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**On the Tasks  
of the Party  
in the Radical  
Restructuring  
of Economic  
Management**



**MIKHAIL GORBACHEV**

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**ON THE TASKS OF THE  
PARTY IN THE RADICAL  
RESTRUCTURING OF  
ECONOMIC  
MANAGEMENT**

**The Report and Concluding Speech  
by the General Secretary  
of the CPSU Central Committee**

**at the Plenary Meeting of the CPSU Central  
Committee**

**June 25-26, 1987**

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# ON THE TASKS OF THE PARTY IN THE RADICAL RESTRUCTURING OF ECONOMIC MANAGEMENT

Comrades,

We are holding this Plenary Meeting shortly before a most important event in the life of the Party and our entire society. Several months from now the country will celebrate the 70th anniversary of the Great October Socialist Revolution.

The Great October Revolution heralded to the world the birth of a new state of workers and peasants, asserted the humane principles of society's social and economic development, elevated the working man and gave greater scope for the initiative and creativity of the masses.

All this enabled us within a very short period of time in historical terms to turn the country into a mighty industrial power, successfully solve extremely complex social problems, create the great multiethnic alliance of peoples advancing along the road of socialism.

Every generation of Soviet people has made its contribution to the development, strengthening and defence of the gains of the Great October Revolution. We have every reason to be proud of our history and to look to the future with confidence.

At the present stage, guiding themselves by the Leninist teaching and creatively developing it, the Soviet people, the Party are continuing the cause of the Revolution by carrying out the restructuring, by renewing all spheres of society's life.

Today we are to examine one of the cardinal questions of the restructuring. I am referring to a radical reform of the management of the economy, to qualitative changes in the system of the economic mechanism—changes which will open up new possibilities for using the advantages of the socialist system.

Before moving on to this question the Politburo believes it necessary to present to the Central Committee an evaluation of the course of the restructuring effort and of the fulfilment of the 27th CPSU Congress decisions.

# I. ALONG THE ROAD OF THE APRIL PLENARY MEETING

## *Political Results of the Restructuring*

Comrades, the period since the April Plenary Meeting is one of the most responsible and politically intensive in the history of our Party and the life of the people. It is characterized by intensive theoretical and practical work, by quest and solution of new problems encountered by Soviet society.

It can be said with confidence that the political situation in the country has substantially changed in these two years. The understanding that the restructuring was necessitated by the mounting contradictions in the development of society is deepening. These contradictions, gradually accumulating and not being solved in time, were actually acquiring pre-crisis forms.

In these complex conditions the Party worked out the course of restructuring. We have started moving forward. The process of renewal is acquiring ever more specific forms, encompassing an ever broader range of problems and spreading to ever new strata of public life.

The restructuring in society is deepening and growing. It is designed first of all to resolve the contradictions forming the main elements of the braking mechanism and thereby to give social development a mighty and irreversible accelerating impulse.

It should be clearly understood that we see the aims of accelerating social and economic development not only in overcoming the lag that has accumulated and the deformations that have appeared in various fields of society's development. Dictated by historic necessity and the altered conditions of an internal and international nature, cardinally altered at that, they are directed at the attainment of a new qualitative state of socialist society.

History has not left us much time to solve this task. The possibilities of socialism, what it gives a person in practice, how socially effective the society is will be judged exactly by the progress of the restructuring drive, by its results.

This, Comrades, determines the scope of the work at hand and the measure of our responsibility.

The changes in society since the January Plenary Meeting show with particular clarity that the country's healthy forces, the



working people, firmly declare for restructuring, for acceleration, for the prompt solution of urgent problems and the absolutely definite overcoming of stagnation and conservatism.

Democracy in all walks of life is expanding and deepening. Public organizations are displaying more initiative. Democratic principles are gaining momentum in production management. Public opinion is coming across loud and clear. The media is working more actively for renewal. An offensive is in progress against bureaucratism. Bossy, pressure management is gradually being overcome. Important changes are taking place in the work of cadres as fresh blood is injected.

