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*Absolutely fascinating*

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*May I have a*

USSR SUPREME SOVIET SESSION: REPORT BY RYZHKOV ON ECONOMIC REFORM

*copy -*

1. AT THE SESSION OF THE USSR SUPREME SOVIET WHICH OPENED ON 29 JUNE THE CHAIRMAN OF THE COUNCIL OF MINISTERS RYZHKOV DELIVERED A REPORT IN "THE RESTRUCTURING OF ECONOMIC MANAGEMENT AT THE PRESENT STAGE OF THE COUNTRY'S DEVELOPMENT".

*good phrases  
for quarter  
line.*

2. THE FOLLOWING WERE THE MAIN POINTS

A. RYZHKOV STATED THAT THE PRINCIPLE OF CENTRALISATION IN ECONOMIC MANAGEMENT HAD BEEN ABSOLUTIZED AND HAD ACQUIRED HYPERTROPHIED FORMS. THE ECONOMIC MECHANISM NOT ONLY FAILED TO MAKE THE ECONOMY RESPONSIVE TO SCIENTIFIC AND TECHNOLOGICAL ACHIEVEMENTS, IT ACTIVELY REJECTED THEM. AS A RESULT THE SOVIET UNION HAD FALLEN BEHIND IN A NUMBER OF IMPORTANT AREAS OF SCIENCE AND TECHNOLOGY.

B. HE REFERRED TO THE CLUMSY INFLEXIBLE MANAGEMENT MACHINE, TO ADMINISTRATIVE/COMMAND METHODS AND A SYSTEM WHICH HAD REJECTED INITIATIVE, ENCOURAGED A SAFETY-FIRST ATTITUDE, BLUNTED RESPONSIBILITY AND BRED AN ATMOSPHERE OF APATHY AND INDIFFERENCE.

C. PAST EXPERIENCE SHOWED THAT A SERIOUS IMPROVEMENT IN THE ECONOMIC MECHANISM COULD NOT BE ACHIEVED BY PARTIAL CHANGES. "A CARDINAL COMPLEX REFORM IS ESSENTIAL".

D. THE MAIN DIFFICULTY OF THE EXISTING ECONOMIC MECHANISM WAS THAT IT DID NOT LINK THE RESULTS OF AN ENTERPRISE, WITH THE DEVELOPMENT OF ITS PRODUCTIVE CAPACITY AND SOCIAL AMENITIES. THE NEW LAW ON THE SOCIALIST ENTERPRISE WOULD MAKE THE PRODUCTIVE AND SOCIAL DEVELOPMENT OF THE ENTERPRISE DIRECTLY AND STRICTLY DEPENDENT ON THE RESULTS OF ITS WORK.

E. IN FUTURE STATE ORDERS WOULD REPLACE DETAILED TARGETS FOR PRODUCTS AND WOULD INCLUDE ONLY THE MOST IMPORTANT ITEMS. THE ENTERPRISE WOULD BE FREE TO DETERMINE THE REST OF ITS PRODUCTION ON THE BASIS OF DIRECT LINKS WITH CONSUMERS. IT WOULD THUS BE NECESSARY TO STUDY THE MARKET PROPERLY, WIN CUSTOMERS AND MAINTAIN

*Atlet*

HIGH QUALITY. THERE WOULD BE ECONOMIC COMPETITION BETWEEN ENTERPRISES AND ON THIS ECONOMIC COMPETITION WOULD DEPEND IN LARGE MEASURE SATISFACTION OF THE NEEDS OF THE SOCIALIST MARKET.

E. RYZHKOV REFERRED TO THE INTOLERABLE INFLATION OF THE STAFF OF MINISTRIES AND THE EXCESSIVE NUMBER OF MINISTRIES WHICH HAD BEEN SET UP. THERE WAS A NEED FOR NEW MORE MOBILE AND FLEXIBLE ORGANISATIONAL STRUCTURES WHICH WOULD INCLUDE STATE PRODUCTION ASSOCIATIONS. THEIR FORMATION WOULD BE ACCOMPANIED BY THE GRADUAL ABOLITION OF THE CHIEF ADMINISTRATIONS OF MINISTRIES. (GLAVKI).

F. A NUMBER OF REPUBLIC MINISTRIES INCLUDING THOSE FOR POWER AND ELECTRIFICATION, COAL, FERROUS AND NON-FERROUS METALLURGY AND OIL AND PETRO-CHEMICALS WOULD BE ABOLISHED AND THE MINISTRIES WOULD BECOME ALL-UNION MINISTRIES.

