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Soviet Debate Over Economic Management: A Party-Government Issue

An Intelligence Assessment

Information available as of 4 February 1981 has been used in the preparation of this report

**CIA HISTORICAL REVIEW PROGRAM
RELEASE AS SANITIZED
1999**

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This paper was coordinated with the Office of
Economic Research and the National Intelligence
Officer for USSR and Eastern Europe

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PA 81-10017X
February 1981

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**Soviet Debate Over
Economic Management:
A Party-Government Issue**

Key Judgments

As Soviet leaders prepare to convene the 26th Party Congress on 23 February and embark on a new Five-Year Plan (1981-85), they face a catalog of economic problems that could reach crisis proportions in the 1980s. At the core of these problems is a rigidly centralized management structure, which served the economy well at an earlier stage in its development but is proving unworkable to the complexity, diversity, and scale of current production demands.

General Secretary Brezhnev and other party leaders for years have been advocating measures to improve coordination among the various branches of the economy and achieve a better integration of national and regional plans. These relatively modest proposals, however, also would weaken the economy's centralized structure and increase the party's involvement in economic management—a prospect strongly resisted by former Premier Aleksey Kosygin and his government subordinates.

The reform measures backed by Brezhnev would leave untouched many features of the present system, including directive planning and administrative price-setting, that discourage innovation and encourage waste. His efforts to streamline and decentralize the management structure, on the other hand, could introduce some much needed efficiencies. It is this aspect of his reform proposals, however, that provokes the stiffest opposition from entrenched government interests. As long as the party-government debate continues to focus on who will control the economic reins rather than whether the grip should be loosened, meaningful reform remains a distant prospect.

Two decrees, issued in July 1979 and not yet fully implemented, provided vivid evidence of the limitations on Brezhnev's power in dealing with such issues as party versus state control of the economic mechanism and national versus regional prerogatives. Adopted more than seven years after Brezhnev first called for management reform, they represent an obvious compromise between the conflicting viewpoints and institutional interests of the party and government bureaucracies.

Undaunted by the relative lack of movement reflected in these decrees, Brezhnev is continuing to press for action, especially on the reorganization issue. In his speech at the Central Committee plenum in October 1980, he called on the Council of Ministers to conclude its work on reorganization proposals "before the congress" so that "obsolete structures" would not be

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brought into the new Five-Year Plan. Although his tone of urgency on this issue was familiar, this was the first time he had established a deadline—the 26th Party Congress—for completion of the proposals, a move that could make government delaying tactics more difficult.

The resignation in October 1980 of now-deceased Premier Kosygin may also have improved the prospects for movement on the reorganization issue. Central government ministries lost a capable defender in Kosygin, who was something of an independent force on the Politburo. By contrast, Kosygin's successor, Nikolay Tikhonov, is a Brezhnev protege who seems more susceptible to manipulation.

The recent merger of two government ministries and Brezhnev's reference to the emergence of an agro-industrial complex are examples of the kind of amalgamation that government forces have resisted and could be harbingers of more comprehensive organizational changes. In view of the political strength of the Kosygin appointees in the government, however, it seems more likely that the conflict between these powerful institutional interests will continue—at least in the near term—to be resolved by a series of ineffective compromise measures.

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**Key Economic Policymakers
and Administrators**

Party	Government
Politburo (<i>makes economic policy</i>)	Presidium of the USSR Council of Ministers (<i>administers economic policy</i>)
Full Members Leonid Brezhnev Mikhail Gorbachev (agriculture) Andrey Kirilenko (industry) Nikolay Tikhonov Viktor Grishin (Moscow City) Dinmukhamed Kunayev (Kazakhstan) Grigoriy Romanov (Leningrad) Vladimir Sheherbitskiy (Ukraine)	Chairman Nikolay Tikhonov*
Candidate Members Geydar Aliyev (Azerbaijdzhan) Tikhon Kiselev (Belorussia) * Sharaf Rashidov (Uzbekistan) Eduard Shevardnadze (Georgia) Mikhail Solomentsev (RSFSR)	First Deputy Chairman Ivan Arkhipov
Secretariat (<i>oversees implementation of policy</i>) Leonid Brezhnev Vladimir Dolgikh (heavy industry) Mikhail Gorbachev (agriculture) Andrey Kirilenko (industry)	Deputy Chairmen Aleksy Antonov Nikolay Baybakov (Chairman, Gosplani) Ivan Bodyul Veniamin Dymshits Konstantin Katushev (Chairman, Commission for CEMA Affairs) Leonid Kostandov Valentin Makeyev Gueiy Marchuk (Chairman, State Committee for Science and Technology) Nikolay Martynov (Chairman, State Committee for Material and Technical Supply) Ignatiy Novikov (Chairman, State Committee for Construction Affairs) Ziya Nuriyev Leonid Smirnov (Chairman, Military-Industrial Commission) Nikolay Talyzin

Regional
Leaders

* Kiselev became Belorussian party chief on 16 October 1980, following the death of Petr Masherev. He became a Politburo candidate on 21 October 1980.
* Tikhonov became Premier on 23 October 1980, following Kosygin's resignation. (Kosygin died on 18 December 1980.)