The democratization experience convincingly shows that we are on the right road. This offers good prospects for perfecting our political system and society as a whole.

The cultural revival can be named among the achievements of restructuring. The public's interest in processes taking place in science, literature, art and the printed and audio-visual media has increased. People want to know more about the country's past, present and future. Public interest in society and state, world outlook, moral and ethical problems has become keener and sharper.

With the reform of the secondary and higher education system, we are making an important modernization. All this is opening up new reserves to further expand and deepen the restructuring.

If we are to speak of a political evaluation of the processes taking place in the economy, I would straightaway mention the changing attitude of people to work and fulfilment of their production duties. In many ways this is determined by the fact that working people are supporting with deeds the policy of renewal, of accelerating social and economic development. That is first.

Secondly, this is connected with the transition of many branches of the economy to new methods of management, to full profit-and-loss accounting and self-financing with a simultaneous development of progressive forms of work organization and notably collective contract.

The new situation has made its impact to a certain measure on economic results, too. On the average, the rates of increment in labour productivity during the past two years have increased to exceed the mean annual figures of the 11th five-year-plan period in industry and construction by 30 per cent, in agriculture by 100 per cent and in railway transport by 200 per cent. During 1985-1986 the average rates of increment in industrial produc-

tion amounted to 4.4 per cent and in agriculture to 3 per cent. The positive trend has also come through in the key capital construction branch which was in a difficult situation. Positive changes are involving difficulty and struggle for other branches of the economy, too.

Additional possibilities have been found for strengthening the material base of the social sphere. Almost 40 billion roubles are being allocated for these aims over and above the sum approved in the five-year plan. This year the rates of increment in capital investments in the social sphere are three times greater than in the national economy as a whole.

You will probably agree, Comrades, that the period after the January Plenary Meeting of the Central Committee needs a special analysis and political assessment. What is of primary importance here?

It can be said that a new stage of the restructuring has opened, a stage where concrete tasks are to be tackled in all areas and spheres of society's life.

The January Plenary Meeting gave a powerful boost to labour and social activity. It became obvious that no one can stand aside from the restructuring drive—every person must take a position. These past months Soviet people have especially acutely sensed the complexity of the problems that have accumulated and have come to a clearer realization of the need for really cardinal changes and consistent pursuance of the course to renewal. At the same time understanding has deepened in the Party and society that the restructuring is a complex and contradictory process.

The revolutionary transformations in society have brought to the fore the contradiction between the demands for renewal, creativity and constructive initiative on the one hand, and conservatism, inertia and selfish interests on the other. The disbalance between the growing enthusiasm of the masses and a persisting bureaucratic style of work in most diverse fields, that includes attempts to freeze the renewal drive, is just one manifestation of this real contradiction. Prompt and resolute measures are needed in the personnel policy, in the assertion of new approaches and norms of Party, state and public life if we are to overcome this contradiction.

What does the Politburo regard as the most effective means of solving this problem? The answer is clear-cut and definite—extensive development of democracy. Today, and this is again proved by experience, it is the command-and-administer forms of managing society that are braking our movement. Democratic

forms alone are capable of giving society mighty acceleration.

The experience of the restructuring and its initial stage calls also for a close look at the actually existing contradiction of interests of various groups of the population, collectives, agencies and organizations. No doubt about it, socialism removes the antagonism of interests. This is a known and correct thesis. But it does not mean in any way that the liquidation of the antagonism of interests is tantamount to unifying or smoothing them over.

Take, for instance, attitude to restructuring. On the whole there is a general understanding that we cannot live and work in the old way, that we must have renewal and profound transformations. But as soon as this restructuring began drastically to affect actions, penetrate all sections of society and reach the concrete person, there emerged the contradiction between the immediate, narrowly understood, even egoistic interests of separate individuals and groups and the interests of the whole of society, the long-term interests of working people.

