

GORBACHEV SPEECH
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C. GORBACHEV'S PLENUM SPEECH

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Text of "On the party's tasks in radically restructuring the management of the economy: Report by M.S. Gorbachev, General Secretary of the CPSU Central Committee, at the CPSU Central Committee plenum on 25th June 1987":

Comrades!

We are holding this plenum on the threshold of a most important event in the life of the party and our whole society. In a few months the country will be celebrating the 70th anniversary of the Great October Revolution.

Great October told the world of the birth of a new workers' and peasants' state, asserted the humane principles of society's socio-economic development, elevated working people and opened up scope for initiative and creativity from the masses. All this has made it possible for us to turn the country into a mighty industrial power in a very short historical period, successfully solve the most complex social problems and to create a great multinational alliance of peoples striding down the road of socialism.

Each generation of Soviet people has made its own contribution to developing, strengthening and defending the gains of October. We are rightly proud of our history and look to the future with confidence.

At the present stage the Soviet people and the party, guided by Leninist teaching and creatively developing it, are continuing the revolutionary cause via restructuring and the renewal of all spheres of society's life.

Today we will have to examine one of the cardinal matters of restructuring. It is a matter of a radical reform of the running of the economy and qualitative changes to the system governing the economic mechanism. Changes which will open up new opportunities for exploiting the advantages of the socialist system.

Before moving on to this matter, the Politburo deemed it necessary to present the Central Committee with its assessment of the progress of restructuring and the implementation of the resolutions of the 27th CPSU Congress.

I. Along the Road of the April Plenum

Some of the political results of restructuring

Comrades! The period since the April plenum has been one of the most crucial and politically rich periods in the history of our party and the people's life. It is typified by intensive theoretical and practical work and quests for and solutions to the new problems being encountered by Soviet society.

It can be said with confidence that over the last two years the political situation in the country has substantially changed. There is a deeper and deeper realisation that the need for restructuring was generated by the growing contradictions in society's development - contradictions which, as they gradually accumulate and were not resolved in good time, essentially acquired forms presaging a crisis.

Under these complex conditions the party worked out the course of restructuring. We started moving forward. The renewal process is becoming more and more specific in form, absorbing a wider and wider range of problems and encompassing new layers of social life.

Restructuring in society is deepening and growing. First and foremost it is aimed at clearing away the contradictions formed by the main components of the braking mechanism, thereby giving a powerful and irreversible boost of acceleration to social development.

It is necessary to realise clearly that we see the goals of the acceleration of socio-economic development not only in overcoming the lags and deformations that have been permitted in various spheres of society's development. These goals, dictated by historical necessity and by changing - fundamentally changing - domestic and international conditions are aimed at achieving a qualitatively new stage of socialist society.

History has not left us much time to solve this task. Socialism's potential, its practical usefulness for people and the extent to which society is socially effective will be judged precisely on the progress of restructuring and its results.

This, Comrades, defines the scale of the work being done and the extent of our responsibility.

The changes which have been taking place in society since the January plenum show particularly clearly that the country's healthy forces and working people firmly advocate restructuring, acceleration, the immediate resolution of urgent problems and the unconditional overcoming of stagnation and conservatism.

The process of the democratisation of all aspects of life is developing and deepening extensively in the country. Social organisations are acting with greater initiative. Democratic initiatives in the administration of production are gaining ground. Public opinion is making itself felt clearly and weightily. The mass media have started working more actively in the interests of restructuring. An offensive against bureaucracy is under way and management methods involving the imposition of administrative policies are gradually being overcome. Important changes are taking place in cadre work and cadre complements are being renewed by an influx of new blood.

The experience of democratisation convincingly shows that we are on the right road. This opens up good prospects for improving our political system and society as a whole.

The current outburst of spiritual activeness can be called an achievement of restructuring. Public interest in the processes taking place in science, literature and the arts, and press, radio and television reporting has increased. People want to know more about our country's past, present and future, and sharper and closer attention is being devoted to public and state affairs and to philosophical, moral and ethical problems.

In embarking on a reform of secondary and higher education we are taking the first step toward the creation of a modern education system. All this reveals new reserves for further developing and deepening restructuring.

If we are talking about a political assessment of the processes taking place in the economy, I would highlight people's changing attitude to work and the fulfilment of their production duties. This is largely determined by the fact that working people support the line of restructuring and the acceleration of socio-economic development through their work. That is the first thing.

Second, it is linked with the transition of many economic branches to new management methods, complete financial autonomy and self-financing while simultaneously developing progressive forms of work organisation, above all the collective contract.

The new situation has also affected economic results to a definite extent. Labour productivity growth rates have increased. On average over the past two years, they have exceeded the average annual indicators in the 11th Five-Year Plan by 30% in industry and construction, by 100% in agriculture and by 200% in rail transport. On

average in 1985-86 growth rates were 4.4% in industrial production and 3% in agriculture. A positive trend has been discernible in such an important sector as capital construction, which had been in a very difficult position. Positive changes have also come about - not without difficulty and struggle, but they have come about - in other branches of the economy too.

Additional opportunities have been found for strengthening the material base of the social sphere. Almost R 40 billion over and above what was laid down in the Five-Year Plan have been allocated for these purposes. The growth rate of capital investment in the development of the social sphere is 200% higher than in the national economy as a whole.

Obviously you will agree, comrades, that the period since the January plenum of the Central Committee requires special analysis and political assessment. What is it important to note above all in this area?

It can be said that a new stage has opened up in restructuring - the stage of the resolution of specific tasks in all avenues and all spheres of society's life.

The January plenum gave a powerful boost to work and social activeness. It became obvious that nobody could stand aside from restructuring - everyone has to take a stand. During these months Soviet people have sensed particularly acutely the complexity of the accumulated problems and are becoming more and more clearly aware of the need for really fundamental changes and the consistent implementation of the line of renewal. At the same time the realisation has deepened in the party and society that restructuring is a complex and contradictory process.

The revolutionary transformations in society have brought to the fore the contradictions between the demands of renewal, creativity and creative initiative on the one hand and conservatism, inertia and selfish interests on the other. One manifestation of this real contradiction is the disparity between the masses' growing activeness on the one hand and the bureaucratic style of activity which is still alive in various spheres and the attempts to freeze restructuring on the other. Swift and resolute measures are needed to overcome this contradiction - both in cadre policy and in the assertion of new approaches and norms of party, state and public life.

What does the Politburo see as the most effective means of resolving this contradiction? The answer is unambiguous and definite - the extensive development of democracy. Today - and this has been proved by life yet again - it is the running of society in the form of administrative directives which is retarding our progress. Democratic, and only democratic, forms are capable of imparting powerful acceleration to our progress.

Experience of restructuring and its initial stage also prompts us to take a close look at the really existing conflicts of interests between various groups of the population, collectives, departments and organisations. Undoubtedly, socialism eradicates antagonistic interests. This thesis is well-known and true, but in no way does it mean that eliminating antagonistic interests is the same as unifying them or levelling them out.

Take the attitude to restructuring. On the whole there is a general realisation of the impossibility of living and working in the old way and of the objective need for restructuring and profound transformations. But as soon as restructuring started to turn sharply towards work, to imbue all strata of society and to reach individuals, we saw how a contradiction surfaces between immediate, narrow interests and even the egotistical motives of certain individuals and groups on the one hand and the interests of all society and working people's long-term interests on the other.

We can clearly see the difficulties restructuring is encountering in party, soviet and economic organs. And can we fail to sense how reluctantly it is received in certain central departments? The complexities of restructuring are arrested by the experience of the state acceptance system, the struggle against drunkenness and alcoholism and the

efforts to instill order and discipline. They are also attested by the first steps in introducing financially autonomous initiatives and asserting principles whereby pay is wholly linked with end results. All these, comrades, are real processes and actual contradictions. And we must be aware of them and take them into account.

Society cannot be led by its own selfish interests and actions. These must be resolutely combated. Here too a worthy example is shown by the working class and labour collectives, particularly at those enterprises where state acceptance has been introduced. As is well known, this is not a simple matter, it concerns the interests of millions. Nonetheless, the working class has clearly defined its position: State acceptance is necessary, it is needed by all society, the entire people and each individual.

The working class is boldly striding down the road of renewal. I would say that in all its actions the working class is in the van of restructuring. And this is of decisive importance for its success. Labour collectives are using their initiative in tackling the resolution of key questions of the country's socio-economic development by spotlighting the timely and good-quality fulfilment of contractual commitments for output deliveries. The competition in honour of the 70th anniversary of Great October is gaining momentum. In short, the working class is charging restructuring with high-intensity energy.

The behaviour of those who for their own selfish ends are hampering social transformations and standing in the way of restructuring looks particularly unseemly against the back-drop of the genuinely civic-minded position of the working class. I think that labour collectives and party and social organisations should be firm in their attitude to such people and not tolerate them. That is the demand of life. That is our understanding of the matter in the Politburo.

Under the conditions of restructuring the problem of the harmonisation of social and personal interests emerges once again. The search for the correct relationship between the two is of enormous importance - it is a task of living practice. It is a matter of taking account of the entire range of interests - the interests of individuals, collectives, classes, nations, ethnic groups and social and professional groups, and the complex dialectics of their interrelation - in order to guarantee society's dynamic development.

Interests must be fostered and channelled through the new economic management mechanism, through democratic institutions and through policy, ideology and culture. The meaning of restructuring ultimately lies in taking account of interests, influencing interests and ensuring management of and through interests.

The contradictions we encountered in the sphere of labour and distributive relations when we started switching to complete financial autonomy, to payment for end results and to collective and family contracts must also be discussed. What happened here? The fact is that the fundamental socialist principle of "From each according to their abilities, to each according to their labour" is in practice often sacrificed to a simplistic concept of equality. These questions are currently being discussed actively - and not only on an economic level, but on a moral and ethical level, too.

It would seem to be clear that equality does not mean levelling down. But in practice something else often happens. The trend towards levelling down has doggedly gained ground. It has engendered parasitism, had a detrimental affect on the quantity and quality of work, and reduced the incentive to boost labour productivity.

It must be stressed again and again that genuine equality can only be ensured through the totality of the political, economic, social and legal means at socialism's disposal.

We are proud of the high level of social welfare provided for people in our country. This is what makes socialism what it is - a system of the workers and for the workers. But the fundamental material and moral condition of people in socialist society should be labour, and labour alone. Creative, highly productive labour, talent and

5

people's real contribution to the common cause must be encouraged in every possible way. And, on the contrary, passivity, inactivity, low working standards and anti-social phenomena must be assessed in the corresponding manner - socially and economically. Therein lies the socialist content of social justness.

Comrades, I have touched on only some of the problems which most tangibly reflect the contradictory nature of the phenomena which are taking place. The newness and scale of the tasks demand constant attention to scientific analysis of the progress and the socio-economic consequences of restructuring and the contradictions inherent in this complex social process. We urgently need a principled breakthrough on the theoretical front based on a stringent analysis of the totality of the facts of social life and a scientific substantiation of the goals of prospects for our progress. It is impossible to make successful progress by trial and error. That will cost society dear. The art of political leadership requires the ability to reveal and effectively resolve contradictions, not to suppress and accumulate them but to turn them into a source of progress and self-development.

We have been left inspiring examples of boldness in theory and profound breakthroughs to the future by the founders of Marxist-Leninist teaching. The experience of the Paris Commune gave Marx the opportunity to develop the matter of ways of moving from capitalism to communism. On the basis of the experience of the first years of socialist transformations in Soviet Russia, V.I. Lenin developed and enriched the theory of building a socialist society. We must now interpret profoundly the practices of socialist development and the wealth of experience accumulated in all its diversity by both ourselves and the fraternal countries. Work in this direction has started and we have already obtained certain important results on which we are relying in formulating and implementing our policy. But the main work is still to come.

On the whole, Comrades, despite all the complexities, difficulties and obstacles, today at the plenum we can say with complete justification that restructuring has won an ideological and moral victory, spreading both vertically and horizontally.

But in making such a responsible assessment we must not permit exaggeration, much less complacency. We are now essentially only on the first wave of restructuring. This wave has stirred up the stagnant water.

The party has awoken the masses' activeness. Our duty is to prevent the dissipation of this elan, to develop it and to bring it to full fruition. It is all the more necessary to say this because working people are still concerned about the fate of restructuring. People continue to advise and, I would say, demand that we do not stop but keep on going down the road of change. During my recent trip to Baykonur, in a conversation with working people in the town of Leninsk, I was asked when restructuring would reach them. I replied that the leaders of the republic and the oblast were there, they were listening to our conversation and that they should ponder why such a question was being asked and learn the relevant lessons from it.

(1) Or take, for example, letters of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet, the USSR Council of Ministers, the editorial offices of central newspapers, journals, radio and television. Their content is the same. People write that they support restructuring but see no changes around them. Restructuring has not affected the work collectives, towns and villages where they live and work. Many people conclusively confirm this with facts. Thus despite tremendous efforts, restructuring has not really reached many places. This, comrades, is a very serious symptom. The Politburo cannot ignore the situation which has come about. It has been discussed many times when preparing for this plenum

What conclusion do we reach?

Restructuring began on the party's initiative and is being carried out under its leadership. The party has roused the country, attracted millions of people by its ideas and engendered tremendous hopes. And if working people today are concerned at the slowness of the transformations, then that means that we are allowing slackness in our work.

6

An alarming trend has taken shape, comrades, and this is shown by the facts - namely, that a number of party organisations lag behind the prevailing mood and the dynamic processes which are developing within society. Obviously, this matter must be examined at our plenum. This is the crucial feature in our work today. How the party is going to act also determines the course that restructuring will take.