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**Soviet Debate Over
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Reforming the Reform: A Brezhnev Initiative

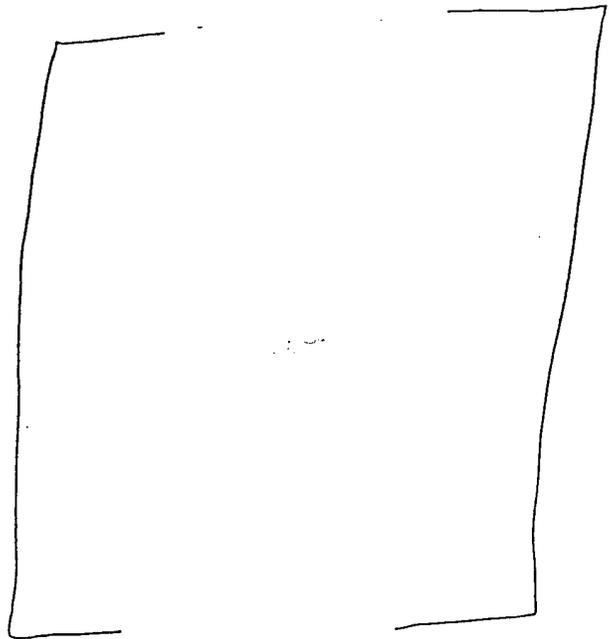
Two decrees, issued in July 1979 and not yet fully implemented, were significant benchmarks in the debate over future directions in Soviet economic management. Adopted more than seven years after Brezhnev's call for management reform, the decisions represent an apparent compromise between the conflicting viewpoints and institutional interests of the party and government bureaucracies. (

The adoption of the decrees demonstrated both the strengths and the limitations of Brezhnev's authority in economic matters. Although he was the guiding force behind them, passage of the final documents required a number of concessions on his part and years of cajoling a government bureaucracy that stubbornly resisted his efforts.

Brezhnev's push for management reform can be dated from at least December 1972—a time when he had begun to assert the party's authority in economic matters at some expense to the prerogatives of Premier Kosygin and the central government. (This encroachment on government terrain was perhaps best symbolized by the attendance of party secretaries at sessions of the Council of Ministers, a practice Brezhnev initiated in 1970.) Speaking at a Central Committee plenum, Brezhnev expressed deep disappointment with the reform Kosygin had introduced in 1965. He said the existing management structure required major improvements. (

A Cautious But Persistent Approach

Unlike his predecessor, Khrushchev, who was known for his hasty reorganization schemes, Brezhnev stressed the importance of a "planned and properly cautious" approach to reform. When caution turned to



bureaucratic obstruction, however, his comments on the subject reflected his growing impatience:

[Improvement of the economic mechanism] *cannot be postponed for long.*

Central Committee plenum,
10 December 1973

[Measures must be prepared] *in the shortest time possible. . . . Time is pressing.*

- Central Committee plenum,
25 October 1976

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Central planning and economic bodies are preparing specific proposals. There must be no delay in this work.

Congress of the All-Union Central Council of Trade Unions,
21 March 1977

It is very important to complete this work in a short period of time

Central Committee plenum,
27 November 1978.

In his Supreme Soviet election speech in March 1979, Brezhnev acknowledged difficulty in reaching agreement, but made it clear that the effort was not to be abandoned. "However, complex this reorganization may be," he warned, "we cannot do without it."

An agreement was finally reached four months later and publicized on 28 July in a Central Committee decree on measures to further perfect the economic mechanism. Specifics of the agreement were provided in a joint Central Committee-Council of Ministers

decree that was published in summary form the following day and in more detail shortly thereafter. Despite appearances of party-government unity, however, the issuance of a separate party decree that was redundant except for references to unfinished business suggested dissatisfaction on Brezhnev's part with the progress that had been achieved.

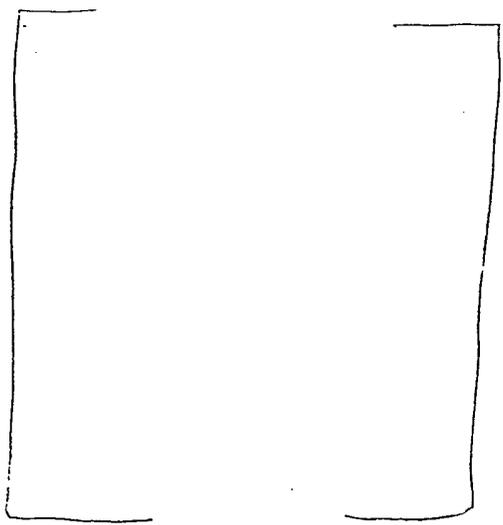
Reform Without Risk

The pulling and hauling that preceded adoption of the decrees should not obscure the fact that this was a debate of carefully circumscribed dimensions. There is no evidence that anyone in a position of authority was advocating any fundamental reform of the Soviet command economy or measures even comparable to those adopted in some East European countries. Brezhnev, the instigator of this move toward reform,

would risk major disaster to experiment with any radical change in the Soviet economic system. A country like Hungary could experiment because it could always borrow from a larger nation like the Soviet Union. The situation was different for the USSR because there was no one to come to the rescue if the experiment failed.