We see distinctly the difficulties with which the restructuring is taking place in Party, government and economic bodies. And don't we feel how painfully it is being received in some central agencies? The difficulties of the renewal drive are illustrated by the experience of State acceptance, the anti-drink drive and the order and discipline efforts. This is evidenced also by the first steps to introduce profit-and-loss accounting and assert principles linking labour remuneration entirely with end results. All these are real processes, Comrades, contradictions of life. And we must see them and take them into account.

Society cannot take its cue from selfish interests and actions. We must resolutely struggle against them. And here a worthy example is being shown by the working class, by work collectives, especially at those enterprises where State acceptance has been introduced. We know this is no simple matter and it has affected the interests of millions. Yet the working class has clearly determined its position: State acceptance of goods is necessary, and it is needed by the whole of society, by the entire people and by every single person.

The working class is boldly marching along the road of renewal. I would say that in all matters the working class is in the vanguard of the restructuring. And this is of decisive importance for its success. Work collectives are eagerly tackling the key issues of social and economic development, spotlighting due and proper fulfilment of contract deliveries. An emulation drive for the 70th anniversary of the Great October Socialist

Revolution has taken off. In short, the working class is charging the restructuring drive with high-tension energy.

Against the background of the truly civic stand taken by the working class, the behaviour of those who for the sake of their personal advantage are impeding social transformations and standing in the way of the drive for renewal is particularly unseemly. I think the work collectives, the Party and public organizations should display firmness with respect to such people and be implacable to them. Such is the demand of life. And this is how we in the Politburo understand this question.

Under the conditions of the restructuring there arises anew the problem of achieving harmony between public and personal interests. The search for correct ratios between the former and the latter is of tremendous importance, a task of daily practice. The point here is to take into account the entire complex of interests—of the individual, the collective, the classes, nations, peoples, social and professional groups, the complex dialectics of their interrelationships—so as to ensure society's dynamic development.

Interests should also be moulded and directed through the new economic mechanism and through democratic institutes, through policy, ideology and culture. In the long run the purpose of restructuring is to take interests into account, to influence interests and to effect control over them and through them.

Mention should also be made of contradictions in the sphere of labour and distribution relations, which we encountered when beginning the transition to full profit-and-loss accounting, to remuneration according to the end result, to the system of collective and family contracts. What is the problem here? In practice the main principle of socialism, "from each according to his abilities, to each according to his work", was often sacrificed in the name of a simplified concept of equality. These questions are actively discussed today, and not only in the economic but also in the moral and ethical aspects.

It appears to be obvious that equality does not mean egalitarianism. But in practice we often got the latter. The tendency towards levelling off persisted tenaciously. It generated reliance on others, negatively influenced the quality and quantity of work and reduced incentives to increase productivity.

It should be stressed again and again that genuine equality can be ensured only by the entire sum total of the political, economic, social and legal means at the disposal of socialism.

We take pride in the high degree of social protection given to people in our country. This is what makes socialism what it is, a

system of working people and for working people. But work and work alone should be the basis of a person's material and moral standing in socialist society. Every encouragement should be given to creative, highly productive work, to talent, to real contribution to the common cause. And, conversely, passive attitudes, idleness, outdated ways of working and anti-social manifestations should be evaluated accordingly—socially and economically. Precisely here lies the socialist content of social justice.

Comrades, I have dwelt only on a part of the problems in which the contradictory nature of the current phenomena expresses itself. The novelty and scope of the tasks require that constant attention be given to a scientific analysis of the course and socio-economic consequences of the restructuring, to the contradictions in this complex social process. We urgently need a real breakthrough on the theoretical front based on a strict analysis of the entire sum total of the aspects of society's life, a scientific substantiation of the aims and prospects of our movement. We cannot advance successfully by trial and error. This costs society dearly. The art of political leadership requires the ability to identify and effectively solve contradictions, not to gloss them over, not to accumulate them, but to turn them into a source of progress and self-development.