G. RYZHKOV STRESSED THAT THE REVAMPING OF THE ORGANISATIONAL STRUCTURE OF ECONOMIC MANAGEMENT WOULD HAVE TO BE CARRIED OUT WITHIN A VERY SHORT PERIOD IE 1987 - 1988.

H. RYZHKOV SPOKE OF THE IMPORTANCE OF OVERCOMING THE PSYCHOLOGICAL BARRIER AND THE PREJUDICE AGAINST COOPERATIVE AND INDIVIDUAL FORMS OF ECONOMIC ACTIVITY. "WE HAVE ALREADY CONVINCED OURSELVES THAT WHERE THESE FORMS ARE SUCCESSFULLY APPLIED, SOVIET POWER HAS NOT SUFFERED IN ANY WAY FROM THE FACT THAT PEOPLE HAVE BEGUN TO LIVE BETTER AND EARN MORE".

I. IN FUTURE THE 5-YEAR PLAN WOULD BECOME THE BASIS OF PLANNING. THE GREATER IMPORTANCE OF THE 5-YEAR PLAN WOULD LEAD TO A NEW APPROACH TO ANNUAL PLANNING. FROM THE BEGINNING OF THE 13TH 5-YEAR PLAN IT HAD BEEN DECIDED TO ABANDON THE PRACTICE OF SETTING ANNUAL PLANS. ENTERPRISES ON THE BASIS OF THE 5-YEAR FIGURES WOULD INDEPENDENTLY PLAN THEIR DEVELOPMENT FOR EACH YEAR.

J. IN THE COURSE OF THE NEXT 4-5 YEARS WHOLESALE TRADE WOULD BECOME THE BASIC FORM OF MATERIAL AND TECHNICAL SUPPLY. THIS SHOULD INVOLVE EXTENSIVE USE OF CONTRACT PRICES, SOCIALIST COMPETITION FOR PURCHASERS AND THE POSSIBILITY TO CHOSE BUSINESS PARTNERS. "IN THE FINAL ANALYSIS THIS WILL CREVE A SOCIALIST MARKET IN THE MEANS OF THE PRODUCTION REMOVING THE DICTATORSHIP AND MONOPOLY OF THE PRODUCER".

K. HE REFERRED TO A PROPOSAL TO SET UP 6 INDEPENDENT BANKS: THE STATE BANK; THE FOREIGN TRADE BANK; THE INDUSTRIAL CONSTRUCTION BANK; THE AGRO-INDUSTRIAL BANK, A BANK FOR HOUSING AND SOCIAL DEVELOPMENT; A SAVINGS AND CREDIT BANK FOR THE POPULATION.

L. RYZHKOV SAID THAT THE FIRST STAGE OF THE REFORM WITH A TRANSITION FROM OLD METHODS TO THE NEW WOULD BE THE MOST DIFFICULT. THIS STAGE COULD NOT BE PROLONGED AND HAD TO BE COMPLETED WITHIN THE CURRENT 5-YEAR PLAN. "THERE IS NO TIME FOR US TO TAKE A BREATH. THE ECONOMY CANNOT STOP AND CANNOT SLOW DOWN ITS DEVELOPMENT".

M. ENORMOUS ECONOMIC WORK WOULD HAVE TO BE COMPLETED IN THE REMAINING YEARS OF THE 5-YEAR PLAN, PRIMARILY THE PRICE REFORM AND LARGE-SCALE REORGANISATION OF THE SUPPLY SYSTEM AND OF THE FINANCE AND CREDIT MECHANISM. BIG CHANGES WOULD BE MADE IN THE ORGANISATIONAL STRUCTURE - THE SETTING UP OF VARIOUS LARGE-SCALE PRODUCTION ASSOCIATIONS, THE TRANSITION TO THE TWO-TIER SYSTEM OF BRANCH MANAGEMENT AND A REORGANISATION OF THE STRUCTURE OF ALL-UNION AND REPUBLIC MINISTRIES.

N. 'WE CANNOT PERMIT THE REPETITION OF THE UNFORTUNATE EXPERIENCE OF THE 1965 REFORM WHEN DELAY AND THE HALF-HEARTEDNESS OF DECISIONS BROUGHT TO NOTHING THE EFFECTIVENESS OF THE NEW MECHANISM. THE FORCES OF INERTIA AND STAGNATION THEN PREVAILED AND EVERYTHING WENT BACK TO THE WAY IT WAS BEFORE EXCEPT PERHAPS IN A WORST FORM''.

3. COMMENT IN MIFT.

CARTLEDGE

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