When we demanded two years ago that leading party, soviet and economic cadres organise efficient work, the reply we often heard was: We understand the new tasks, but give us time to evaluate the situation, master the new methods and forms of work and apply them in practice.

The Politburo responded to that sympathetically. We said at the time that everyone is being given both time and the opportunity to restructure. But, comrades, things do not stand still. Restructuring within the party cannot be allowed to lag behind the economic, social and spiritual processes that are taking place; the changes in people's lives and feelings cannot be allowed to outstrip the understanding of those processes within the party, and in particular within its leading organs.

Working people justly write that those who wanted restructuring have already done something about it and joined in the work. But those who did not understand the new tasks and who continue to cling to the old ways are effectively sabotaging restructuring by their own inactivity. Thus the Politburo puts in concrete terms the question of increasing the responsibility of communists and leaders of party, soviet and economic organs for the state of affairs, for the real solution of the urgent problems and for the course of restructuring.

There must be greater exactingness at all levels. But we must begin with ourselves - the Politburo, the Secretariat, the government and members of the Central Committee.

At the present crucial stage in society's development a tremendous responsibility rests on the Politburo of the Central Committee. It goes without saying that assessing this activity is the Central Committee's prerogative. I should like to assure you that the Politburo has a thorough understanding of its responsibility to the Central Committee, the party and the people for the solution of the new and complex tasks. Large-scale work has been launched in a short time in all areas of social transformations.

I can state that within the leadership of the party and the country there is a unity of views on the fundamental matters of restructuring and of domestic and foreign policy. This unity makes it possible to take and confidently implement the decisions dictated by the times. I believe that this is always important but even more so in the crucial stages of development.

On the Politburo's behalf I must state self-critically that we also see weaknesses in our practical activity. There have been instances when important decisions on major matters of the country's development have been implemented slowly and less than fully. There has been a principled and frank discussion about this in the Politburo. Now, as a rule, and as a form of monitoring, at sessions of the Politburo of the Central Committee and Secretariat we have begun to hold regular examinations of the course of the implementation of the most important resolutions adopted since the April plenum of the Central Committee and the 27th CPSU Congress.

The USSR Council of Ministers is working from active positions in conditions of restructuring. However, it must also continue to improve its activity in the management of the economy and the implementation of social policy tasks, combining concern for development prospects with the solution of current tasks. The restructuring of central departments is proceeding more slowly than practice requires.

It is clear to us that the transformations we are carrying through are impossible without active work from local party, soviet and economic bodies and all leading cadres. They bear a great responsibility for the practical solution of specific issues of restructuring. What we now regard as positive is connected to a considerable extent with the work

of local organisations. But I believe that you will agree that restructuring at local level is only just beginning and not proceeding uniformly everywhere. In some places "preserves" of inertia and lack of initiative persist. All this is also the reality that we have no right to ignore, just as we have no right to leave those factors unattended in the party's assessment.

Paramount tasks of the present stage of restructuring

Comrades! Our task is to take a critical look at the state of affairs and to analyse objectively the successes and weaknesses of restructuring. A principled and frank discussion, specific proposals and constructive ideas are needed.

Let us start with the development of the national economy. The Politburo drew attention in good time to the complexity and responsibility of this year's tasks. It seemed that everyone understood that. However, in the first months of the year grave errors were committed which led to disruptions in many areas of the economy. Both the Politburo and the government had to take urgent measures to rectify the situation. Even though the situation is returning to normal, considerable harm has nevertheless been done.

Yet what happened at the beginning of the year could have been anticipated and prevented. But that did not happen and the prime responsibility for that is borne by the USSR State Planning Committee, (Chairman - Comrade N.V. Talyzin) and the USSR State Committee for Material and Technical Supply, (Chairman - Comrade L.A. Voronin).

But they were not the only bodies to make mistakes. The Ministry of Ferrous Metallurgy (Minister - Comrade S.V. Kolpakov) and the Ministry of the Chemical Industry (Minister - Comrade Yu.A. Bespalov) failed to take the necessary measures in time. The non-fulfilment of contract deliveries by enterprises in those ministries led to disruptions in the pace of work in other branches of the national economy, above all in machine building.

The plan for the supply of equipment to collective and state farms by the Ministry of Machine Building for Animal Husbandry and Fodder Production (Minister - Comrade L.I. Khitrin) in terms of the results of the first five months of the year was not fulfilled. The reasons for that are the low level of organisation of work of many enterprises in the branch, particularly with regard to current output quality. The potential created within the branch is not yielding the proper return.

Or take light industry, which has switched to new conditions of economic management. Citing objective difficulties, the branch's leadership refused to accept many trade orders and proceeded to reduce its output. Yet real opportunities for growth do exist. What was needed was to set to work seriously to begin producing popular goods, those that the customer wants, in place of goods not in demand. The position of the Ministry of Light Industry and its Minister, Comrade V.G. Klyuyev, is an example of how departmental interests can rise above society's needs and, thus, the people's interests. There can be no other assessment here.

In this connection I would like to lay particular stress on the central management organs' responsibility for restructuring. It must be enhanced in every way in the light of the new tasks.

We have, for example, a programme for modernising Soviet machine building. This is a major task. Large-scale work has been launched here with the aim of achieving considerable end results.

But it must be said bluntly that we are worried by the position in machine-tool making and in the Ministries of Heavy and Transport Machine Building, the Electrical Equipment Industry and Machine Building for the Light and Food Industry and Household Appliances. We are still far from achieving a breakthrough in instrument making, although some efforts are being made there, too.

Modernisation tasks are being tackled slowly in other machine building ministries, too. We understand, of course, that the machine builders have encountered great complexities and difficulties. This is a matter of the fundamental restructuring of the work of the entire machine building complex. But it is hard to understand why many ministers and ministry party committees and apparatuses are acting as though they are resolving everyday questions. In the situation which has come about there is clearly insufficient activeness and efficiency in the work of the Buro for Machine Building (Chairman - Comrade I.S. Silayev), the State Planning Committee and the State Committee for Material and Technical Supply, and some CPSU Central Committee departments. Clearly, the situation in the machine-building complex should be examined by the Politburo and the USSR Council of Ministers.

Comrades! I have already said that by no means all local party and soviet organs have actively joined in restructuring. It is marking time in Armenia, for example. The republic's working people are showing great alarm at the situation which has taken shape there in the economy and particularly in the ideological and moral sphere. At the same time, the CP of Armenia's leadership and above all Comrade K. S. Demirchyan, First Secretary of the Central Committee, think that the situation in the republic is quite satisfactory. Furthermore, there are actually some who claim that restructuring began in Armenia even before the April plenum of the CPSU Central Committee. It is hard to say just what they mean by that.

There is a totally unjustified air of calm in the republic and a lack of the proper exactingness towards cadres, and an effective struggle has not been mounted against bribery, speculation and favouritism. The CP of Armenia Central Committee must analyse in depth the state of affairs both in the party organisation and the republic as a whole, examine it from the standpoint of principle, and tackle the restructuring not in words but in deeds.

Nor are there many noticeable improvements taking place in a very large oblast party organisation like that of Gorkiy Oblast. Many vitally important matters are being resolved here unsatisfactorily. The Oblast's powerful potential is not being used properly and the social sphere and the agrarian sector of the economy are developing poorly. It is to be presumed that the Oblast Party Committee (First Secretary - Comrade Yu. N. Khristoradnov) and all the Oblast's party organisations will draw conclusions from the criticism and rectify the situation.

CPSU Central Committee departments are also called on to act in a new way in the new situation by exerting a deeper influence on the state of affairs in the republic, kray and oblast party organisations and ensuring the monitoring of the implementation of CPSU Central Committee resolutions.

Comrades, it is understood in the party and society that restructuring is a long-term policy and that the task of raising Soviet society to new heights cannot be achieved overnight. But it seems that some comrades have taken this correct and realistic guideline to mean that restructuring is not part of our general strategic guideline on acceleration, that it can be implemented at a leisurely pace, without special care, even without troubling oneself much at all. This is a profound error for at least two reasons.

First, we have lost years, even decades that way; second, there can be no "beautiful tomorrow" unless we work today by the sweat of our brow, change our way of thinking, overcome inertia and master new approaches. Talk to the effect that "restructuring will wait" is harmful and dangerous. The Politburo sees the matter in these terms: right now, in the initial stage of restructuring, and in every area of work, everyone in the sphere of his own activity must strive for perceptible practical results.

Soviet people understand that the achievement of many of restructuring's goals will take a long time. But they rightly ask: Why are the urgent and comparatively easy tasks which would considerably improve the conditions of work, life and everyday activity and correct the moral and spiritual atmosphere not being resolved now?

Our people have also noticed that in some areas not only is progress not being made but that the advances made at an earlier stage are even being lost. Take the campaign for discipline and order, for instance. It is a fact, after all, that in many places the momentum has been lost and work is proceeding extremely sluggishly. The incidence of drunkenness has increased again and idlers, parasites and pilferers - people who live at the expense of others - again feel at liberty. This worries working people. And that is a justified concern, comrades.

The fact that discipline is lax and the proper order is lacking is indicated by the periodic recurrence of major accidents. As a rule, the causes are the same: indiscipline, slipshod work, negligence and irresponsibility. That fact is shown by the violation of Soviet air space and the landing in Moscow by a West German light aircraft. The incident was unprecedented, whichever way you look at it. It is a reminder yet again of just how strong and tenacious are the negative phenomena exposed by the April plenum of the Central Committee and the 27th Party Congress in our society, even in the Army. This emphasises the need to increase vigilance, act even more resolutely and enhance discipline, organisation, responsibility and efficiency at all levels and everywhere. On behalf of the Politburo and the Defence Council, I firmly state that there must be no doubt, either in the party or among the people, of the USSR Armed Forces' ability to defend the country.

Comrades, when we speak about tasks of a paramount nature and about urgent matters, we are presuming that the obvious, widespread shortcomings will be removed first of all and that there will be greater order in trade, the service sphere, health care and municipal services, that is to say, in those areas of the economy which directly affect people's daily lives.

Of course, these matters must be at the centre of attention at government level, but it is also necessary to be more demanding towards the situation in republic, kray, oblast, okrug, town and rayon organs of power. It is now necessary, unfortunately, to deal with a situation in which there is much talk about the benefit of restructuring but little practical action to satisfy people's most simple needs. Parasitism has become deep-rooted among many local workers. Even in those places where quite a small effort and the minimum of attention is needed people still blame the centre and wait for help from a higher level. Such a stand is totally unacceptable. It must be resolutely condemned and eradicated. That is where the party's gaze and party exactingness and monitoring are needed! But those things are patently lacking.

At today's plenum, I should particularly like to single out among the priority tasks those of providing our people with food, housing, consumer goods and services.

It must be said that here we already have concrete experience and concrete results.

Take the food problem. Here the situation is improving. The figures in this respect are mainly well known. I will only mention a few which characterise the changes in the last two years. Compared with 1984, grain production has increased by 37,000,000 t, meat (carcass weight) by 1,000,000 t, milk by 4,300,000 t and eggs by 4,200 million.

We can speak of a revival of economic life in the countryside. This has become possible thanks to the change in economic conditions and economic management methods, first and foremost the introduction of full financial autonomy and the collective and family contract.

The Politburo believes that at the present stage all the objective conditions have been created for what I would call a kind of leap forward in increasing the production of agricultural produce. The potential for radical improvement exists on every collective and state farm.

In this context where is it important to focus special attention? First and foremost on the assimilation of intensive techniques in the production of crop farming

and livestock breeding products, the wider introduction of the collective and family contract and the more active resolution of the countryside's social problems. This, Comrades, is one aspect of the matter.

The other is resolutely to stop those who are continuing to interfere in the work of collective and state farms without taking material responsibility for it. At the recent conference at the CPSU Central Committee, collective and state farm leaders asked us to guard against precisely this kind of unlawful interference in the farms' activity. It is our duty to help the rural workers to call to order those who cannot part with their former methods of working.

Thanks to the change in the procedure for planning deliveries to union-republican stocks, the interest of republics, krais, oblasts and rayons in increasing output of agricultural produce has increased immeasurably today. But at the same time their responsibility for supplying food has also increased. It should be said that this has given a powerful boost to initiative locally. Wherever people have quickly grasped the real nature of the changes and assessed the opportunities which have opened up, quite good results can already be seen. Krasnodar Kray, for instance, on the results of the first six months of the year, coped successfully with deliveries of livestock products to union-republican stocks. On top of this they procured 15,000 t of meat and 59,000 t of milk were added to the basic allocations for local needs. There is a similar situation in Ivanofrankovsk, Poltava, Cherkassy and Chernovtsy oblasts in the Ukrain. In these four oblasts the supplement to the meat allocations totalled around 20,000 t. The oblasts of Belorussia have earned an additional 25,000 t of meat and 260,000 t of milk to improve local supplies. The same can be said of the Baltic republics and Kurgan, Orenburg, Saratov, Ulyanovsk and a number of other oblasts in the RSFSR.

Every support must be given to the desire of oblast, kray and republican organisations to increase the output of agricultural produce in the public sector so as to exceed the Five-Year-Plan targets and on this basis ensure unconditional fulfilment of deliveries to state stocks and substantially improve supplies to the local population. This is the main avenue. The collective and state farms should increase the return on investments channelled into the development of the countryside in recent years.

But all the reserves must be used. We should return once again to the matter of the role of the personal subsidiary plot. Locally, there are different views of this and different attitudes towards the use of the potential of the personal subsidiary plot.

Here is an example. In Omsk Oblast in the last 10 years the production of meat in personal plots has increased from 27,000 to 60,000 t, an increase of 120%. Here virtually every family living in rural localities raises cattle, pigs and poultry. The population are given all-around assistance with young animals, feed and the provision of appropriate services. Last year the co-operative system bought 20,000 t of meat from the population. Prices for fresh meat in the oblast's markets are no higher than R 3.5 per kilogram.