The founders of the Marxist-Leninist teaching have left us inspiring examples of boldness in theory, of deep penetration into the future. The experience of the Paris Commune gave Karl Marx the possibility of working out the ways of making the transition from capitalism to communism. Proceeding from the experience of the first years of socialist transformation in Soviet Russia, Vladimir Lenin developed and enriched the theory of building socialist society. The task now is to make a profound analysis of the practice of socialist development, the wealth of experience accumulated by us and the fraternal countries taken in its entire diversity. Work in this direction has been started and we already have some important results on which we rely in formulating and pursuing our policy. But the main work is still ahead.

On the whole, Comrades, despite all complexities, difficulties and obstacles, today we have every reason to say at the Plenary Meeting that the restructuring has scored an ideological and moral victory. It is spreading and penetrating deeper.

But as we make such a responsible evaluation we should not allow exaggerations and still less complacency. Actually we are now only riding the first wave of the restructuring. This wave has sent ripples through stagnant waters.

The Party has awakened the activity of the masses. And it is our duty to prevent this upsurge from petering out. We must develop it and give it a chance to manifest itself fully. It is all the more necessary to speak about this since the working people are just as concerned about the destiny of the restructuring as they were at the beginning. People continue to advise, I would say to demand, that we not stop, that we advance further along the road of changes. Recently, in one of the conversations with working people of Leninsk during the trip to Baikonur, I was asked when the restructuring would reach them. I replied that the leaders of the republic and the region were present, could hear our conversation and should think why such a question was being asked and draw appropriate conclusions for themselves.

Or take letters to the CPSU Central Committee, the Presidium of the Supreme Soviet of the USSR and the Council of Ministers of the USSR, to the central newspapers and magazines, radio and television. They are about the same. People write that they are for the restructuring, but that they see no changes around them. The restructuring has not affected the work collectives, the towns and villages where they live and work. Many cite facts to prove this. This means that despite tremendous efforts the restructuring drive has in actual fact not reached many localities. This, Comrades, is a very serious symptom. The Politburo cannot ignore the situation. It was discussed many times in the course of preparations for this Plenary Meeting.

What conclusion are we arriving at?

The restructuring was started on the initiative of the Party and is being carried out under its guidance. The Party has roused the country, its ideas have captivated the minds of millions, it has generated tremendous hopes. And if today working people are concerned about the slow pace of transformations this means there are shortcomings in our work.

An alarming tendency has taken shape, Comrades, and it is borne out by facts—a number of Party organizations are out of touch with the dominant moods and lagging behind the dynamic processes now developing in society. Obviously, this question needs to be studied at our Plenary Meeting. Today this is a key point in our work. The way the Party acts will determine how the restructuring drive proceeds.

Two years ago, when we demanded of the leading Party, government and economic cadres that they organize effective work, we often heard in reply: we understand the new tasks, but give us time to assess the situation, and master the new methods and forms of activity, and apply them.

The Politburo responded to this with understanding. We said at the time that everybody was being given both time and a chance to readjust. But, Comrades, there must be no delay. We must not allow restructuring in the Party to lag behind the economic, social and spiritual processes that are taking place. We cannot allow a situation where changes in life and the moods of people would outpace the understanding of these processes in the Party, particularly in its guiding bodies.

Working people are correct when they write that those who wanted to readjust have already done so and have joined the work. But those who have failed to grasp the meaning of the new tasks continue to cling to the old ways and by their inaction actually sabotage the restructuring. That is why the Politburo sets specifically the question of making Communists, the leaders of Party, government and economic bodies take more responsibility for the state of affairs, for the real solution of glaring problems and for progress in restructuring.

There should be higher demands at all levels. But we must begin with ourselves, with the Politburo, the Secretariat, the Government and Members of the Central Committee.

A tremendous responsibility rests with the Politburo of the Central Committee at this crucial stage in society's development. Of course, it is the prerogative of the Central Committee to evaluate its activity. I want to assure you that in the Politburo there is a deep understanding of responsibility before the Central Committee, and the Party and people as a whole in tackling the new complex tasks. Large-scale work has been launched in all areas of the social reform within a short period of time.