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questions of reorganization went largely unaddressed in the decrees, while other issues were resolved only after protracted debate.

Planning Issues

Long-Term Planning: Splitting the Difference

The decrees focus primarily on issues of economic planning, which are treated in a way that typifies the political compromise that these documents reflect. Although Brezhnev's hand is evident in the endorsement of long-term planning — specifically, the main directions of economic and social development for 10-year periods — the decrees fail to mention the concept of 15-year plans, a time span he had previously endorsed. Battle lines on this issue had been drawn fairly clearly between party and government factions, and this official lowering of sights may have been the party's way of appeasing opposition to long-term plans (those exceeding five years) in the State Planning Committee (Gosplan) and the ministries. The conflict between Brezhnev's call for long-term trends and Gosplan's preference for shorter, more concrete plans in part reflected the difference between the politician and the professional planner.

Brezhnev and other party leaders seemed to have a more modest kind of reform in mind — one directed primarily at:

- Alleviating coordination problems among the various branches of the economy.
- Improving the integration of national and regional planning.
- Strengthening the party's role in economic management.

Kosygin, whose 1965 reform had abolished the regional economic councils established by Khrushchev and restored the ministerial (branch) system of economic organization, seemed to recognize the validity of the first two goals. His statements and those of other representatives of the government bureaucracy suggested, however, that they were at least equally concerned that the reformers' remedies might weaken the economy's centralized branch structure and increase what they viewed as party interference in economic management, all at the expense of the central government. This perceived threat apparently provoked such strong opposition from government administrators that

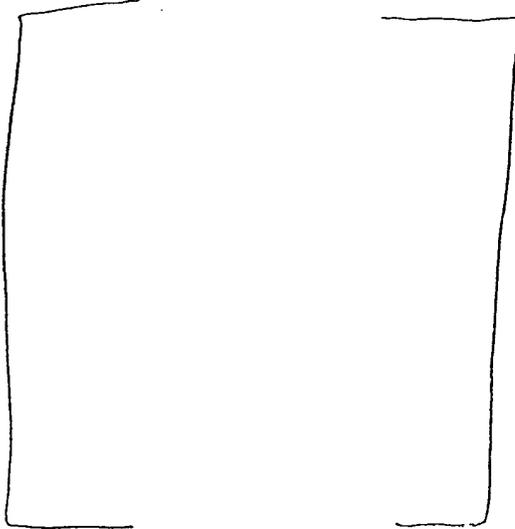
Brezhnev's endorsement of long-term planning dates from the 24th Party Congress in 1971, when he cited the need for "forecasts of . . . the country's population, the requirements of the national economy, and scientific-technical progress" — a concept previously associated with mathematical economist Nikolay Fedorenko.¹ That endorsement was followed in August 1972 by a joint party-government decree that gave the Academy of Sciences and State Committee for Science and Technology four months to prepare a Complex Program of Scientific-Technical Progress and its Socioeconomic Consequences for 1976-90 and instructed Gosplan to use that program to prepare a 15-year economic plan, due in July 1973.

Emboldened by this high-level endorsement, reform economists, led by Fedorenko, attempted to link the

¹ Fedorenko was promoted to Academician Secretary of the Academy of Sciences shortly after the congress.



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15-year plan to other changes in planning methodology. (Fedorenko favored an optimal planning approach that employed mathematical models to determine the optimal method for achieving set goals.) This challenge to traditional planning methods was resisted both by the ministries, which regarded long-range planning as an impractical exercise and also feared a reduction in their planning role, and by Gosplan, which proceeded to reject the Complex Program when Fedorenko's group finally delivered it in 1973.

By this time, most members of the leadership, including Kosygin and senior party secretaries Kirilenko and Suslov, had taken Brezhnev's cue and were on record as supporting the concept of long-range planning. Kosygin was quick to leave the fold, however, and grew silent on the subject as the dispute became more heated, apparently viewing it as a threat to his subordinates in Gosplan and the ministries. (

In contrast to the footdragging in the government bureaucracy, several local party leaders, including Moscow first secretary Viktor Grishin and the Leningrad region's party chief Grigoriy Romanov, seemed eager to present 15-year plans for their areas, regarding this as an opportunity to increase local influence in

the central planning process. Yakov Ryabov, then party chief of the Sverdlovsk region, was among the first to report completion of such a plan, noting proudly that it was finished in 1973 and positively evaluated by the CPSU Central Committee. Ukrainian party leader Vladimir Shcherbitskiy, taking the long-term concept one step further, reported in 1973 that his republic was preparing a 25-year forecast of labor and natural resources in addition to the 15-year economic plan. (