But here are some examples of a different nature. Vladimir Oblast has great industrial and agrarian potential. Nonetheless last year the oblast produced only 46 kg of meat (carcass weight) per head of the population, and as a result one-fifth of the meat products sold here are brought in from other regions of the country. The situation is no better with the supply of dairy and meat products in such major agricultural oblasts as Vinnitsa, Kirovograd, Nikolayev and Yaroslavl.

Much could be done on the basis of local initiative not only to increase the production of agricultural products but also to develop the food industry. Why, for instance, do Uzbekistan, Kirghizia, Tajikistan and Turkmenia import between 25 and 50% of their confectionery from other republics, although they have very rich raw material resources? Only 30% of supplies of canned fruit and vegetables to the population of Kazakhstan are accounted for by local production, while the rest is shipped in. What good is that?

Comrades! In the next two to three years it is necessary to satisfy the population's requirements for orchard and garden plots. It is time we stopped citing the shortage of land. This is not in accordance with reality, the land is there. And where there is indeed a lack of vacant land, we should move in the direction of allocating a portion of the land belonging to collective farms, state farms and enterprises. Let us agree once and for all: It is necessary fully, to satisfy all the working people's needs and remove unjustified restrictions and obstacles in this matter.

I think we should also resolve more rapidly the matter of the use of houses and farmstead plots which have lain empty for many years or even decades in a number of rural regions of the country, especially the non-black soil. The number of abandoned houses has today reached nearly 800,000. Around them is neglected land.

People do not understand this attitude to land and buildings. In appeals to the Central Committee and other organisations they ask permission to acquire these houses and use the land. I think it would be right if collective and state farms were to lease abandoned houses and plots to townspeople who so wish. And in many cases this could be done on a contractual basis, so that the land is used for the production of agricultural products.

Another example of the lack of resourcefulness in tackling the food problem is the situation regarding the transport, storage and processing of agricultural raw materials. It was stressed at the 27th Party Congress that the elimination of these losses would make it possible to increase consumption resources by 20 to 30% and save substantial funds. This arithmetic should be clear to a fourth-grade student.

However, in 1986 the USSR State Agro-Industrial Committee, Ministry of the Fish Industry and Ministry of Grain Products failed to utilise R 450 million of funds allocated for the development of processing sectors.

Think about this fact, comrades: The plan for construction in these sectors was not fulfilled by the majority of union and autonomous republics, krais and oblasts. That is graphic evidence of how we approach the resolution of a vitally important problem. It appears that the produce that we struggle to create will continue to spoil, because there are not enough storehouses or capacities at processing enterprises and then the losses will be made good through imports. It is time we stopped viewing such things impassively. The USSR State Agro-Industrial Committee (Comrade V.S. Murakhovskiy), together with the local organs, must find out why this happens and, where necessary, impose elementary order and, most important, set a firm course toward the speediest, fundamental resolution of the storage and processing problem.

I must say that all this prompts very serious thoughts. In recent years an attitude of dependence in the resolution of food matters has flourished vigorously in our country. The leaders of many regions have approached this matter lightly. If there is not enough feed, they send telegrams to the Central Committee and the government; not enough agricultural produce - they cable the centre.

I am, of course, far from wishing to paint everything the same colour and oversimplify the problem. Many troubles are associated with the general state of affairs in the country, but all the same, a spirit of dependence has seized many of our cadres in the resolution of these matters.

In general, comrades, this is what the Politburo thinks: We have the real potential to substantially change the food supply situation in the next two to three years.

Life gives us striking examples testifying to the vast reserves which exist everywhere. Numerous instances demonstrate the possibility of a breakthrough both in labour productivity and in the rate of growth of agricultural production. This was demonstrated

by the intensive work collectives created relatively recently, to which land and other means of production are assigned for a long period. Last year they produced an average per person of 700-800 tonnes of grain and produce worth R 70,000 to 100,000 or more in all.

Unfortunately, there are still too few of these collectives. And the family contract is not being disseminated widely enough, although the effectiveness of these forms of labour organisation and remuneration is relatively high.

Of course, a rapid increase in the production of output also requires good-quality machinery, chemicals and varieties which are resistant to unfavourable conditions. But above all what is needed are people who are responsible for the task in hand and have a boundless interest in the results of their work.

For a long time we tried to lead the economy on the basis of enthusiasm and sometimes by force of decree. But we forgot Lenin's precepts - that production growth can be ensured on the basis of personal interest and material commitment, with the help of enthusiasm.

Characteristically, the first participants in the intensive work collectives in Novosibirsk Oblast, the Kozhukhov brothers from the Bolshevik collective farm in Ordynskoye Rayon, say that what they like about this collective is not only the high wages, but also, to no less an extent, the autonomy, awareness of their own human significance and pride in doing a very necessary job.

If a mass movement for highly organised, committed, intensive labour is added to the highly productive machinery and other resources that our country has at its disposal today, things will go better. Life shows that in every rayon and oblast there are people capable of ensuring this breakthrough.

Here are some examples. A.A. Volochenskiy, machine operator at the Artemovskiy state farm in Pskov Oblast's Pytalovo Rayon and a member of the CPSU, asked the state farm director to allocate land to him and give him some bullocks for fattening. Under a contract, he was allocated 40 ha of land, including 10 ha of arable land and 20 ha of hayfields. A.A. Volochenskiy repaired a combine and two tractors that had been written off and restored an abandoned calf-house in which he housed 20 bullocks.

He is helped in his work by his son and daughter, who are students, and by his wife, a bookkeeper at the state farm in her time off. Over the year as a whole it is planned to obtain more than 11 t of meat. The proceeds will be more than R 31,000. Payment for the young animals provided by the state farm, fertiliser, seed, fuel and other resources, at intra-farm prices, will total R 23,000, and the wages will be R 8,000.

I think, comrades, that this approach will help to lead the villages of the non-black-soil zone forwards. After all, there is so much abandoned land there!

When the debate on the means of collectivisation was under way, even then it was said that large collective farms open up great opportunities for the use of machinery, fertiliser and scientific achievements, but contain the danger of the peasant's becoming cut off from the land. On the other hand, farms [Russian: *fermerskiye khozyaystva*] on small plots tie the worker to the land but do not offer opportunities for the maximum use of the achievements of science and technology.

In our country large collective farms and state farms have been created and are in operation, and they have at their disposal a strong material and technical base and experienced specialists. In these conditions it is important skilfully to organise the collective and family contract on the basis of contractual commitments and to link the interests of individual workers more closely to the interests of the collective and concern for the land and other means of production.

How can this be contrary to the principles of socialism, how can this work method spoil the working person? It was, rather, the old practice whereby egligence in work was covered out of the budget that corrupted the tiller of the soil.

The new approach offers convincing examples of efficient work. Still in Pytalovo Rayon, the young First Secretary, Comrade N.N. Vorobyev, recently became head of the party organisation. With the help of scientists, the rayon's communists have elaborated measures to boost the farms' economy. After the war the rayon had 46,000 inhabitants; now only 17,000 remain. There is nobody to do the work. They thought the situation over and decided to introduce the collective contract widely. Since the beginning of this year eight livestock units on the rayon's collective and state farms have been operating on the family contract system. In five months, using the same feed, livestock weight gains have doubled, reaching 800 to 1,000 g a day. Nearly 40% of crop farming in the rayon has been transferred to forms of work organisation based on small groups. The spring sowing was carried out in six days instead of the usual 15 to 18 days. The rayon organisations and farm leaders have abandoned decrees, reprimands and tight monitoring of the progress of work. Such leadership methods are simply not necessary now.

Another example. Lidiya Dmitriyevna Bryzga, candidate member of the CPSU Central Committee, and her husband moved from the leading Zhdanov collective farm to a lagging livestock unit on the Pamyat Iyicha collective farm in Brest Oblast's Brestskiy Rayon and for two years they have headed a contract link [Russian: zveno] of six people. That unit has been assigned 100 dairy cows and 50 ha of pasture. Lidiya Dmitriyevna alone does the milking, and her husband and daughter procure feed and tend the livestock. The milk yield per cow has increased from 2,917 kg to 5,580 kg in two years.

Such examples exist everywhere. A link for fattening young cattle was set up in 1983 on the Panfilov collective farm in Pavlodar Oblast's Uspenskiy Rayon. A contract was concluded between the link and the collective farm's board. The link consists of three people: link leader A. Ya. Rudko, a first grade tractor driver, his daughter and son-in-law. Here are the indicators for 1986: 563 steers were fattened, the average daily weight gain was more than 1 kg, and output produced per member of the unit was R 167,000. The prime cost per quintal of weight gain was R 95.5, whereas on the collective farm it is R 155, and the rayon average is R 230. The average monthly wage for each member of the unit is R 534. And good luck to them! Because this wage is paid in exchange for labour and comes out of real output.

Let me ask: so has this undermined the collective farm system? No! This is socialism, living creative, labour socialism. Because the people are becoming involved widely in socialist construction - the worker's link with the collective and state farm becomes even stronger through collective forms of work. And people earn their prosperity by honest labour!

In the mechanised potato cultivation link on Zagalskiy state farm in Minsk Oblast's Lyuban Rayon, four people, led by link leader I.G. Sinitskiy, holder of three classes of the Order of Labour Glory, cultivate an area of 60 ha. The unit has been working on a contract basis for two years. In 1986 the yield was 383 q/ha. The unit achieved the lowest prime cost of potatoes, R 1.5 per quintal (in the republic it was R 9), and the lowest labour expenditure - 0.54 man-hours per quintal (the average for the republic was two man-hours).

The family contract for vegetable growing is being developed in Terbopol Oblast, too. This year, on three collective farms in Zaleshchiki Rayon - the Bogdan Khmelnitskiy, Zolotoy Kolos and Kommunist collective farms - 15,000 t of tomatoes will be grown on farmstead plots, including 5,000 t of early varieties, instead of the 1.5 t sold by these farms last year.

The same is being done in the rayon centre. The collective farms have allocated to many families seedlings, plastic film, fertilisers, plant-protection agents and irrigation

pumps, and are providing packaging. With about 1,500-2,000 sq.m. of early tomatoes each, people harvest 7-8 kg of high quality produce per sq.m.

In Kremenets Rayon 600 families grow strawberries in their own garden plots on a contract basis, and this year there are contracts for the purchase of 800 t of berries. In the oblast as a whole, it is reported, some 25,000 families have concluded contracts for the growing of vegetables and industrial crops and the fattening of animals this year.

There are many such examples, Comrades. And they all indicate the possibility of rapid growth in agricultural production if we bring in all the reserves, all the working people and all the families and unleash people's initiative.

But what is happening now? The rural dweller has to hurry to the shops for every little thing and has become almost as much a purchaser of food as the city dweller. Some 54% of rural families have no cows, and 33% have no livestock at all.

From numerous instances we have become convinced of something even more important - unfettered human initiative and departure from over organisation and excessive centralisation make it possible - for the same resources - to ensure a breakthrough in increasing food resources.

In general, tremendous potential has accumulated in agriculture. This must now be actively utilised by combining the potential of the large public-sector farm with the potential of the collective and family contract.

Another urgent and pressing task is the resolution of the housing problem. As I have already said, at central level opportunities have been found for increasing the pace of housing construction in the country. From additional capital investments it is planned in the 12th Five-Year Plan period to increase the volume of housing construction by 60,000,000 sq.m. over the 11th Five-Year Plan period. Over the five years a total of more than 15,000,000 families will receive housing.

But that is not all. There is equal, if not greater, potential available to enterprises, collective and state farms, towns, okrugs and rayons, oblasts, krays and republics. Many local bodies - I wish to note this with satisfaction - have set about tackling in a businesslike way the task set by the congress of ensuring that practically every family has a separate flat or individual house by the year 2000. There are many who are seeking opportunities to resolve this task in an even shorter time. That is right, and should be supported in every way.

But it must be said frankly, comrades, that there has not yet been a radical breakthrough in housing construction, and this is due to a significant extent not only to the shortage of resources but also to the attitude of many party, soviet and economic organs and leadership cadres. General talk is not always followed by enterprising, persistent work and the quest for reserves to resolve this pressing task.

One of ten hears that there are not enough capacities for the fulfilment of growing volumes of housing construction. But nobody can be satisfied with this explanation: first, if there are not enough capacities, then they must be created; and second, at present 20% of the capacities of the country's house-building enterprises are not being used at all. These figures are the average for the country. But in Azerbaijan, Armenia, Kazakhstan, Turkmenia and Uzbekistan enterprises of this kind are working to only 65-70% of their capacity, while in Krasnodar and Khabarovsk Krays and Ivanovo, Penza, Rostov, Smolensk, Tashkent and Tselinograd Oblasts and in Buryatia and Kabardino-Balkaria the figure is 50-65%.

And another thing. It is scarcely possible to understand or justify a situation where there is a shortage of housing and construction materials in the country, yet the majority of construction industry enterprises work on the basis of one-and-a-half shifts, with two days off a week. As a result up to 50% of calendar time is wasted. Could they

not be transferred to continuous operation? After all, that is how the metallurgists, chemical workers, power workers and food industry workers operate. The machine builders are going over to a multiple shift system.

But not only do we make poor use of the capacities of house-building combines. The country's brick works are also working to only 80% of their capacity. And this at a time when a shortage of bricks is being experienced everywhere. These capacities are poorly used in the RSFSR, the Ukraine and Kazakhstan. In Altay and Krasnoyarsk Krays, for instance, these plants are only used to 57-69% of capacity.

If we are really worried about the housing problem, how can we tolerate a situation where many ministries and departments have assimilated only 70-80% of capital investments allocated for increasing the capacities for the production of large-panel housing?