I can state that Party and Government leaders are one on the fundamental restructuring issues and home and foreign policy. This unity makes it possible to adopt and confidently implement decisions dictated by the times. I think this is always important but especially so at crucial periods of development.

On behalf of the Politburo I must say self-critically that we also see weaknesses in our practical work. There are instances when important decisions on major questions of the country's development are being fulfilled slowly and not in full volume. There has been a principled and frank discussion on this score at the Politburo. Now we have made it a rule at meetings of the Politburo and the Secretariat of the Central Committee to regularly review the implementation of the key decisions adopted after the April 1985 Plenary Meeting of the Central Committee and the 27th CPSU Congress, as a way of controlling their fulfilment.

The Council of Ministers of the USSR has taken an active stand for the restructuring. Yet it must further improve its activities in guiding the economy and attaining the tasks of the social policy. It should consider current business with no less concern than development prospects. The restructuring of the central management bodies has yet to meet the demands of the time.

It is clear to us that the changes which we are introducing are impossible without vigorous work by local Party, government and economic bodies, all leading personnel. A special responsibility rests with them for promoting practical restructuring. And the positive features we note today are connected in no small measure with the work of local organizations. But I think you will agree that on the local level the process of restructuring is only beginning to unfold and not everywhere is it proceeding uniformly. There still remain "seats" of inertia and sluggishness. These, too, are realities and we have no right to fail to see them. Moreover, we have no right to neglect them or leave them without a Party appraisal.

### *Immediate Tasks of the Present Stage of Restructuring*

Comrades, it is our task to examine critically the state of affairs and objectively analyze the successes and weaknesses of the restructuring effort. What we need is a principled and frank discussion, concrete proposals and constructive ideas.

Let us begin with the development of the national economy. The Politburo drew attention in due time to the complexity and importance of this year's targets. It would have seemed that everyone understood. But serious miscalculations were made already in the very first months of the year leading to malfunction in many sectors of the economy. The Politburo and the Government had to take urgent measures to rectify the situation. And although it is normalizing, considerable losses have been sustained.

What happened at the beginning of the year could have been foreseen and prevented. But this was not done, and primarily responsible are the USSR State Planning Committee (Comrade N. V. Talyzin) and the USSR State Committee for Material and Technical Supply (Comrade L. A. Voronin).

But miscalculations were made not only by them. The necessary measures were not taken in time by the Ministry of



Ferrous Metallurgy (Comrade S. V. Kolpakov) and the Ministry of the Chemical Industry (Comrade Y. A. Bespalov). The failure by enterprises of these ministries to make contract deliveries made other branches of the national economy falter, notably machine-building.

The Ministry of Engineering for Livestock and Fodder Production (Comrade L. I. Khitrin) did not fulfil its five-month plan for equipment supplies to collective farms and state farms. This is due to the substandard organization of work at many enterprises in the industry, and especially inadequate quality of output. The potential created in this industry is not pulling its weight.

Or take the light industry which has been switched over to the new management conditions. The management of the branch, pleading difficulties beyond its control, has declined many orders placed by the trade sector, and curtailed production at a time when there were real possibilities for growth. We had to earnestly make sure that sought-after goods were manufactured instead of producing goods which are not in demand. The attitude of the Ministry of the Light Industry and Minister Comrade V. G. Kluyev is the example of how departmental interests rise above societal requirements and, consequently, above people's interests. There can be no other evaluation of that.

In connection with all that, I would like specially to emphasize the responsibility of central managerial authorities for restructuring. This responsibility should be raised in every way with due account for the new targets.

We have, for example, a programme for modernizing machine-building. It is a great cause. Work here has been started on a large scale with an eye to serious end results.

But we should say plainly: we are concerned over the state of affairs in the ministries of machine-tool, heavy and transport engineering, electrical engineering, and machine-building for the light and food industries and households. The state of affairs in instrument-making is still far from fundamental change, although certain efforts are being made in this sector.

