitation of responsibility between branch and territorial supply is still lacking. Liberman's only recommendation for eliminating deficiencies in implementing the reform is to "strengthen accounting relations,

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increase the role of material sanctions [for non-fulfillment of planned targets], and strengthen the education of cadres in the spirit of adhering to state disciplines in all elements of our economic system."

Taken by itself, this new book by Liberman does not indicate any abrupt turn in official policy away from the principles set forth in the 1965 reform. Rather, the central theme of the book--the strengthening of central planning within the context of the economic reform--when considered together with (1) the recent statements in Pravda by Gosplan chairman Baybakov, warning against depreciating the role of central planning and exaggerating the role of the market, (2) the recent attack on the economic views of Otto Sik in a book by I. M. Mrachkovskaya, and (3) the imminent 24th Party Congress, may be indicative of increased emphasis being placed on enhancing the image of central planning. This would be in keeping with the regime's proclivity for portraying the central authority as the cornerstone of all possibilities for improving the economy in preparation for an impending Party Congress.

On the other hand, in view of Liberman's role in the past as spokesman for the "liberal" wing of Soviet

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economists, his new book could be interpreted as a timely restatement intended to defend the status quo of the 1965 reforms against renewed attacks from the more conservative wing and preclude any possibility of a shift in the attitude of the Soviet leadership toward an even more conservative position.\*

The main features of the 1965 reform--reduction in the number of economic indicators set from above, greater emphasis on profitability and sales and expansion of decentralized investment--were intended to give enterprise managers more freedom and the workers more incentive. So far the reforms have failed to change the basic operating principles of the Soviet economy, seriously limiting any chance for success. To be effective, the reforms have to be accompanied by more rational and flexible prices, less central control over the allocations of materials and relief from the chronic shortage of most materials. The leadership has given no indication that radical changes necessary to improve matters in these areas will be introduced.

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\* Evidence of Liberman's previous role as spokesman for the group of more liberal Soviet economists is described in Trembl, V.G., "The Politics of Libermanism", Soviet Studies, Vol. 19, No. 4 (April, 1968), pp. 571-572.

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