I think that at the plenum today we have a right to demand that the union republican Communist Party Central Committees and Councils of Ministers, ministries and departments - especially the Ministries of the Construction Materials Industry (Comrade S.F. Voenushkin) and the Timber, Cellulose and Paper and Woodworking Industry (Comrade M.I. Busygin) - resolutely change their attitude towards housing construction.

Comrades, let us think things over and consult with the working people. Since we have set about resolving this vitally important problem, we must tackle it, so to speak, all together.

I would even say this: the working people will not understand us if, in developing restructuring, we fail to find real opportunities to accelerate the resolution of the housing question. Housing construction is a nation-wide task. That is the standpoint from which it must be approached.

Now, comrades, on to consumer goods and the service sphere and the situation in the consumer market. In view of the significance of this matter, a targeted state programme has been drawn up. But that in itself is no solution, so to speak. It is necessary to ensure its implementation in practice. Unfortunately, it must be noted that the attitude toward this very important social task is far from uniform. Some people have really taken advantage of the preconditions which have been created and are actively engaged in the quest, increasing the production of goods and services. One can cite the example of Belorussia, Lithuania, Estonia, Leningrad and Ulyanovsk Oblasts, and other oblasts. Their experience is known throughout the country.

However, many are continuing to act according to old, simplified models, counting chiefly not on their own efforts but on assistance from the centre and on deliveries from other regions. Of course, I do not want to say that each of our oblasts or republics must start up a non-monetary economy [Russian: *naturalnoye khozyaystvo*]. But when people stop thinking of utilising local resources and put their trust just in receipts from elsewhere, this is nothing but parasitism once again. And this phenomenon has become quite widespread.

I do not think that it is necessary to go into all the details of the problem at the plenum, but when you familiarise yourself with the goods in everyday demand which certain republics, krays and oblasts bring in from other regions, you are amazed at the extent to which some of our workers have lost the sense of responsibility for meeting the people's needs. They bring in over vast distances the most elementary things, including ones that could be produced on the spot without any difficulty. They bring in things for which no funded resources, new equipment, special production capacities or trained cadres are needed. Comrades, we must have the public pass judgment on this flawed practice. The press, radio and television must regularly show how these tasks are being resolved by economic and soviet organs locally. Let everyone know both those who are really solicitous towards people and those who are indifferent and lacking in initiative. Working people must know everything and keep this important work under control.

It must also be said at the Central Committee plenum that far from all ministries have addressed the needs of consumer goods production: some 18 branches failed to cope with last year's targets for production of cultural, consumer and household products, particularly the ministries headed by Comrades E.K. Pervyshin, P.S. Pleshakov, V.M. Velichko and A.A. Yezhevskiy. [Communications Equipment Industry, Radio Industry, Power Machine Building, and Tractor and Agricultural Machine Building respectively].

Certain ministries adopt a formal attitude to consumer goods production as something secondary, and in some places consumer goods are seen just as a burden. Comrades must understand that they are badly mistaken, and the sooner they put an end to this error, the better both for the cause and for them.

Up to now it has been said that we need more goods of better quality and wider range. But it is not just a matter of this.

See how many facts attest that the population is badly supplied even with goods which are plentiful. And if you add to this the fact that there is no proper order in many trade establishments and enterprises, the standard of service is low, there are many queues because there are not enough shops, and opening hours in the sphere of trade and services are not always convenient for the work and life of the population of towns and villages, then it becomes clear why there are such frequent complaints about their operation. These questions must be resolved by local organs in the very near future.

The country is making poor use of the potential for supplementing commodity resources through the production and procurement activities of consumer co-operatives. There are many complaints about this. This system is still being developed only slowly, and much of what could be procured from the population and delivered to the consumer through co-operative organisations simply goes to waste. We have now given assistance to the Tsentrosoyuz [consumer co-operatives]. Its efforts must also be supported along the lines of local soviet organs.

Comrades, we must not tolerate sluggishness in municipal and everyday services and the unsatisfactory state of affairs in passenger transport, communications, tourism, physical culture and sport. Can it be considered normal when repairs to housing and domestic equipment and the making of footwear and clothes become a very complex problem in town and countryside?

It is no coincidence that a kind of "shadow economy" has emerged in this sphere. Just ponder this figure: Central Statistical Directorate organs report that, according to their estimates, the population pays out approximately R 1.5 billion annually to private individuals for the performance of services.

We have repeatedly drawn attention to the need to meet in full the population's demand for timber and construction materials. Resolutions on this have been adopted, but they are being implemented badly by both central and local organs.

I believe that today's plenum discussion of vitally important issues in Soviet society will be a lesson and an incentive for all workers - both at the centre and locally.

The resolution of problems of food, housing and consumer goods must be constantly in the field of vision of economic organs. This applies in full both to health care and to what we call ecology. The situation has been attracting the close attention of the Politburo and the government over the past two years. It has to be said that many negative phenomena have accumulated in the sphere of medical services and the protection of man's environment. We are taking measures to improve the situation. This is a matter of paramount significance, requiring general attention and tremendous practical work.

Democratisation is a decisive condition of restructuring

Comrades! A new moral and political atmosphere has been created in society since the April plenum of the Party Central Committee, an atmosphere of creativity, quest, the realistic assessment of reality and an uncompromising struggle against everything which hinders life. Therefore, the first conclusion stemming from the past two years' experience is to not only preserve and support but also deepen and develop in every possible way the atmosphere of publicity and openness [Russian: glasnost, otkrytost] which has taken shape in the country and which enables everyone to display his civic stand, take an active part in discussing and resolving vitally important problems of society and accelerate the processes moving in this direction.

Experience shows that success comes where party, soviet and economic organs make full use of the working people's growing political and social activeness. I will state frankly: We shall not cope with the tasks of restructuring if we do not pursue the line of democratisation firmly and consistently. Let us recall V.I. Lenin's words: "... The more profound the transformation which we want to carry out, the more we must enhance the interest in it and a conscious attitude and convince more and more millions and tens of millions of the need for this." And this is how we must act in a Leninist manner now, at the stage of restructuring.

At the same time, I must speak of the following. Press materials, familiarisation with the state of affairs locally and information coming in attest that the development of openness [glasnost] and democratism is proceeding with difficulty and, in some places, even painfully. Certain comrades have shown a lack of understanding and fear of democratic changes. This matter is so important that the plenum will, I think, discuss it and take a clear, firm stand.

As restructuring is being implemented and the process of the democratisation of all aspects of the life of our society is being deepened, new realities are emerging which we cannot disregard and simply do not have the right to disregard. Our people no longer wish to tolerate the fact that questions affecting their interests are resolved by just anyone behind their backs. Sometimes this leads to acute situations. To what do they attest? To the fact that some local party, Soviet and economic organs and a section of our leading cadres at the centre and locally have still not learned how to work under conditions of widening democracy. But this study must not be postponed until a future date; it is necessary to study persistently now. Party committees and organisations and bodies of state power must constantly keep their finger on the pulse of public opinion and check with it the decisions being adopted and their actions. Our people favour democratisation both politically and in practice.

The assimilation of new approaches in political work and organisational and ideological activity is not an easy process. Some people find it hard to embrace openness [glasnost], some people dislike criticism and press articles, some people are generally accustomed to considering that their opinion alone is "infallible". We are encountering all this now, and encountering it frequently. Let us take a look at the root of these phenomena. Those who are afraid of coming under the public control of society are displeased with democratisation. They well know that they can still excuse themselves to their bosses, but they must answer in full to the people. Democracy puts everything in its place - it becomes clear who is who and who is capable of what.

I must also speak of some alarming aspects. In any big business it is impossible to insure yourself against expenses. They have existed, do exist and will exist. Now, we, too, have encountered situations where some people would not be averse to using the atmosphere of openness and publicity not at all in the interests of restructuring, not in the interests of developing socialism and of working people, but to achieve their own narrow mercenary aims.

It is necessary to struggle against such phenomena, but struggle publicly and openly. Living and working under conditions of widening democracy means not fearing

debate or a clash of opinions and stands. All this is natural and necessary in the search for the truth, for the purpose of resolving the problems that arise and accelerating our advance.

But when we say that democracy presupposes a lively, broad, responsible debate and a comparison of different viewpoints, this means that it cannot be considered democratic when attempts are made, in the guise of struggling against one half-truth, to replace it with another. It is not democratic when, in the guise of struggling against the ambitions of one group and its claim to the truth "in the last instance", the ambitions of another group, its predilections and attachments and a subjectivist viewpoint are imposed. And we encounter this in the mass media, in art and literature and in scientific circles. Nor has this phenomenon by-passed party and public organisations.

But, on the whole, I will say this: the process of openness, criticism and self-criticism is taking place among us on a healthy basis. And it is playing a tremendous role in uniting all the forces of society on the principles of restructuring and in implementing progressive transformations in the interests of the people and socialism.

Comrades! In examining ways to further democratise society I should like in this connection to touch on the issue of control. Participants in the recent CPSU Central Committee conference said that control is undoubtedly needed, but not as it is now. Instances of abuses and crimes exposed in the economic sphere in recent years attest to the fact that the established system of control is inefficient, too fractional, squanders work time, diverts the mass of people and means, and, most important, is confined to departmental and parochial interests and largely dependent on the organisations and officials it is meant to control.

I believe that the Secretariat of the CPSU Central Committee and the government must investigate the swollen control apparatus and take decisive measures to reduce it, regularise its activity, subordinate it to the interests of the state and the whole people, and strengthen legality.

We must master fully the Leninist principle of socialist control, which combines the broadest democratism with party leadership. We see people's control both as an effective means of revealing urgent new issues and as one of the most important forms of involving the masses in the process of self-management of the affairs of society and the state.

Under modern conditions we should think of creating on the basis of the People's Control Committee a unified, integral control system which would possess broad powers throughout the country's territory, rely on maximum openness in its work and fulfil its important functions comprehensively, from the positions of the whole people, in a broad socio-political context.

Comrades! The restructuring in our society is arousing tremendous interest in the world. We sense understanding of our problems and feelings of sympathy not only among the working people of socialist countries but also among broad circles of the world public. The policy of restructuring has been taken seriously by very different political forces. This policy has substantially enhanced our country's weight, influence and prestige and demonstrates convincingly the sincere and peace-loving nature of our intentions in the international arena.

Of course, there are quite influential groups in the West, particularly in the USA, which dislike precisely this. "Openness is a challenge to American public diplomacy, and the spirit of the free world, its life today and the prospect of tomorrow's security are under threat!" - This is how certain representatives of the forces ruling in America reason. They realise it is hard to find convincing arguments against our party's policy of restructuring. Therefore they gamble chiefly on using the process of democratisation and openness to present us with false aims and declining values and to sow doubts in our people as to the correctness and sincerity of the party's policy and the line of

restructuring and improving matters in the country. There is nothing new for us here. This was only to be expected, and we foresaw it. Soviet people well know the worth of this kind of "interest" in our affairs.

We are carrying out restructuring, developing democracy and strengthening the values of socialism not in order to please anyone but so that our society scales new heights of socio-economic and spiritual progress through restructuring, through democracy. And we will not turn from the path of restructuring!

What conclusion then, comrades, follows from an analysis of the present stage of restructuring?

We must, above all, proceed from the actual ideological-political and ideological situation which has taken shape since the April plenum of the Central Committee: a complex and contradictory situation but one which, on the whole, is undoubtedly favourable for the whole cause of renewing socialism, the cause of restructuring. The life of our society is characterised by the growing civil activeness of all sections of the population, by increasing initiative in posing new questions and by the surmounting of accumulated inertia. It is characterised by the ever greater development of boldness and determination and by the people's desire to assume responsibility for social affairs and for the further development of democratic principles in the life of the country.

This is accompanied by strengthening conviction as to the unshakable nature of the lofty principles of socialism and the reality of realising them not in some remote future but already today or tomorrow.

Of course, the new processes in the ideological and political sphere are not proceeding smoothly and are not producing identical results. Much that is negative has accumulated in the public consciousness as a reflection of the corresponding phenomena in life itself and, above all, of the discrepancy between word and deed. There is also a certain confusion, a lack of understanding and fear of changes, and attempts to resist what is new. It would be unwise not to see this. But it is still more unwise and even mistaken to absolutise the difficulties and shortcomings of our ideological and political development, because then doubt would be cast on restructuring itself and on the new beneficial political and ideological phenomena resulting from it in the life of the socialist society.

We have no reason to fear the novelty of problems, new discoveries or new approaches in the ideological and political process. We have sufficient reason, strength and skill to work in a Leninist manner under conditions of restructuring, without going into raptures over its every success, but neither plunging into despair, still less panic, when some negative phenomena are detected. We must learn the complex, dialectically contradictory art of restructuring.

Comrades! I believe we must reach agreement at the plenum on the following. In a month or two the report and election campaign will begin in the party's local links. It will be perfectly valid to place at the centre of attention at meetings of communists the matter of the progress in restructuring, of how party organisations are operating, and how all communists - workers, peasants, the intelligentsia, our leading cadres - are participating in this great cause of the whole people. The forthcoming reports and elections in the party must evaluate what has been done and decide what must be done to deepen and accelerate restructuring.

It is very important that the most active champions of social transformations, principled people who understand the requirements of the times, real "work superintendents" of restructuring who are prepared to spare no effort for its success should join the leadership of party organisations at the present stage - the stage of developing large-scale practical deeds.

Obviously, it will also be correct to hold plenums of union republican Communist Party Central Committees and of kray, oblast, okrug, town and rayon party

committees at the end of the year and discuss at them the reports to the buros of the corresponding committees on their work on directing restructuring. Reports to the buro by party committees which, according to the Rules, are not being re-elected this year, are also to be heard on this same matter in primary party organisations.