The modernization is going slowly in other machine-building ministries, too. We understand, of course, that engineering workers have encountered great complexities and difficulties. It is a question of cardinal restructuring for the entire machine-building sector. But it is hard to understand why many ministers, Party committees and the staff of ministries are acting in this situation as though it were a routine exercise. In the current

situation the work of the Bureau for Machine-Building (headed by Comrade I. S. Silayev), the State Planning Committee, the State Committee for Material and Technical Supply, and some departments of the CPSU Central Committee obviously lack activity and efficiency. The state of affairs in the engineering sector evidently deserves consideration at the Politburo and the Council of Ministers of the USSR.

Comrades, I have already said that far from all Party and local government bodies have actively joined in the restructuring process. It is marking time in Armenia, for example. The working people of the republic are greatly concerned about the economy there and particularly about ideology and morality. At the same time the leadership of the Communist Party of Armenia and Comrade K. S. Demirchyan, First Secretary of the Central Committee, feel that the republic is doing quite all right. Moreover, some people even maintain that the restructuring process in Armenia began before the April Plenary Meeting of the CPSU Central Committee. It is hard to judge what they mean.

A totally unjustified tranquility is being shown in the republic. There is no exactingness with regard to personnel, and no effective efforts are being made against bribery, profiteering and protectionism. The Central Committee of the Communist Party of Armenia should profoundly analyze the state of affairs both within the Party organization and in the republic as a whole, consider it from principled positions, and get down to actual rather than verbal restructuring.

Few marked changes for the better have been occurring in the major Gorki Region's Party organization. Many vitally important issues are being tackled there in an unsatisfactory way. The powerful potential of the region is not being utilized duly. The social sphere and the agrarian sector of the economy develop weakly. It may be presumed that the regional Party committee (headed by Comrade Y. N. Khristoradnov) and all Party organizations of the region should draw conclusions from the criticism and put things right.

The departments of the CPSU Central Committee are also called upon to act in a new way in the new situation, exerting deeper influence on the state of affairs in the republican, territorial and regional Party organizations, and supervising enactment of the decisions of the CPSU Central Committee.

Comrades, the Party and society have realized that the restructuring is a lasting policy and that Soviet society cannot be led on to new achievements at one fell swoop. But, it turns out,

some comrades have understood from this correct and realistic line that the restructuring is not connected with our overall strategic course towards acceleration and that it can be carried out in an unhurried fashion, without particular care, and without going to any trouble. This is a deep misapprehension for at least two reasons.

Firstly, we have already lost years and decades. Secondly, that "beautiful tomorrow" may not happen if everyone does not work today by the sweat of his brow, changing his way of thinking, overcoming inertia, and exploring new approaches. Talk to the effect that "restructuring will wait" is harmful and dangerous. The Politburo puts the question as follows: right now, at the initial stage of the restructuring, in every sector, it is essential for everyone in his own sphere of activity to secure tangible practical results.

Soviet people are aware that many of the goals of the restructuring will take a long time to achieve. But they justly ask the following question: Why are urgent and relatively simple tasks, which would substantially improve working and living conditions and make the moral and spiritual atmosphere healthier, not being tackled today?

The fact that there happens to be no headway in some places and that the positions gained earlier are even being abandoned has not passed unnoticed by our people. Take the work to improve discipline and order. It is a fact that in many places enthusiasm has flagged, and work is being done in an extremely sluggish fashion. Instances of drunkenness have become frequent again. Loafers, spongers, and pilferers—people who live at the expense of others—are feeling at ease again. The working people are concerned over that, and this is a legitimate concern, Comrades.

Poor discipline and lack of order are evidenced by periodic major incidents. The causes as a rule turn out to be the same: lack of discipline, negligence, mismanagement, and irresponsibility. Take the violation of Soviet air space by the West German sports plane and its landing in Moscow. This is an unprecedented occurrence from all points of view. It reminds us once again how strong and tenacious the negative trends which were exposed by the April Plenary Meeting of the Central Committee and by the 27th Congress of the Party turned out to be in our society and even in the army. This underscores the need to enhance vigilance, to act even more resolutely, to strengthen discipline, to streamline organization, to enhance responsibility and improve performance, everywhere and at all

levels. On behalf of the Politburo and the Defence Council I firmly state the following: There should be no doubt either in the Party or among the people about the ability of the Armed Forces of the USSR to defend the country.