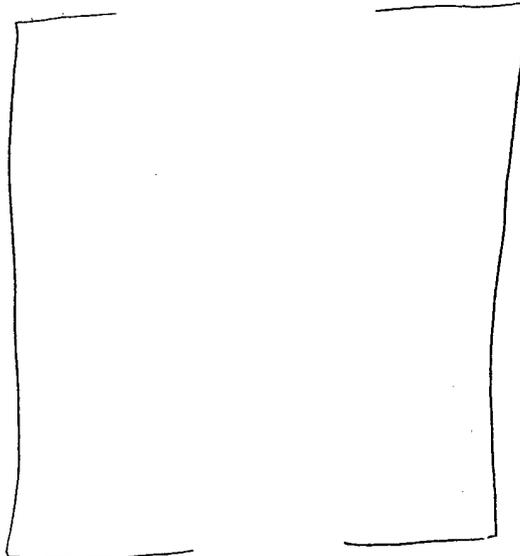
Despite this widespread party and regional support, however, the 15-year plan has yet to be produced, apparently because of continued government resistance. When the original deadline was missed in 1973, an official extension was granted, but the plan was never published. In one of the last public references to it, an official of Gosplan, writing in January 1978, said that it was still being prepared and would be ready later that year. As recently as December 1978, several Soviet economists, (

predicted that it would be presented at the 26th Party Congress. The absence of any mention of the 15-year plan in the two decrees of mid-1979, however, makes that an unlikely prospect. (

This is not to suggest that the long-term planning issue is dead. In contrast to Gosplan's stalling on the 15-year economic plan, the Academy of Sciences, with some encouragement from Brezhnev at the 25th Party Congress in 1976, continued to work on its Complex Program for scientific-technical progress. That program not only survives in the new decrees but has now been lengthened to 20 years—a possible tradeoff for the shortened economic plan. Party advocates of long-term planning now also have an important representative in enemy territory, who may be having some success in advancing their cause. Vladimir Kotelnikov, a Vice President of the Academy of Sciences, recently reported that since February 1979 Gosplan—in contrast to its performance in the past—had been playing an active role in the Academy's preparation of its Complex Program. The date for this alleged change in Gosplan's attitude coincides with the appointment of former party secretary Ryabov, a long-term planning enthusiast, as Gosplan's first deputy chairman responsible for science and technology. (

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in the Siberian economic journal *EKO*, however, the experiment came to a halt when it became inconvenient for unnamed higher authorities, who arbitrarily raised the organization's plan targets and ignored the government decisions on the experiment. Against this backdrop, the new stress on stability in five-year plans, if carried into practice, would be a notable achievement for Kosygin's ideas and the government forces.

Social Planning

The decrees also stress that plans are to ensure the integrated solution of economic and social problems. This emphasis on the social dimensions of planning had received especially strong support from regional officials, who regard the development of local social plans (in areas such as housing, education, and medical services) as one way of cutting across departmental boundaries and increasing regional influence in the planning process.

Tradition Prevails

Despite the endorsement of 10-year plans, the decrees give primary emphasis to the five-year plan as the principal form of planning and basis for organization of economic activity—reassuring phrases to the government bureaucracy. The decrees also stress the importance of greater stability in five-year plans. This idea, long supported by Kosygin, is designed to stop the kind of arbitrary revisions, often instigated by party leaders, that have plagued government and enterprise managers since the first five-year plan was introduced in 1929.

The adoption of the principle of stable five-year plans may also represent something of a vindication of Gosplan and Kosygin, whose backing of a local experiment along those lines appeared to have been rebuffed a few years earlier. That experiment, conducted by the Moscow Main Administration for Motor Transport, involved a guarantee that plan targets would remain unchanged throughout the five-year period. The experiment was approved by a Council of Ministers decree and the procedures confirmed by Gosplan sometime during 1970-75. According to a 1978 article

Since 1970, the concept had been most clearly identified with Leningrad party chief Romanov, whose region was the first to develop such a plan. Comprehensive economic and social planning began at a Leningrad factory in 1966, spread to the boroughs, and in 1971 reached the regional level. Brezhnev endorsed the idea during a visit to Leningrad in 1971, and approval was given for development of a comprehensive plan for Leningrad city and region in the 10th Five-Year Plan (1976-80). Other regional officials notably the Russian republic's Premier Mikhail Solomentsev and Moscow party chief Grishin also have expressed enthusiasm for the idea.

In addition to this regional support, the concept has received the endorsement of most central party leaders, who apparently view it as a step toward greater party control over economic planning. Social development traditionally has been a party responsibility, and the adoption of this new approach to planning meant, as Kirilenko once pointed out, that party organizations would collect all the data on people's needs, a role that gives the party considerable leverage in the planning process. Kirilenko was one of the earliest supporters of the comprehensive approach, and his old bailiwick of Sverdlovsk was the second area in the country (after Leningrad) to develop a regional comprehensive plan.



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He undoubtedly also was instrumental in incorporating the principle in these decrees, although he publicly has given chief credit to the Leningraders — and by implication, to Romanov.