The Politburo regards the present reports and elections in the CPSU as a very important stage in further galvanising the party's entire activity on the way to the all-union party conference. It is proposed to adopt a resolution on the date of the conference at this plenum. As is known, all-party conferences used to be convened in our party between congresses. There was a period until 1941 when this practice was of a regular nature. Many conferences at crucial stages in history resolved problems which went far beyond being tactical problems. In a number of instances tasks of a strategic nature were advanced at them, and changes were made to statutory norms and to the composition of the party's central organs.

The January plenum supported the proposal to convene an all-party conference next year, on the eve of the report and election campaign in party organisations.

The Politburo submits a proposal to convene the 19th All-Union Conference of the CPSU 28th June 1988.

Proceeding from the principled proposals made at the January plenum and during the preparations for this plenum, it would be possible to propose for examination at the conference the following matters.

(1) On progress in realising the resolutions of the 27th CPSU Congress on the main results of the first half of the 12th-five-Year Plan, and the tasks of party organisations in deepening the process of restructuring.

(2) On measures for the further democratisation of the life of the party and society.

As you see, the proposed agenda will make it possible to sum up the political experience accumulated in the party since the 27th Congress, assess our progress in the main avenues of economic and social development and analyse progress in implementing the radical reform in economic management and the participation of party and other public organisations and of state and economic organs in restructuring.

An analysis of progress in implementing congress resolutions, the summing up of the political results of work to fulfil the Five-Year Plan and a principled assessment of successes and shortcomings will make it possible later at report and election party meetings and conferences to examine exactly the activity and tasks of each party organisation. This will promote the process of the democratisation of internal party life and help to enhance the activeness and responsibility of communists and to deepen all restructuring.

II. Radical Reform of Economic Management Is the Most Important Element of Restructuring

The necessity for and essence of reform

Comrades! Today when the radical restructuring of the management of the economy is being discussed it is necessary again and again to really visualise the condition in which our national economy approached the dividing line between the 1970s and the 1980s. By that time the rate of economic growth had declined to a level which in fact signified the onset of economic stagnation. We began patently to yield one position after another, while in the enhancement of production efficiency and product quality, and also

in scientific and technical development, the gulf in comparison with the most developed countries began to widen, and not in our favour.

The economy's development assumed an unhealthy nature. Serious changes were needed in structural policy and in areas of capital investment in order to impart a greater dynamic to the development of branches which constitute the foundation of scientific and technical progress, resource saving and savings of live labour. This was not done, however. Moreover, machine building was in a state of neglect, its production apparatus had become obsolete and the products being produced were meeting world standards less and less.

The desire to hold back, by extensive methods, the fall in growth rates led to inordinate expenditure on building up the fuel and energy sectors, the accelerated involvement of new natural resources in production and their irrational use, an excessive growth in requirements for additional labour, an acute shortage of labour in the national economy and a fall in return on investment.

Against the background of economic difficulties and the fall in the rate of increase in national income, the strained financial situation in the national economy became intensified.

Take the State Budget. Everything seemed favourable on the surface. Expenditure was covered by revenue, but how was this achieved? Not through a growth in the efficiency of the national economy, but by other ways which had no economic or social justification. In particular, we embarked on the extensive sale of oil and other fuel, energy and raw material resources on the world market.

The practice of the unfounded confiscation of enterprises' and organisations' own funds into the budget used to occur, and this undermined the conditions for their normal economic activity.

And, of course, it was already totally impossible to justify the increase in the production and sale of wines and spirits. Turnover tax receipts from the sale of alcoholic beverages in the 11th Five-Year Plan period reached R 169,000 million whereas in the eighth Five-Year Plan period they amounted to R 67,000 million.

In a word, the country was approaching the 12th Five-Year Plan with a heavy financial burden. One should add to this that, given the failure to fulfil the plan targets of the last three Five-Year Plans in terms of production growth and production efficiency, expenditure on wages systematically exceeded planned levels. This means that a certain part of the money was paid out without being linked in any way to the end results of work.

Under these conditions a reduction in the deficit not only did not occur in the national economy but, on the contrary, the situation became more complex in this respect. In fact there was, and is, a shortage of everything - metal, fuel, cement, machinery and consumer goods. If one adds to this the chronic labour shortage, it becomes clear that under such conditions the economy cannot develop normally. The economic stimuli for the enhancement of quality and efficiency cease to function and conditions are created for increases in prices and a number of other negative processes.

But the most alarming thing, perhaps, is that we began to lag behind in scientific and technical development. At a time when countries in the West had begun on a broad scale the structural restructuring of the economy with emphasis on resource saving, the use of the latest technologies and other achievements of science and technology, our scientific and technical progress was retarded. And this was not because of the absence of scientific groundwork but chiefly for the reason that the national economy was not receptive to innovations. Even hard currency funds deriving from the export of oil and other raw material resources were used by us basically for solving current tasks and not for the purpose of modernising the economy. As has already been said at the January

plenum such a situation in the economy had an extremely negative impact on the living standard of the population and on the development of the social sphere. Such, comrades, are the realities.

The Politburo deems it essential once again to mention all this with the utmost frankness. And not least because time and again voices are to be heard to be saying: Is everything so bad, must we be so harsh in our evaluations, is a radical restructuring really necessary? Maybe we can simply apply a little pressure from above and carry out a few more partial measures of some kind? I think that if such sentiments were to prevail and that present policy were to be drawn up on their basis, this would entail extraordinarily grave consequences for the country and for the people.

Pulling our economy out of the pre-crisis situation in which it has found itself dictates the need for profound and genuinely revolutionary transformations. For these purposes we have drawn up a new economic strategy and have embarked on its implementation. Changes have been made to structural and investment policy, major targeted programmes have been created and the basic directions of scientific and technical progress have been defined. In the last two years the first steps have been taken in the assimilation of new methods of economic activity worked out on the basis of an analysis of the situation at the end of the 1970s and beginning of the 1980s and on the basis of a series of economic experiments.

But I would say that the improvements achieved here are neither radical nor cardinal. The braking mechanism has still not been smashed nor replaced by the mechanism of acceleration. As before, compensation for its absence has to be made by extra-economic methods and by administrative pressure.

The creation of an integral, efficient, flexible system of managing the economy now faces us as a top-priority, urgent task.

It is, as you can understand, not a simple task. The existing system of management took shape over many years and it contains numerous strata which reflect the conditions and distinctive features of various periods in the history of our country with all their achievements, contradictions and difficulties.

The foundations of the present system of management were laid down back in the 1930s. In that difficult period, our country, by no means the economically most developed, and standing alone against the capitalist world, was faced with the need to rapidly overcome the technical and economic lag and to bring about abrupt structural improvements in the national economy.

And they were brought about in an unprecedentedly short period. During the years of the pre-war Five-Year Plan, the volume of industrial output increased 6.5 times and in terms of industrial output the Soviet Union rose from fourth to first place in Europe and from fifth to second place in the world. The proportion of the branches which produced the means of production increased from 39.5 to 61%. The number of workers and employees in industry tripled during the 12 pre-war years.

In order to solve these tasks it was necessary to sharply increase the proportion of accumulation in the national economy. At the beginning of the second Five-Year Plan it exceeded 30% or twice the level at the end of the 1920s and several times the level of pre-revolutionary Russia. Through the State Budget, about 60% of the national income was redistributed. These tremendous resources were channelled on a centralised basis into the development primarily of heavy industry.

Precisely for such purposes a system of management was created which was based on rigid centralism, the detailed regimentation of work, targets for specific economic organs in the form of directives and budget appropriations. In such special conditions it ensured the solution in the briefest possible time of the kind of strategic tasks on which the developed capitalist countries had spent decades. The centralised

nature of management intensified even more in the war years. It was preserved in the main in the conditions of post-war restoration, too.

Of course this nature of management cannot in all instances be attributed to objective reasons. Erroneous approaches were also tolerated and decisions of a subjective order were made. This must be seen and taken into account when examining present-day problems. But the system of management which has taken shape has, with the passing years, come into increasingly acute conflict with the conditions and needs of economic development.

The turbulent current of the scientific and technical revolution, the sharply increased complexity of the national economy, the need to shift the centre of gravity from extensive methods to intensive ones, and from quantity to quality, the intensification of the influence of social conditions and the sharp growth of the role of the human factor have demanded radical transformations in economic management.

The restructuring of economic management was entering the agenda with increasing insistence. This matter was discussed in scientific and public circles. I may refer to an article by Academician V.S. Nemchinov in the journal 'Kommunist' in 1964. Back at that time he wrote: "A primitive understanding of the inter-relationship between macro- and micro-economic systems can create only the kind of ossified mechanical system in which all the parameters of management are set in advance and at each given moment and at each given point the whole system is subjected to quotas from top to bottom. . . Such an economic system subjected to quotas from top to bottom will retard social and technical progress and will sooner or later be broken by the pressure from the real process of economic life."

During the past decades practical attempts to change the system of management which had taken shape were made repeatedly. This was done in the 1950s, in the second half of the 1960s, and also at the end of the 1970s. However, these attempts were incomplete and inconsistent, and at best they yielded a short-term benefit but did not lead up to the necessary turning point. Meanwhile, the stimulating effect of the old economic mechanism was becoming weaker and weaker and the braking action was intensifying.

Now, at this stage of a turning point, when we have approached cardinal solutions, what is of especial importance are scientific substantiation and theoretical and ideological-political clarity in understanding the essence and basic meaning of the incipient changes and of the thrust of the restructuring of management. How should one proceed further and in what direction? What can we and what must we renounce, what must be consolidated and improved, and what must be introduced anew?

In this connection it is important to stress that each stage of our history has been filled with strenuous work by the people and has brought major achievements. The accumulated experience of economic construction is of enormous value. This experience with all its achievements, twists and also errors is a school whose lessons for us are important both for the present and for the future.

On the fundamental plane, the meaning and thrust of the radical reform of management are clear to us. They are expressed by the formula: More socialism, more democracy.

This also contains the answer to the question: Does not our restructuring represent a departure from the foundations of socialism or at any event some kind of weakening of socialism? No it does not signify that. On the contrary, what we are already doing, outlining and proposing, must consolidate socialism and eliminate everything that stands in the way of the development of socialism and which is retarding its progress, it must reveal its tremendous potential in the interests of the people, bring into play all the advantages of our social system and impart to it the most up-to-date forms.

But what does the consolidation of socialism in fact mean? The whole essence of our revolutionary teaching, our entire tremendous experience show that socialism cannot be presented in the form of some kind of frozen, invariable society, and practical work on its improvement cannot be presented as a method of hurrying on and building upon a complex reality in accordance with ideas, concepts and formulas which have been laid down once and for all.

Notions about socialism and its economy are constantly being developed and enriched, taking into account historical experience and objective conditions. We must learn from V.I. Lenin a creative approach to the development of the theory and practice of socialist construction, adopt a scientific methodology and master the art of making a specific analysis of a specific situation.

The main question in the theory and practice of socialism is how, on a socialist basis, to create more powerful stimuli, than under capitalism, for economic, scientific, technical and social progress, how to most efficiently combine planned leadership with the interests of the individual and of the collective. This is a most complex question the answer to which has been sought and is being sought by socialist thought and by social practice. At the present stage of socialism the significance of this question is increasing immeasurably.

Many problems will have to be solved here. But we regard the key to the creation of effective stimuli for the enhancement of production efficiency as lying in ensuring for the working man the status of genuine master not only, at his work place and in the collective, but in society as a whole. It is theoretically and practically indisputable that the interest of the working people as masters of production is the strongest interest, the most powerful driving force for the acceleration of socio-economic, scientific and technical progress.

But what does turning working people into real and active masters of public property actually mean? It means giving collectives and individual workers extensive opportunities to handle public property and enhance their responsibility for its effective use. It means ensuring in practice participation by the broadest working people's masses in running the economy at all levels, from the team to the national economy. It means that working people's incomes must be made dependent on work at the workplace within the context of their own enterprises, and ultimately on how things go throughout the country and in general on end results.

The democratisation of the economy is indissolubly linked with the active use of various forces of co-operation and individual labour activity alongside state ownership. We have adopted resolutions on this score. But it must be said that their practical implementation has not produced a uniform reaction. Frequently there is talk not of how to make quicker and better use of the potential that has been revealed, but of how correct these forms of economic activity are at the present stage of socialism.

Some people see co-operation and individual work activity as virtually the restoration of private economic practice. I think, Comrades, that our new experience and that of the other socialist countries attests to the usefulness of and need for the skilful exploitation of these economic forms within the socialist framework. They help to satisfy people's urgent needs more fully and remove the "black" economy and all possible forms of abuse, that is, they help the real process of improving socio-economic relations.

There also needs to be a serious re-think about the problems connected with the relationship between centralised planned leadership of the national economy and the independence of its individual components, planning and commodity-money relations. We proceed on the basis of their dialectical unity and complementarity in an integral system of economic management.

In the new economic mechanism this task is resolved, in particular, with the help of economic normatives. The transition to normative methods makes it possible to

implement as fully as possible the objective prerequisites inherent in socialism of the unity of the interests of society, collectives and individual workers.

In accordance with the scientific concept of socialism, commodity-money relations form an organic part of its economic system. Their skilful use through prices and financial and credit levers, their planned assimilation, the running of the market in accordance with their laws and the strengthening and boosting of the prestige of the rouble promote the creation of an effective, cost-conscious mechanism and the strengthening of socialism in practice.

Of course, the use of commodity-money relations in the management system in conjunction with the advantages of national economic planning is a harder task than issuing commands and directives. But our economic cadres must solve it.

The problem of economic competition and competitive initiatives occupies a central place from the standpoint of activating socialism's motive forces.