Comrades, when we speak of top-priority tasks and of urgent action, we proceed from the premise that in the first place obvious and widespread shortcomings will be removed and that there will be more order in trade, the service sector, the health care system, and public utilities, i.e. in those sectors of the economy that are directly connected with people's everyday life.

Of course, these matters should be the centre of attention at the government level. But the responsibility of the republic, territorial, regional, district, city and city district authorities for the state of affairs should also be raised. Unfortunately, at times one encounters much talk about the benefits of the restructuring, but little action to meet the simplest of people's needs. Many local officials show the most deep-seated parasitic attitudes. Even in cases where a minimum of effort and attention would be enough, officials keep shifting the burden onto the central authorities, and waiting for assistance from those higher up. Such an attitude is unacceptable. It should be resolutely condemned and done away with. This is where the Party's attention, exactingness, and control are needed but obviously lacking.

At this Plenary Meeting, among top-priority items, I would like to single out the improvement of the supply of our people with food, housing, consumer goods, and services.

We already have both experience and results in this sphere.

Let us take **the food problem**, for instance. The situation here is improving. We have the statistics for the most part. I shall mention only some which characterize changes that have taken place over the past two years. The production of grain increased by 37 million tons as compared with 1984, production of meat (in slaughter weight) went up by one million tons, of milk by 4.3 million tons, and of eggs by 4,200 million.

We can speak of revitalization of economic life in the countryside. It has become possible due to change in economic conditions, management methods and, above all, the introduction of full cost-accounting, collective- and family-contract systems.

The Politburo holds that all objective conditions have been created at the present stage for what I would call a kind of spurt to occur in the output of farm products. Possibilities for radical change exist at all collective and state farms.

What should they pay special attention to? To begin with, they should master intensive technologies in the output of farm crops and livestock products, introduce collective- and family-contract systems more widely, and actively solve the social problems of the countryside. This, Comrades, is only one aspect of the matter.

Another aspect consists in resolutely stopping those who continue to intervene in the work of collective and state farms without bearing financial responsibility for that. At the recent conference at the CPSU Central Committee, the leaders of collective and state farms requested protection from precisely such illegitimate intervention in the activities of the farms. Our duty is to help the rural workers to call to account those who are unwilling to part with the old methods of work.

Due to change in the procedure for planning the deliveries to the Union-republic stocks, the interest of the republics, territories, regions and districts in boosting the output of farm products has been raised immeasurably. But at the same time their responsibility for the provision of food has grown as well. One should say that this has given a powerful impetus to initiative at the local level. Quite good results are already manifest where the workers promptly and properly understood the meaning of the changes and appreciated the opportunities that had opened up. For example, judging by the results of the first half of the year the Krasnodar Territory successfully coped with the delivery of livestock products to the Union-republic stock. It procured 15,000 tons of meat in excess of that for its own needs. This is more than 35 per cent with respect to the main market stock. In addition, it produced more than 100,000 tons of milk and 65 million eggs.

Or take the Tatar Autonomous Soviet Socialist Republic. Fifteen thousand tons of meat and 59,000 tons of milk have been procured for the local population in addition to the main stock. The situation is similar in the Ivano-Frankovsk, Poltava, Cherkassy, and Chernovtsy regions of the Ukraine. In these four regions, the addition to the meat stock amounted to about 20,000 tons. The regions of Byelorussia produced 25,000 tons of meat and 260,000 tons of milk additionally to improve local supply. The same can be said of the Baltic republics, the Kurgan, Orenburg, Saratov, Ulyanovsk and a number of other regions of the Russian Federation.