If the comprehensive approach has the effect of increasing party and regional influence in the planning process, it is at the expense of the prerogatives of the central government, whose representatives have been notably quiet on the subject. Even before the decrees were issued, however, the idea had gained sufficient support to be enshrined, as Romanov later boasted, in the 1977 Constitution, which for the first time referred to the state economic plan as the plan for economic and social development.

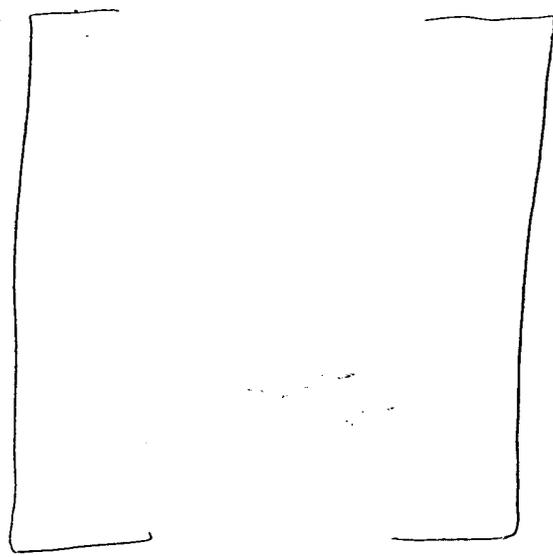
Measuring Success

In another apparent compromise of a longstanding dispute, the decrees establish the normative net output indicator (which had its main support in the government bureaucracy) as the principal measure of industrial performance, while naming contract fulfillment (an indicator backed by Brezhnev and the party apparatus) as the main criterion in setting plant bonuses. The impetus for change in the existing system of success indicators, however, clearly had come from Brezhnev.

Brezhnev had first expressed opposition to the existing indexes — profit and total sales — at the Central Committee plenum in December 1972. He said that those indicators, adopted as part of Kosygin's 1965 reform, had mistakenly assumed that under socialist conditions profits could only be increased through better work, increased labor productivity, and reduced production costs. As it turned out, Brezhnev said, enterprises could increase profits through other means as well — "by unjustifiably raising prices and by abandoning the production of goods needed by the country but 'unprofitable' to the enterprises." Brezhnev proposed no alternative to the existing indicators but continued to criticize them, speaking out again in December 1973: "It is said, not without justification, that ... the existing system of plan indicators enables associations and enterprises to assume leading positions by manufacturing commodities they find easier and more profitable to make, ignoring the interests of the state."

The first indication of what Brezhnev's own preference might be came in 1975, when Nikolay Lobachev, deputy chief of the Central Committee's Planning and Finance Organs Department and a longtime Brezhnev associate, called for the establishment of a new chief indicator based on the fulfillment of delivery contracts.

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Editor Dmitriy Valovoy said that the ministries had been asked to prepare for introduction of the new index by 1 July 1974. Because most plants were still unprepared at that time, he said, implementation was pushed back to January 1975, then to January 1976 and then postponed indefinitely. Valovoy complained about the watered-down version that had finally been announced in 1977, according to which plans would be considered fulfilled if the "most important" goods were delivered, and the ministries themselves were to determine which goods fell into this category.

This capitulation to the ministries apparently was made at a time (early or mid-August) when Brezhnev was on vacation in the Crimea. Although it is not known who actually made the decision, Kirilenko was acting for Brezhnev at the time and later wrote approvingly of the compromise, contending that the new measures would be sufficient to force plants to fulfill their contracts. Valovoy's attack, however, suggested that Brezhnev and possibly other party leaders did not agree.

In an article in the party journal *Kommunist*, Lobachev complained that this idea had arisen in 1974 but had been strongly resisted by the industrial ministries.²

Kosygin and Gosplan Chairman Nikolay Baybakov, in fact, probably sought to head off the adoption of the contract fulfillment indicator by promoting an alternative they thought would be more acceptable to the ministries. In 1973, the Council of Ministers decided to experiment with another index—normative net output—that was designed to encourage efficiency and labor productivity by measuring a plant's net production, undistorted by preprocessing expenditures, against an established norm. This measure also produced its share of grumbling from ministry officials, but in February 1974—the year the ministries allegedly were resisting introduction of contract fulfillment—Baybakov wrote that it clearly would be expedient to adopt net output as a primary index

Despite this apparent diversionary tactic, efforts to introduce the contract fulfillment indicator continued. Writing in *Pravda* in November 1977, Deputy Chief

² Resistance probably was based in part on the fact that the ability of an enterprise to fulfill its contracts is dependent on the reliability of its own suppliers, a variable the enterprise is powerless to control.

With the adoption of the July 1979 decrees, the importance of contract fulfillment is again somewhat diluted, this time by establishing net output as the main index of overall industrial performance. The decrees do link plant bonuses to contract fulfillment, however, and, in an apparent victory for Brezhnev, provide for obligatory financial sanctions against contract violations.

Not surprisingly, even this compromise solution appears to be meeting resistance in the ministries. Romanov asserted in September 1979 that "anything new is always confirmed in a struggle with the old, and ... barriers exist on the path forward. It is no exception that in the introduction of the system of new indexes one can find those who like the so-called roundabout way ..."