We proceed on the basis of the need to step up real competition among enterprises and organisations - including state and co-operative organisations - in order to ensure that the needs of the population and the national economy are better satisfied. The winners of this competition must receive a tangible economic advantage. This corresponds with socialist principles and is comprehensible in human terms.

Perhaps we should mention in particular the need for the extensive introduction of competitive initiatives in the scientific and technical sphere, too. The fact is that in the past the view was often aired that the existence of parallel scientific research, planning and design organisations led to a dissipation of forces, duplication and irrational expenditure. But experience has convinced us that the monopoly position of certain organisations seriously hampers scientific and technical progress and costs society much more.

I do not mean at all that we must create parallel structures along all avenues. But, in order to solve important scientific and technical problems, it would be correct and worthwhile to create various scientific collectives, including collectives not only on a permanent but also on a temporary basis. This has been welcomed with interest by engineering, technical and scientific workers, and it is already producing certain results.

To put it briefly, proceeding from the requirements of Soviet society's development at the present stage, we must renew our views of the economic forms of socialism in order to provide scope for a fundamental restructuring of the economic mechanism.

Comrades! The draft "Basic Provisions for Fundamentally Restructuring the Economy's Management", prepared by the Politburo and the government, has been distributed among you.

The concept of the restructuring of management proposed in this document pursues the goal of reorienting economic growth away from intermediate and towards end and socially significant results, toward the satisfaction of social requirements, the all-round development of man, the transformation of scientific and technical progress into the main factor of economic growth and the creation of a reliably operating cost-cutting machinery.

In order to achieve all this, it is necessary to effect a transition from primarily administrative to primarily economic methods of leadership at all levels, to broad democratisation of management and to utmost activation of the human factor. This transition involves:

First, a sharp expansion of the boundaries of the independence of associations and enterprises, their transfer to complete financial autonomy and self-financing, the enhancement of responsibility for the highest possible end results, the fulfilling of

commitments to consumers, the establishment of direct dependence of the level of a collective's income on the efficiency of its work and the broad development of collective contracts in labour relations;

second, a fundamental restructuring of the economy's centralised leadership, the enhancement of its qualitative standards, concentration on the main processes which determine the strategy, quality, pace and proportion of the entire national economy's development and its balanced nature, and simultaneously the firm detachment of the centre from interference in operational activities by lower-ranking economic links;

third, a radical reform of planning, price formation and the finance and credit machinery, the transition to wholesale trade in means of production and restructuring of the management of scientific and technical progress, foreign economic ties, work and social processes;

fourth, the creation of new organisational structures ensuring the deepening of specialisation and the enhancement of the reliability of production-sharing ties, together with the direct involvement of science in production and, on this basis, a breakthrough toward world standards of quality;

fifth, the transition from an excessively centralised command system of management to a democratic system, development of self-management, creation of a machinery for activating the potential of the human personality and the precise demarcation of functions and radical change in the style and methods of activity of party, soviet and economic organs.

Starting point for the restructuring of management

Comrades! We are beginning the radical transformations of the economic mechanism with the basic link of the economy - the enterprises and associations - primarily intending to create the most favourable economic environment for this link, consolidate its rights and simultaneously enhance its responsibility, and on this basis to introduce fundamental changes in the activity of all higher-ranking links of economic management.

In thus defining the consistency of restructuring we were guided by the premise that this is where the main economic processes take place, this is where people's labour creates all the output and services needed by the people, this is where scientific and technical thinking takes a material form. It is within the work collective that economic and social relations are really developed, it is there that people's interests - personal, collective and social - are intertwined. In essence, the socio-political climate in our society is largely determined by the situation prevailing within the work collectives.

What is the basic shortcoming of the currently operating mechanism for an enterprise's economic management? Primarily the weakness of internal incentives for self-development. In actual fact, the enterprise is set targets and allocated resources through the system of directive indicators. Virtually all expenditure is reimbursed. The marketing of output is essentially guaranteed. And the main point is that workers' incomes are inadequately linked with the end results of the collective's work - performance of contracts, output quality and profit. Generally speaking, the situation is as follows: Under the effect of the present mechanism, producers find it disadvantageous to use cheap raw materials and inexpensive products, they find it disadvantageous to improve output quality and they find it disadvantageous to introduce the achievements of scientific and technical progress.

Such an economic mechanism virtually eliminates the dividing line between enterprises which work well and those which are systematic laggards. Petr Vasilyevich Buderkin, general director of the Omskshina association, rightly raised all these matters at the recent conference at the CPSU Central Committee. Indeed, the Omsk association is one of the best in its branch. The vehicle tyres it produces are of excellent quality and

their useful life is 1.5 times longer than that of others. There has not been a single instance of the breaking of contractual deliveries in the last 20 years. And what does this mean for the collective? Essentially, it does not enjoy any advantages: neither as regards wage increases, nor as regards the satisfaction of social requirements.

And who is to explain the following paradox: the price paid for the Omsk association's tyres, whose quality is the best in the country, is exactly the same as the price paid for those made by other plants?

Let us also take an example from the agro-industrial complex. The prices received by poultry factories in the northern Caucasus for exactly the same output are almost 25% lower than those in other zones of the country. And yet the modern production of poultry breeding output on the basis of industrial technology, especially regards broiler production, takes place in premises built according to identical blueprints, using equipment produced by just one single enterprise in the country, and obtaining feed through one and the same system - that of the Ministry of Grain Products.

In all this we perceive the "mark" of our economic mechanism which, whether we like it or not, is geared to mediocre and even substandard work. How can the economy advance if it creates hothouse conditions for laggard enterprises and punishes the front-rankers?

Of course, comrades, we cannot carry on in this way. The new economic mechanism must put everything in its proper place. It is called upon to become a powerful lever, a stimulating force for good work driven by enterprise and initiative. This is precisely the goal we are setting. Of course, some time must pass before we attain it. Now it is very important to correctly approach the selection of basic demands to be made of the new economic mechanism.

The main result we must obtain from the introduction of the new mechanism is to grant extensive rights to enterprises and ensure their genuine economic independence on the basis of complete financial autonomy.

In actual fact, we have to implement what has already been recognised as necessary, namely, that the enterprise itself compiles its plan for the production and marketing of output proceeding from real social requirements. The basis of this plan must be provided not by a multiplicity of detailed plan targets set by directives from higher-ranking organs, but by direct orders from state organisations, financially autonomous enterprises and trade organisations for specific output in the appropriate quantity and quality.

Enterprises must be placed under conditions whereby they engage in economic competition Russian: [sorevnovaniye] for the best possible satisfaction of consumer demand. In this process, the state's interests are guaranteed by the system of state orders. But they must be subject to economic conditions involving priorities and preferential terms, must make provision for the reciprocal responsibility of the sides, and must, as a rule, be placed on a competition basis [Russian: konkursnaya osnova].

The matter of the nature and purpose of control figures arises in connection with the changing approaches towards planning. They are intended to orient enterprises in the economic situation. For this purpose, control figures must reflect the social need for an enterprise's given output, the minimum efficiency level and the tasks of a social nature - in other words, they should somehow "lead" the enterprise to the necessary level of development. Control figures ought not to have the nature of directives and fetter the labour collective when elaborating its own plan but must give it broad scope to select solutions and partners when concluding economic contracts. The fulfilment of orders and contracts must become the paramount criterion for assessing an enterprise's activity and for the collective's material incentives.

The transition of enterprises and associations to self-capitalisation and self-financing is a requirement of fundamental importance. This means that the funds they

earn must cover all current expenditures including labour remuneration and be used for investment into the expansion and reconstruction of production and the social development of work collectives. Budget financing will be retained only for the solution of the largest and most important state tasks. At the same time, enterprises are given broad opportunities to make responsible use of bank credits. Thus the work collective must bear full economic responsibility for the results of its activity.

A most important role in the new mechanism will be assigned to stable long-term normatives. These are payments into the State Budget in respect of production assets, land, water, other natural and labour resources and interest payments on credit obtained. These are normatives for the formation of wages funds and funds for the satisfaction of social and cultural needs. Prices for output produced and rates of payments for services rendered are also types of economic normatives. Normatives provide the economic methods to ensure the combination of the collective's interests and the interests of the whole people.

The new economic mechanism envisages a radical change of the system for material and technical supplies to enterprises - a transition from centralised material and technical supplies to wholesale trade in the means of production. Enterprises must be given an opportunity to use the money they have earned to acquire everything they need for the manufacture of output, for building and reconstruction and for the solution of social matters.

A powerful incentive for the display of initiative and self-motivation by working people will be provided by the work collectives' transition to self-management, whereby they will independently resolve all matters concerning the internal organisation of production, right up to the election of leaders.

These, in outline, are the main features of the new mechanism for the economic management of enterprises and associations.

Of course, a number of unusual matters may arise in the course of transition to this machinery. Some of them were already raised during the nation-wide discussion of the Law on the State Enterprise.

One such question was: What is to be done with enterprises which, due to poor economic management, find themselves unable to ensure the payments to the state and normal levels of income for the work collective? Various forms of assistance could probably be used here, whether from the sector or the bank. However, if matters fail to improve even after all measures have been taken, then - proceeding from the priority of society's interests - it would be possible to raise the issue of reorganising or terminating the enterprise's activity. Of course, this is the ultimate measure. It goes without saying that the state must show concern for ensuring jobs for working people.

Another question is also raised: Will the expansion of enterprises' independence and the rejection of the extended system of directive indicators not result in weakening the planning principle and the deterioration of the national economy's balanced nature?

We believe that such fears are groundless. It would be illusory to imagine that everything within the framework of a vast economy like ours could be envisaged at the centre. The activity of the State Planning Committee and other economic departments on balancing the national economy will be supported by the economic interests and economic responsibility of enterprises and the enhancement of the role played by economic contracts between them. Under these conditions, the achievement of balance will become much more realistic.

The basic features of the new economic mechanism are reflected in the draft Law on the State Enterprise (Association). The general opinion of production workers, scientists, representatives of central departments, party and local government officials and our public is as follows: On the whole, this is a sound document corresponding to today's requirements and new tasks. It is a sound basis for transition to the new mechanism.

The following demand was persistently expressed during the nationwide discussion of the draft: Do not retreat under pressure from the habits and ideas of inertia, march firmly forward. Do not let the new law, as often happened in the past, be encircled by a palisade of numerous instructions which could emasculate its essence and apply the brakes to restructuring.

In principle, the transition to new methods of economic management is already under way in our country. What I mean is that, starting this year, enterprises and associations in a number of sectors have switched to work under conditions of complete financial autonomy and self-financing. Of course, a period of five or six months is a rather brief one on which to display fully both the strong aspects and the shortcomings of the new economic mechanism. Especially in view of the fact that this transition is being implemented under certain specific conditions.

The activity of these enterprises is greatly affected by attendant factors, and primarily what could be described as their "insular position". This applies to enterprises' ties with suppliers and consumers operating according to the old principles, and to the leadership on the part of ministries and central economic bodies also still operating on the basis of old provisions. Enterprises' transition to the principles of complete financial autonomy and self-financing began under conditions in which the Five-Year Plan was already in effect and many indices have to be adapted to it. Even so, Comrades, this must not halt our work on implementing the new principles of economic management.

(1) Transformation of the functions of the centralised management of the economy

Comrades! In conditions of complete financial autonomy and self-management in the basic elements of the national economy, centralised leadership of the economy must also be qualitatively new.

It is essentially a matter of formulating a new concept of centralism based on working people's activeness and enterprises' independence, that is, of genuinely democratic centralism in the Leninist interpretation of the term, which is immeasurably more powerful than centralism bogged down in attempts to regulate absolutely everything.

First a few words about national economic planning. What is the "philosophy" of the statewide plan in the new conditions? It must determine the basic priorities and goals of the country's socio-economic development, directions in structural and investment policy and scientific and technical progress, and tasks in accumulating scientific, educational and cultural potential and maintaining defence capacity.

In the new conditions it is intended to increase the role of the "target" [Russian: "zadayushchiy"] part of planning, especially the concept of the country's long-term socio-economic development over a 15-year period. This part must incorporate all major programmes, balance them and determine ways of achieving strategic goals. The Five-Year Plan along with its targets broken down for the years of the Five-Year Plan period is to really become the main form of statewide planning.

In order to ensure planned proportions and balance in the economy, it is proposed to give ministries and departments, and union republics, basic data for planning. As for enterprises, the main lever for influencing them will be economic normati/es and incentives. These are called upon to place the activity of associations and enterprises in conditions ensuring that it is to their advantage, using the control figures as a reference point, to seek ways of most efficiently satisfying social needs.

An issue which perturbs many people must be maintained here. Fears are being expressed that a temporary decline in production growth rates in individual sectors, regions and even the country as a whole may take place, given the abandonment of direct directive prescription of volume indicators for associations and enterprises in conditions of complete financial autonomy.

What can be said about this matter, Comrades? If it is a matter of higher growth figures achieved by cranking up gross volumes, by means of double counting and without a real increase in end results, then society not only gains nothing from this and actually sustains losses.

But we all expect that the switch to financial autonomy and the new methods of economic management and the widespread introduction of the collective contract and other progressive forms of work organisation and incentives will make it possible to increase the people's work activity, bring hitherto untapped resources into play, increase efficiency and thereby secure a higher rate of real growth together with high output quality.

Precisely such a restructuring is natural and, moreover, absolutely essential to ensure a new quality of economic growth. While it will hit the indicators of enterprises which work inefficiently, in general such a restructuring will certainly play a positive role for the country's national economy and its development prospects, assessed in terms of end results and the extent to which social needs are satisfied.

A most important part of the restructuring of the management of the economy is the radical reform of price formation. A complete switch to the new mechanism is impossible without this.