Organizational Issues

Upgrading Gosplan
Although the decrees fail to address the issue of reorganization head-on, they contain language that implies an upgrading of the authority of Gosplan—

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move that Kosygin probably supported if only to forestall the creation of new coordinating bodies that Brezhnev and other leaders seemed to be pushing. The absence of specifics about implementing any changes in Gosplan's status, however, probably reflects the sensitivity of such an action, which inevitably would reduce the influence of the ministries.

The issue apparently has been a matter of controversy since August 1978 when the Politburo adopted another resolution, still unpublished, that also strengthened Gosplan but was short on specifics. In April 1979, a Gosplan official told [] that the 1978 resolution, which he claimed would give all Gosplan deputy chairmen the rank of minister, had never been carried out because no one could agree on the changes required.

The Superministry Debate

Despite apparent resistance to the move, this effort to increase Gosplan's coordinating role is an essentially conservative response to management problems that have become increasingly critical in recent years. One of these has been the inability of the economy, organized vertically by industrial branch since Kosygin's 1965 reform, to cope with complex problems requiring extensive horizontal coordination. Reorganization

proposals designed to alleviate this problem were advanced as early as 1973 but first received high-level backing in 1976, when Brezhnev told the 25th Party Congress it was time to settle questions about the administration of groups of homogeneous branches. Petr Masherov, then Belorussian party chief, was even more forceful in his address to the congress, declaring that Gosplan was simply incapable of coordinating many interministerial problems.

After the congress, Soviet academic journals ran a number of articles discussing the idea of creating supraministerial organs to manage groups of related ministries. In December 1976, the discussion moved to the party's theoretical journal, *Kommunist*, when G. Kh. Popov of Moscow State University published an article defining Brezhnev's statement at the congress as meaning either merger of ministries or the formation of new organs above a group of ministries. Popov took the proposal one step further in a July 1977 *Pravda* article, suggesting that the superministry idea be incorporated in the new Soviet Constitution. Despite all the discussion of Brezhnev's proposal, however, the concept failed to be included either in the Constitution or the July 1979 decrees, apparently because of opposition from Kosygin and the government bureaucracy.

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Kosygin, like Brezhnev and other party leaders, had been critical of Gosplan's excessively departmental approach to planning. Unlike party critics, however, he took the position that this defect was one that could be corrected by Gosplan and required no reorganization of the existing management structure. Kosygin's only concession to the demands for new coordinating organs apparently was the creation of some little-publicized commissions under the Council of Ministers' Presidium. The existence of a Commission for the Production of Consumer Goods was revealed in 1976, and a Commission for Operational Questions was mentioned by Kosygin in 1978. The latter may be the organization a Soviet economist had in mind [redacted] that a department of the Council of Ministers coordinated projects involving a number of ministries and resolved any conflicts that arose.

Integrating National and Regional Plans

The decrees also reaffirmed Gosplan's responsibility for integrating branch and territorial planning—a move that failed to respond to growing pressure for increased regional representation in that process. Pressure for reform in this area had come primarily from local party leaders, but their views were represented at

the national level by eight of their number, who hold full or candidate membership on the Politburo.

Moscow party chief Grishin, for example, had complained that Moscow's industry was run by dozens of ministries that approached the development of local industry "solely from the position of their own sector, frequently disregarding the interests of the economic and social development of the city." Ukrainian leader Sheherbitskiy had similar complaints, calling on local party organizations to protect territorial interests from departmental interference. Romanov's comprehensive plan for the economic and social development of Leningrad also was inspired by what he considered the central government's disregard of local conditions.

Some regional leaders also had expressed concern about their lack of control over local enterprises subordinate to all-union ministries (national ministries with no republic-level counterparts), arguing that decisions affecting those enterprises often disrupt local plans. In a move designed to alleviate that problem, republic leaders in 1977 succeeded in amending their draft constitutions to make basic plan indexes for those enterprises a part of the *republic* state plans. Statements issued since that time, however, suggest that

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control over these organizations continues to be a matter of contention. In December 1979, for example, Georgian party chief Eduard Shevardnadze sharply criticized the performance of all-union enterprises located in his republic and deplored the lack of effective republic-level control over their operations.

National Programs and TPKs

Although far from new, these complaints of inadequate regional control have taken on greater urgency in recent years with the adoption of national programs focusing on particular regions (such as the development of petroleum in western Siberia) and the establishment of territorial-production complexes (TPKs) for exploiting natural resources. Some local officials, in fact, have argued that new organizational forms of management are needed just to cope with these innovations. Russian republic Premier Solomentsev, for example, has proposed the establishment of special management organs, which he says are vital for coordinating the activities of ministries and local organs involved in the management of TPKs and national programs

Officials at lower levels have been more explicit in their reorganization proposals. One of Solomentsev's deputies, Nikolay Maslennikov, has suggested that operational questions be resolved by local coordinating councils, comprising representatives of both local organs and the ministries involved in the region. A variant of that idea, proposed by Pavel Fedirko, the party first secretary in Krasnoyarsk Kray, would establish coordinating agencies on both the national level (for solving problems related to the formation and development of a TPK) and the level of the TPK itself (for coordinating activities of the enterprises of the complex)

Such proposals, however, never received the endorsement of Kosygin or other central government representatives. As Kosygin saw it, the problem simply required that Gosplan improve its integration of regional and national plans—an approach that would leave the branch principle of management fully intact. Gosplan officials took an equally conservative stance.

TPKs are functionally interrelated but administratively distinct enterprises, grouped together geographically for greater efficiency

arguing that national programs and TPKs could be fit into branch and territorial plans and that no new organizational forms were needed to administer them.

Growing Pressures for Regional Control

The ability of central government forces to withstand pressures for increased regional control was impressive, given the strength of those favoring the latter. In addition to the regional representatives on the Politburo, the party's top economic spokesmen, Brezhnev and Kirilenko, also seemed to favor some devolution of authority to the local level, where party influence over economic administration could be exercised more directly. That predisposition probably also was reinforced by lobbying efforts of local party officials

Although our knowledge of this kind of behind-the-scenes lobbying is limited

it can be very effective. An illustration of the responsiveness of top party officials to local lobbying efforts was provided in 1972, when Dolgikh, who was then first secretary of the Krasnoyarsk area, took advantage of Brezhnev's stop there on a harvest-boosting tour to hand him a memorandum complaining

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about Moscow's failure to implement a decree on the area's integrated development. Brezhnev acted on Dolgikh's complaint just as soon as he finished the trip, forming a Central Committee commission to investigate the charges. Regional lobbying reportedly also forced Brezhnev to kill a Kosygin-backed plan, advanced in the early 1970s, to convert seven union-republic ministries (national ministries with republic counterparts) to all-union status (eliminating the republic organizations).

Perhaps more importantly, central government neglect of regional interests has been an issue that national and local party leaders have been able to use to their mutual political advantage. This was illustrated at a Central Committee plenum in December 1973, when then Belorussian party chief Masherov included in his speech several examples of mismanagement in Moscow that had affected his republic adversely, reinforcing a suggestion in Brezhnev's speech that regional coordinating bodies might be needed.

Pressure for regional control also seems to be increasing as more local officials with experience in the post-1965 economic structure advance to positions of national party leadership. Since 1972, three leaders with such a background have joined the Secretariat

Vladimir Dolgikh, Yakov Ryabov (since demoted to first deputy chairman of Gosplan), and Mikhail Gorbachev — and the trend probably will continue.

As party chief of the Stavropol region, an important agricultural area, Gorbachev said little about industrial management, but both Dolgikh and Ryabov were highly critical of Moscow's disregard of local conditions during their years as regional leaders. As party first secretary in the Krasnoyarsk area, Dolgikh complained about narrow departmental interests that posed an impenetrable wall in the creation of unified engineering installations at a local timber center. As a result, he said, "there is no unified modern city there it was broken up into small settlements."

Ryabov, too, had his problem with directives coming from Moscow. As first secretary of the party organization in the Sverdlovsk region, he encouraged the submission of counterproposals for developing the area's ferrous metallurgy that would reflect specific local conditions and sometimes "reject . . . already developed and established solutions" (that is, those of the Ministry of Ferrous Metallurgy). He was convinced, he said, "this does not lower in the least the principle of centralized sectorial management," suggesting that his counterproposals were not well

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received by the ministry in Moscow. Ryabov also said that "officials of certain central economic and planning organizations . . . should pay more attention to local requests."

Production Associations

In the face of these pressures for increased regional control, reform advocates undoubtedly were disappointed by the decrees' failure to address reorganization proposals. They may have been encouraged, however, by language that institutionalizes production associations as the economy's basic cost-accounting units. Production associations—organizations that coordinate the activities of several related enterprises under one management organ—had already gained considerable authority at the expense of the central ministries. Most regional leaders, therefore, had endorsed their creation, believing it strengthened the local level of economic management, where the influence of regional party organizations can more easily be brought to bear.

Started in Leningrad nearly 20 years ago, these associations have been linked most closely with Romanov. At the 24th Party Congress in 1971, he explicitly argued that one advantage of the associations was a reduction in the number of projects subject to central control from Moscow. Despite opposition from the ministries, production associations had a powerful backer in Kirilenko, who was the first Politburo member to endorse them. They eventually proved their efficiency, winning the support even of Kosygin, who usually could be counted on to defend the ministries' interests. In 1973, a party-government decree ordered industry to be reorganized into associations throughout the USSR, a process that proceeded slowly because of continued obstruction in the ministries.

Although the new decrees mark the final stage in the transition to production associations, they do not appear to call for any significant new transfer of power from the central ministries. The associations are given the right to develop their own annual plans, but these are to be drafted on the basis of five-year plans handed down from above. They also are allowed to establish direct, long-term economic ties with other organizations, but these contracts are to be developed in conjunction with the ministerial superstructure.