Prices must play an important incentive role in improving the use of resources, reducing expenditure, improving output quality, accelerating scientific and technical process and rationalising the entire system of distribution and consumption. New politico-economic approaches consonant with the present stage of development must be displayed here.

The prices system which has long existed has been geared to cheap natural resources. The current prices of coal, oil, gas and power do not ensure conditions for self-financing by the fuel and energy complex. They continue to create an illusion that natural resources are cheap and inexhaustible and to orient enterprises towards further building up production, consumption and shipment of them.

Economically unjustified approaches towards price formation have led to the emergence and rapid growth of subsidies for the production and sale of all kinds of products and services. The total amount of subsidies from the State Budget today exceeds R 73 billion per year. On the other hand, an unjustifiably high level of profitability which totally fails to reflect production efficiency has emerged for many types of output. And this too is the result of distortions in price formation.

Anyone who produces output whose prices are unjustifiably low has no incentives to build up production, and anyone who makes surplus profit as a result of overly high prices has no incentives to reduce expenditure and improve efficiency. In this situation normal economic relations in the national economy are simply impossible.

This is why we are faced with the need not to carry out some kind of partial improvement of the prices system but to implement a radical reform of price formation and an interlinked restructuring of our entire "price economy" - wholesale, purchase and retail prices and tariffs.

It is a matter not only of the level of prices, but also of the procedure for establishing them. Of course, prices of the most important products need to be determined centrally, when the statewide plan is formulated and as part of that plan. But at the same time in the new mechanism it is expedient to expand the sphere of the use of contractual prices, which will help to expand enterprises' rights and economic independence.

The reform of wholesale prices is to improve the situation in the national economy and to create better conditions for the struggle for production efficiency, the

saving of resources and output quality. As for retail prices, the changes in them must not only result in a deterioration in working people's living standards but, on the contrary, must lead to an increase in those standards for certain categories of working people and to fuller implementation of social justness.

One thing must be clear - that in view of the importance and complexity of the reform of price formation, its preparation must be approached with great responsibility. A huge volume of work must be performed in a short time, and the requisite resources must be enlisted for this. We must bear in mind that unless this matter is resolved it is impossible to draw up the Five-Year Plan in the new way and to switch to an integral system of economic management.

In view of the political and social significance of the reform of price formation it must be the subject of the widest discussion in the country.

The restructuring of the national economy's system of material and technical supply is closely linked with the reform of price formation. The main direction in this is a resolute switch to wholesale trade in means of production both via direct links between suppliers and consumers and via financially autonomous wholesale bases. In this case state organs would ultimately be left with the functions of regulating and monitoring wholesale trade.

The matter of switching to wholesale trade in means of production is not new, but it is only recently that it has been possible to take the first real steps in this. We must accelerate and expand the scale of this work in order to complete it in the next few years.

Many weighty reasons urgently dictate the need for wholesale trade in means of production, above all the switching of enterprises and associations to financial autonomy. I would also like to mention another reason - the need to normalise stocks of commodity and material assets. In the main branches of the production sphere these stocks exceed R 300 billion. Considerable amounts of national wealth are immobilised in them.

This situation is largely explained by the cumbersomeness, inefficiency, and unreliability of material and technical supply, which breeds in enterprises a desire to hoard resources just in case.

See what happens with metal. Complaints of the shortage of it continue unabated. But at the same time stocks are growing. In the last six years consumers' stocks of rolled ferrous metals have increased by 2 million and as of the beginning of this year totalled 9.3 million t. So just think: Are we short of metal, or are we unable to use it thriftily? True, it is not easy to mobilise these stocks of rolled metal: after all, they are at enterprises. It may surprise you, but I must say that organisations of the State Committee for Material and Technical Supply account for only 1.5% of the stocks of goods and materials, the rest is scattered around the economy.

The following question arose at the CPSU Central Committee conference: Is it possible to introduce wholesale trade when there is a shortage of resources? This argument is always put forward when the problem of the timetable for switching to wholesale trade is being discussed. The participants in the conference cogently said that the system of funding and supply itself creates shortages. And this is borne out by specific instances. The switching of enterprises to the principles of complete financial autonomy will be of decisive importance here. Therefore the more rapidly we switch to direct links, to wholesale trade, the more rapidly we will be rid of shortages and of excessive stocks of material assets.

These are not merely desk-bound arguments. Here is a specific instance. Now, even at the very beginning of the switch of collective and state farms to the new principles of financial autonomy, their orders for agricultural equipment and other resources are declining markedly. For instance, orders for combines for next year are down by approximately 30%. Orders for certain types of tractors and other agricultural

equipment, especially obsolete and unproductive equipment, are also declining. That is the real situation. The result is that today's shortage may turn into tomorrow's over-production.

Major tasks must be resolved in the sphere of finance, credit and money circulation. Again, without this it is impossible to create the new economic mechanism. The main shortcoming in this sphere now is that the turnover of financial and credit resources and money is isolated from the movement of material assets and the national economy is over-saturated with money [Russian: platezhnyye sredstva]. Nowadays the rouble does not fully perform its role as an active means of financial control over the economy.

The country's financial system is clearly obsolete. It does not stimulate the improvement of efficiency in economic management and often pursues short-term, fiscal goals. Credit has also lost its role to a considerable extent. The line dividing it from free financing has been eroded.

Everything indicates that we cannot manage without a radical financial and credit reform. This must be aimed at placing the budget's relations with enterprises on a normative basis, closing all opportunities to obtain income before the ultimate sale of goods and comprehensively improving the financial health of the national economy.

Comrades! In the modern world no state can regard itself as economically isolated from others. Our country is no exception in this regard. The Soviet economy is part of the world economy. International trade and currency and financial relations between countries and the latest scientific and technical transformations inevitably also affect in one form or another the state of affairs in our own economy.

The measures that are being taken to improve the management of foreign economic relations are aimed, in particular, at deepening the USSR's participation in the international division of labour, which is becoming an increasingly important factor in the development of the Soviet national economy.

On the other hand, not only we and our allies but also all who are interested in co-operation with our country in new conditions which are more favourable for this would gain from successful realisation of the plans for restructuring in our country and from the modernisation of our economy. In other words, the restructuring of the Soviet economy, taking into account the Soviet Union's considerable share of the world economy, will help to develop broad international co-operation and thus to improve international economic relations.

Important and far-reaching decisions were recently taken in the sphere of foreign economic policy and the mechanism for its implementation. The restructuring of economic management opens up broad scope for improving the effectiveness of our foreign economic links and - this is especially important - for strengthening the external market's influence on the work of branches and enterprises, on the quality of their output and on scientific and technical progress.

In this connection the improvement of the productiveness of co-operation with the socialist countries is fundamentally important. The restructuring of the economic mechanism is called upon to create favourable economic and organisational and legal conditions for the profound integration of our national economy with those of the fraternal countries.

Broad opportunities for this are opened up by the granting to enterprises of the right to enter upon direct co-production [Russian: kooperatsionnyy] links with partners from the socialist countries. As the recent discussion of this matter in the Politburo showed, as yet extremely inadequate use is being made of them. One of the reasons for this is clearly the absence of any interest for financially autonomous work collectives. It is quite obvious that the success of restructuring in our country also largely predetermines the improvement of the effectiveness of economic and scientific and technical

co-operation with the fraternal countries. The Politburo and Secretariat of the Central Committee and the Council of Ministers must constantly monitor the development of economic co-operation with them.

We must carefully and profoundly study the experience of our friends and adopt everything that can be used in the interests of the USSR national economy.

In short, comrades, an important and large-scale restructuring of the activity of the centralised leadership of the national economy lies ahead. This work and the transfer of enterprises to financial autonomy constitute a single whole - the radical reform of the management of the economy.

Restructuring organisational structures and the work of management organs

Comrades! You understand that, in changing the economic mechanism and switching to the new methods of economic management, it is impossible to get by without also tackling thoroughly the improvement of organisational structures. What would it be possible to say in this connection concerning the basic link of the economy? Today's enterprises and associations were formed in conditions in which they were obliged to create their own billet, tool-making, casting, repair and other shops without heeding the rise in production cost, without paying attention to the primitive nature of production and low labour productivity. The excessive growth of a non-monetary economy also occurred within branches, giving rise to irrational ties and the squandering of social labour.

Despite all our efforts, the creation of production and particularly of science and production associations came to a halt. It ran up against departmental barriers and territorial boundaries, against the desire on the part of higher organs to incorporate in the associations enterprises belonging only to their own ministry, only their own chief directorate.

Which enterprises and associations do we need? Clearly, there is no unequivocal answer here. In resolving such an important issue it is impossible to act in the old manner. All the same, we must speak of certain initial ideas. First of all, the make-up of the enterprises and associations must conform to rational specialisation and co-operation and create the conditions for the application of the most progressive equipment and technology. It is important to unite in one organisation all the links of production, from applied research to series production and technical services. Here, of course, it is necessary to take the factors of manageability into account. And, finally, in the production of any given type of product, we should avoid the monopoly position of associations.

I believe that the transfer of enterprises and associations to full financial autonomy and self-financing must be combined with their being granted rights to set up joint production facilities and associations based on share ownership, as far as complete merger if economic advisability so dictates. We are sure that in the new conditions enterprises will display an interest in the formation of various types of voluntary associations linked with the creation of new equipment, collective-access computer centres, social and nature-protection facilities, transport centres, and even cadre-training and management schools.

But nor can the position of management organs here be a passive one, let alone a conservative one. It is essential to open the gates wide for various integration processes.

In the long term, several thousand major branch, inter-branch and territorial-branch associations capable of effecting through their own efforts the entire "scientific research - investment - production - marketing - servicing" cycle could become the objects of direct management from the centre in place of the current 37,000 industrial enterprises included in the state plan. Alongside these, under republican and local jurisdiction, there could be tens of thousands of medium and small enterprises, including co-operatives, geared to servicing the major associations and to the local market.

The matter of the organisational restructuring of branch management is no less important.

What must this restructuring consist of? The precise delimitation of what the ministry is answerable for and what the association and the enterprise are answerable for. The ministries must become in fact the branches' scientific-technical and planning-economic staffs; must answer to the country for the satisfaction of the national economy's requirements for the output produced by the branch and for the achievement of world standards in terms of production technology and the quality and technical standard of output; must engage actively in the development and improvement of the branch's structure and the deepening of specialisation and co-operation; and must formulate the economic normatives, levers and stimuli for the subordinate enterprises.

They have at their disposal the pilot scientific and technical organisations and the centralised funds of resources with which, as necessity dictates, new enterprises can be created and the work collectives' efforts in the major reconstruction and expansion of production can be reinforced. The overwhelming majority of branch ministries will really be able to join in foreign economic activity. A crucial task of the ministries is training, increasing skills and retraining cadres. Their role here is growing immeasurably.

In order to block attempts by ministries' apparatus to engage in administrative tutelage of enterprises, ministries must be relieved of the functions of operational-economic management by removing the relevant subdivisions and reducing the numerical strength of the apparatus of ministries and the organisations serving them. With their new functions, ministries do not need an unwieldy structure and huge staff organisations. The question of combining some ministries could arise in the course of the implementation of the proposed measures.

It is well known that we have embarked upon the shaping of a management system involving national economic complexes and groups of interconnected branches. The State Agro-Industrial Committee, the State Construction Committee, the Buro for Machine Building, the Buro for the Fuel and Energy Complex, the Foreign Economic Commission and the Buro for Social Development have been established and are functioning as permanent organs of the USSR Council of Ministers.

This system is at the establishment stage. We are still seeking the best possible distribution of functions between organs of complex management on the one hand and the USSR State Planning Committee and ministries on the other.

We must consistently pursue the line of transforming the permanent organs of government into viable organisations responsible for the development of their complexes and the solution of inter-branch problems. We know from experience that major national economic problems arise at the point where branches come in contact with one another. It is here that we encounter most of the breakdowns in co-ordination which inflict major losses on us. It is also here, however, that great reserves for the improvement of work are to be discovered.

The strengthening of the permanent organs of government will make it possible to lock ministries and departments into them and make management more effective and fruitful.

The new conditions make greater demands of the quality of work by central economic organs: the State Planning Committee, the Ministry of Finance, the State Committee for Prices, the State Committee for Material and Technical Supply, the State Committee for Science and Technology and State Committee for Labour and Social Affairs and others. The transition to complete financial autonomy, the fundamental changes in ministries' activity and the development of the system of the leadership of national economic complexes mean fundamental changes in the functions of these organs.

As regards the USSR State Planning Committee, the centre of gravity in its work must be shifted to definition of development prospects, implementation of fundamental economic and social tasks and the provision of balance at national economic level. Consequently, there must be a fundamental transformation of the State Planning Committee's structure as the country's supreme scientific and economic staff. It is important to fundamentally strengthen its consolidated subdivisions, social orientation and scientific, technical and territorial services. Of course, all this must be most closely linked with the functions of permanent organs of the USSR Council of Ministers.

It is evident, comrades, that the matter of strengthening the USSR State Planning Committee's co-ordinating role as regards the activity of other central economic departments is a pressing one.

We have already said that the new system will only be effective if it is able to unite and harmonise the diverse interests of our society, including not only the interests of enterprises and branches but also the interests of republics, krays and oblasts, towns and rayons or, as it is customary to say, territorial interests.

It must be borne in mind that unless we include local potential and initiatives in work to implement radical reform, matters may suffer greatly.

It is worth recalling, comrades, that many ideas on whose basis we have conducted important experiments and worked out a modern concept of management were born locally and found their way into practice thanks to the enterprising work of local bodies. The team contract in agriculture and construction and in industrial production, new forms of territorial economic administration, progressive undertakings in rail transport, in the services sphere and trade, the transition to self-financing and much, much else - all this was born at the initiative of work collectives with the active support of local party, Soviet and economic bodies.