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Soviets

Supporters of increased regional control also could draw some solace from a move to upgrade the authority of local government councils (soviets). The decrees seem to enhance the prerogatives of the Soviets to some degree, giving them authority to compile and approve summary plans for the production of local building materials and consumer goods and for the construction of housing, utilities, and cultural and consumer service facilities. This upgrading of the soviets probably gives the party apparatus, working through the soviets, some additional control at the local level. Brezhnev had been backing moves in this direction since 1977, when he became President (and thus head of the soviets structure). In 1979, he even invoked the name of Lenin to bolster his argument that soviets should play a greater role in planning and management. Citing a 1920 survey of the activities of the Moscow City Soviet that had been preserved in Lenin's library, Brezhnev said that in a sentence indicating that the soviets had examined 46 organizational questions and eight economic questions, Lenin had underlined the figures, noting in the margin "it should be the other way around."

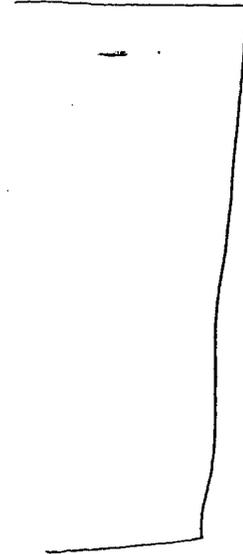
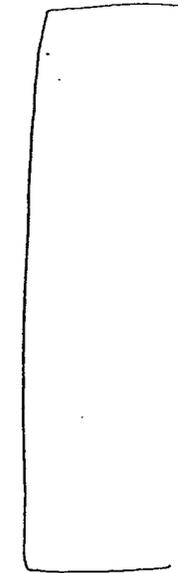
Prospects for Reform

This, then, is where the reform effort stood at the time the July 1979 decrees were published—a mixed bag, at best, from Brezhnev's point of view. Since their publication, however, there have been signs of further movement on several issues he had raised. Brezhnev's effort to upgrade the authority of the local soviets, for example, has had some additional success. The party decree, unlike the joint party-government version, had called for further work in this area, and in June 1980 a new law was passed that seems to increase the soviets' role in local economic management.

The law gives the soviets a clearing role in the approval of budgets of enterprises within their jurisdictions; provides that investment funds be channeled through the budgets of the local soviets; and specifies that a portion of the profits of enterprises be contributed to soviet operating funds. Like the decrees, however, the law fails to address the difficulty created within TPKs by the absence of regional administrative structures capable of overruling interests of individual participating ministries.



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This issue also, however, may be moving closer to some resolution. The party decree, in another deviation from the joint version, mentioned plans to draw up proposals to further improve the organizational structure, including "measures . . . to perfect industrial and territorial management and organizational forms for implementing social programs." Although no reorganization plan has yet been announced, Brezhnev is pressing the matter. In his speech at the Central Committee plenum in October 1980, he said the Council of Ministers should conclude its work on these proposals before the congress so that obsolete structures would not be brought into the new Five-Year Plan (1981-85). Although Brezhnev had stressed the urgency of this issue before, this was the first time he had set a deadline—the 26th Party Congress—for completion of the proposals, a step that may make government efforts to delay action on the matter more difficult.

Some agitation reportedly has taken place within party ranks to consider organizational matters at the congress—a threat that may give the Council of Ministers some added incentive to come up with a plan of its own. One recent proposal by a Leningrad professor of Marxism-Leninism (who reportedly received several job offers as a result) called for the creation of a new organ, Partplan, on all levels of the party organization that

would "dialectically interact with Gosplan—not supplanting it, but directing and helping it."

The resignation of Premier Kosygin in October 1980 probably also increased the likelihood that progress will be made on these organizational questions. Central government ministries, under criticism from both above (by Brezhnev and other party leaders) and below (by regional leaders who consider local interests to have been neglected), have lost a capable defender in Kosygin, who was something of an independent force on the Politburo. By contrast, Kosygin's replacement, Nikolay Tikhonov, is a Brezhnev protege who seems more susceptible to manipulation. Philosophically, Tikhonov also seems more amenable to Brezhnev's interbranch approach to economic management and less resistant to the superministry concept. The recent merger of two timber-related ministries and Brezhnev's reference to the emergence of an agro-industrial complex are examples of the kind of amalgamation that Kosygin resisted and could be harbingers of things to come.

Brezhnev's recent remarks suggest that he has every intention of seeing his reorganization efforts through to completion before he leaves the political scene, and

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the departure of Kosygin may improve his prospects of achieving that goal. Because of the political strength of the Kosygin appointees in the government, however, it seems more likely that the conflict between these powerful institutional interests will continue -- at least in the near term -- to be resolved by a series of ineffective compromise measures.

Even if Brezhnev succeeds in his reorganization effort, its ultimate impact would probably be marginal on the Soviet economy. Although a more streamlined organizational structure could introduce some much needed efficiencies, the ideas advanced thus far would leave untouched many features of the Soviet system, including directive planning and administrative price-setting, that have discouraged innovation and encouraged waste. As long as the party-government debate continues to focus on who will control these economic reins rather than whether the grip should be loosened, meaningful reform remains a distant prospect.

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