A number of decisions have been taken recently to enhance the role of republican bodies and local Soviets. They have been met with approval. Nonetheless, the territorial aspect of management has still not received due attention and resolution. Radical measures are required here.

The experience that we have speaks in favour of the activity of territorial bodies being focused above all on the problem of the region's comprehensive development, on the most rational use of local resources - manpower and natural, production and economic resources. Actually, we have already taken concrete steps in this direction. I have in mind the creation of bodies for the management of the industrial complex, construction, consumer goods production and the rendering of services.

The territorial bodies can do much to create inter-branch production facilities, make better use of unique equipment and secondary resources and form the production infrastructure. There is a large field for their activity here.

The social sphere is, of course, a very important subject of territorial administration, above all on the part of the soviets. In this connection, I have two comments to make. The first concerns the defence of the interests of the social sphere in large towns. Comrades, in these towns we must halt the escalation of production construction to the detriment of their social development.

Why should we not conceive and introduce a system whereby production construction can be authorised for ministries or departments only if at the same time they earmark funds for the territorial bodies for the development of the social sphere on the basis of justified norms? I think this approach would help to introduce order in urban development.

The second [comment] concerns the role of territorial organs in organising co-operative and individual labour activity. Virtually all the necessary resolutions on this

score now exist at state level. Many working people would like to join into co-operatives to resolve particular tasks connected with satisfying people's requirements. There are many people anxious to engage in individual labour activity. Everything would seem to exist for the development of this important process. Yet it is proceeding with very great difficulty and very slowly. One reason is the lack of initiative of local organs, their lack of attention to the matter, and sometimes their reluctance to engage in it and all kinds of bureaucratic obstacles. Yet this is the direct duty of the local organs and they should be fully answerable for it.

So, whatever aspect of our economy you take, everywhere you feel the need to enhance the role of territorial organs and above all of the soviets. Here we evidently cannot do without measures of an organisational nature. In our view it is expedient to create within the oblast and kray executive committees production and economic administrations for the comprehensive elaboration of plans for the development of regions and the co-ordination of all economic activity on a given territory.

In general, comrades, we need a system of management according with the new principles of economic administration and the essence of economic methods. It should clearly demarcate the competence and responsibility of management organs at all levels and in all spheres and create the best conditions for the functioning of the basic link - the enterprise and association.

Social aspects of the restructuring of management

Comrades! Man, with his real interests and motives, is the focus of our economic policy and economic practice.

We must realise that the time when management boiled down to orders, bans and appeals has receded into the past. Now it is already clear to everyone that it is no longer possible to work with such methods. They are simply ineffective. Creating a powerful system of motives and incentives prompting all workers to reveal their abilities to the full, work fruitfully and make the most effective use of production resources - that is the command of the times.

Everything is extremely important here - the organisation of labour and the form of incentives, the system of employment, the situation on the consumer market and the state of socio-cultural servicing. Each of these fields should be examined from the viewpoint of the activation of the human factor.

The matter of the need for a qualitatively new approach towards the organisation of labour is acute. What we have belongs as a rule to yesterday or even the day before yesterday. We need an organisation of labour which accords with the modern requirements of scientific and technical progress, which absorbs the best of our aim and world experience and - something particularly important - which complies with the new conditions of economic management and the principles of self-administration.

Now, after a series of well-known experiments, it is clear to us all that the collective contract and other effective forms of organising and encouraging labour best accord with the new economic mechanism. Only on their basis is it possible to fully implement financial autonomy and bring it to every collective and work place.

The system of the remuneration and encouragement of labour should be structured anew. Now, on the basis of the Law on the Enterprise, the enterprise will be guaranteed the right to increase wages and salaries and to establish bonuses. The potential for effective incentive is being drastically expanded. But here it is particularly important that each worker's actual wages should be made closely dependent on his personal labour contribution to the end result and should not be restricted by any limit. There is just one criterion for fair wages - whether they have been earned or not.

The intensification of social production and the creation of the corresponding economic mechanism are prompting us to take a new look at problems of effective employment in our society.

At previous stages, under conditions of the predominantly extensive development of production, the number of work places grew rapidly. The main problem then was the search for new workers. The situation is now changing radically. Under the conditions of scientific and technical progress, the scale on which workers are being released will grow considerably. The new economic mechanism will also be conducive to this. At the same time there will be an increase in the demand for manpower resources the services sphere, culture, education, health care and leisure.

This regrouping of the workforce requires close attention and carefully considered organisational measures. We must ensure social guarantees for working people's employment and the constitutional right to work. The socialist system has this potential.

In the new situation it is necessary to expand the rights and enhance the responsibility of the state organs for labour and social issues.

I have already said that in recent years a large gulf has formed between the population's money incomes and effective demand on the one hand and their material provision on the other. In the period 1971 up to and including 1985, the quantity of money in circulation increased 3.1 times while the production of consumer goods doubled. Within the framework of the reform of economic management we must consistently and persistently continue the line towards subordinating the production of consumer goods to the population's requirements. Simply filling warehouses is not only extravagant but also absurd, whichever way you look at it. It is better to close down such production. I think this matter merits the closest attention.

But it is not only a matter of providing goods to meet the population's effective demand. We must obviously also think about enlisting the population's funds more fully to resolve a number of other tasks. Many people want to acquire housing using their own money through co-operative or individual housing construction. There has been no real progress here. On the contrary, until recently the proportion of co-operative construction had been declining markedly. This, of course, is wrong.

Considerable funds can be enlisted from the population on a loan basis to create leisure and tourism bases and to construct in residential areas sports installations charging an entrance fee. The population could also invest on specific terms in co-operatives which are now being created in the services sphere and other branches.

Here we approach yet another matter. To overcome the deformation of demand, it is necessary to accelerate drastically - to double or treble - the pace of development of the entire sphere of chargeable services, to introduce additional incentives there and provide more resources. Calculations show that, by proceeding along this path, we can ensure an annual growth in services of 15-20%.

All this and much else would make it possible in the very near future to effect an improvement in the situation on the commodity and services market and the consolidation of monetary turnover. Let those whose job it is - both centrally and locally - think about this.

In the present situation the passiveness of those leaders who fail to use the new opportunities opened up for resolving social tasks is particularly intolerable. On the one hand, the old habit of approaching the solution of social problems on the basis of the left-over principle and, on the other, the prevailing mentality of parasitism are probably still at work here. We must resolutely bid farewell to the former and the latter. Now no-one will resolve the collectives' social problems for them. We must act vigorously, sensibly, enterprisingly, in general in a proprietorial manner, in work collectives, towns and rayons, oblasts and republics.

The restructuring of management needs precise organisation
and party-political support

Comrades! The radical reform of the system of economic management is not a single act but a process for whose completion a certain amount of time will be needed. But we can brook no delay here, so to speak. That could turn out to be the main danger. Too much time has already been lost. In any case we must enter the 13th Five-Year Plan with a new economic mechanism, although its tuning will continue even in the following Five-Year Plan period.

The Politburo considers it intolerable that the absence of reliable organisational support and dilatoriness and lack of co-ordination of actions should have led, as in the past, to the prolongation and incomplete implementation of reform.

In this connection it is proposed that the Plenum should approve the "Basic Provisions for Fundamentally Restructuring the Economy's Management" which contain both principled and specific instructions for creating a new system of management and which would be a party directive for all subsequent work in this field.

What is the organisational design of the proposed restructuring of economic management?

Its point of departure will be the USSR Supreme Soviet's adoption of the USSR Law on the State Enterprise (Association). Before the end of this year it is planned to adopt a whole "package" of specific resolutions on major matters of restructuring management in order to bring centralised management into line with the Law on the Enterprise.

As from next year, 1988, enterprises and associations producing about two-thirds of all industrial output, including all machine building and metallurgy, most enterprises of the fuel and energy branches and the chemical, timber, light, food and fishing industries, and all types of transport will work on the basis of the new principles. And in 1989 the transition to the new conditions of economic management should be completed.

The restructuring of the most important functions of economic management - planning, price formation, finances and credit, material and technical supply - will be implemented and stable long-term economic normatives for the 13th Five-Year Plan will be elaborated along parallel lines by the end of the Five-Year Plan.

The new Five-Year Plan will have to be drafted in a new way, on the basis of the system of economic management that is being introduced. Above all, enterprises should be provided with broad autonomy in concluding contracts on the basis of economic normatives and consumers' orders. All work must be organised so as to ensure the adoption of the plan for the five years before the start of the Five-Year Plan itself.

Comrades! The organisational aspect of the project transformations should include an extensive programme of legislative activity and the formalisation of the legal mechanism of economic reform.

The approach is simple: Obscure points in the matter of the legality or illegality of particular actions in the economic management sphere should be totally excluded. Wider use must be made of the common law principle: "Everything is permitted which is not prohibited by law."

Obviously, after the adoption of the Law on the Enterprise we must repeal all normative acts which contradict it and also place departmental norm creation within a strict legal framework.

A system must also be created for the rapid entry of laws and government resolutions into the labour collectives. People must know the laws regulating their lives and activity.

In this connection the tasks of the Procurator's Office supervision of the observance of the laws by all organisations and officials increase immeasurably. The role of the State Board of Arbitration in regulating economic life should be substantially enhanced.

I should particularly like to stress the need for the maximum openness and publicity [Russian: *otkrytost i glasnost*] for the entire process of drawing up and taking decisions on matters of socio-economic life and for regular and open reporting by representatives of the management organs. The publication of drafts and resolutions and broad notification of proposals which have come in on the matters under discussion should become the rule. The new Law on the Nationwide Discussion of the Most Important Matters of State Life, whose draft is being submitted at the forthcoming USSR Supreme Soviet session, is devoted to this.

The radical restructuring of our statistics is a very large and acute matter. A drastic turn towards qualitative indicators, the expansion of information on matters of regional and social development and the execution of various selective studies are needed here. Without this, serious socio-economic analysis and consequently a competent approach to problems are impossible. We must also push back the frontiers of the publishability of items on economic and social statistics.

Comrades! It is now particularly necessary to step up party influence on all avenues of our work and to achieve bold leadership of social processes and the elaboration of new creative approaches. In activity to transfer the economy to the new system of management our most important task - from Central Committee to primary party organisation - is to ensure the national economy's normal functioning. This is important precisely because in the transitional period we will have to resolve simultaneously a number of major and complex tasks of our economic development and implement the structural restructuring of the national economy, measures to accelerate scientific and technical process, the radical reform of management and the intensification of its democratic foundations.

Here we must not overlook the fact that for a certain period that will be needed for the comprehensive solution of these tasks both the new and the old methods of management will operate at one and the same time. And this will face party organisations with problems of an unusual nature and complexity. They are called on to be in the vanguard of all the transformations that are being implemented.

The reform which has been begun essentially affects all floors of our economic edifice. And it is extremely necessary that the enormous amount of varied work to transform the economic mechanism which is being performed at all levels of the national economy should be in the sphere of the constant and unremitting attention of party organisations and committees. They are the ones which must impart a political, state-wide approach toward work on the fundamental restructuring of economic management.

The role and responsibility of party organisations at enterprises and associations is particularly great. Their political maturity and militancy will be tested and their party approach and practical work will largely determine the transition to new methods of economic management and the implementation of the principles of self-management within work collectives.

We are convinced that all party organisations, all communists and all cadres will redouble their energy in tackling the solution of pressing economic problems, fully aware that our economy's restructuring is the decisive and main condition for our advance along the path of growing prosperity for the Soviet people and all-round progress for our socialist homeland.

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Comrades! These are the ideas and principles providing the basis for the planned restructuring of the management of our economy - the most far-reaching and most extensive restructuring in all the years of socialist construction. It is incumbent upon us to approach its implementation in a spirit of enormous political responsibility to the people and our country's future.

The main purpose of the reform is to provide new incentives and impetuses to our economic growth and to lay firm material foundations for Soviet society's accelerated social and spiritual progress.

The restructuring that has been launched in the country is a direct continuation of the cause of October, a consistent implementation of the ideals imprinted on the banner of our revolution, whose 70th anniversary we shall celebrate this year.

Restructuring is the response to the historical challenge of the times. Our party and our people will know how to respond to this challenge, just as they responded when they accomplished the greatest social revolution, built socialism and won world-historic victory in the Great Fatherland War.

So it has been whenever we have been faced with problems of historic choice. And so it will be now.

(The report was listened to with great attention and was accompanied by prolonged applause.)

Statements by Gorbachev and others at economic conference: corrections In SU/8596/C/5, paragraph six line two, please read: "that you have to repay the credit" (supplying dropped final word); in the next paragraph, line two, please read: "... went on. This is the most important problem. The enterprise..." (adding sentence). At the end of the fourth paragraph on page C/13, the final sentence should read: "This is the second part of planning" (substituting "second" for published "better"); at the end of the next paragraph on the same page, the last sentence should read: "That he will be paid less than last year" (substituting "less" for published "no more").

[Note: Interviewed by Czechoslovak television (1730 gmt 24 Jan 87), Nikolay Shishlin said of this conference: "Four groups of working people took part in it: the members of the Soviet leadership headed by the General Secretary, chief representatives of ministries and institutions, head representatives of associations and enterprises, and finally scientists. It is interesting that the people who were invited to the meeting were obviously ready to deliver speeches prepared previously on paper. The General Secretary, however, asked them to put aside all prepared texts and give answers to quite specific questions: How well is restructuring progressing in individual localities, what do comrades think about the current situation, and what to do next and how. As a result an important, deep, informal discussion took place, and various differing views were expressed. Nevertheless, they had a common denominator - comprehension of the fact that a radical change is necessary."]