It is essential in every way to support the desire of organizations at the regional, territorial and republic level to exceed the targets of the five-year plan period by increasing the output of

farm products in the public sector and, on that basis, to ensure the delivery of farm products to the state stock without fail, and to improve radically the provision of the local population with them. This is the main direction. The collective and state farms should increase the return on the investments which were channelled into the development of the countryside in recent years.

But all the reserves must be used. It is necessary to return once again to the question of the role of the individual small holding. It is understood in different ways at the local level and there are different attitudes to the utilization of the potential of the small holding.

Here is one example. In the Omsk Region, the production of meat on small holdings has grown from 27,000 to 60,000 tons, or by 120 per cent, over the past decade. There, practically every family living in the countryside raises horned cattle, pigs and poultry. All-round assistance as far as young cattle, feed, and related services are concerned are being rendered to the population. Last year the cooperatives purchased 20,000 tons of meat from the population. The prices of fresh meat at the markets of the region do not exceed 3.5 roubles per kilogramme.

But here are examples of a different kind. The Vladimir Region has a big industrial and agrarian potential. Nevertheless only 46 kilogrammes of meat (in slaughter weight) per capita was produced in the region last year. As a result, a fifth of the meat products sold there is brought from other regions. The situation in the supply of dairy and meat products in such large agricultural regions as Vinnitsa, Kirovograd, Nikolayev, and Yaroslavl is no better.

Local initiative can help quite a lot not only in boosting the output of farm products but also in developing the food industry. Why is 25 to 50 per cent of confectionery brought from other republics to Uzbekistan, Kirghizia, Tajikistan, and Turkmenia while they have the richest resources of primary foodstuffs? Local production ensures only 30 per cent of canned fruit and vegetables for the population of Kazakhstan. The rest is brought from elsewhere. Can this be viewed as normal?

Comrades, it is essential to meet the demand for orchard and gardening plots in the next two or three years. It is time to stop alluding to a shortage of land. This is not the case. Land is available. In places where there is really little vacant land, part of the lands belonging to collective and state farms and to enterprises should be allotted. Let us agree finally: it is essential to fully satisfy all the requirements of the working people and to lift unjustified restrictions and to remove obstacles in this matter.

I think houses and small holdings that have remained vacant and untouched for years and sometimes decades in a number of rural areas, particularly in the non-black soil zone, should be put to use more quickly. The number of abandoned houses is now almost 800,000. There is neglected land around them.

People do not understand such an attitude to land and houses. In their applications to the Central Committee and to other organizations they request permission to purchase those houses and to use the land. I believe that it would be right for collective and state farms to lease the abandoned houses with small holdings to city people. And in many cases it will be possible to do that under a contract for the lands to be used for the output of farm products.

The situation with transport, storage and processing of agricultural raw materials also serves as an example of sluggishness in the solution of the food programme. It was emphasized at the 27th Congress of the Party that eliminating the losses of agricultural raw materials would make it possible to increase the consumption resources by 20-30 per cent and to save considerable funds. Even a child could handle such arithmetic.

However, in 1986 the State Agro-Industrial Committee, the Ministry of Fisheries, and the Ministry of Baked Products of the USSR did not utilize 450 million roubles of funds allocated for the development of the processing branches.

Just reflect on this fact, Comrades: construction plan for these branches was not fulfilled by a majority of Union and autonomous republics, territories and regions. That is proof of what's wrong with the way we approach this vitally important problem. It appears that produce which we are trying to provide to the population will continue to rot because there is a shortage of both storage and processing facilities. And then losses will be compensated for by importing. Let us stop viewing such things with indifference. The USSR State Agro-Industrial Committee (V. S. Murakhovsky) together with local bodies should find out why this is so, and establish basic order where necessary, and, most importantly, take a firm course towards the speediest and most fundamental solution to the problem of storage and processing.

I should say that everything that has been said gives reason to think very seriously. The tendency to rely on others in the solution of food issues has become much stronger in recent years. The leaders of many regions took a light attitude to the cause. If there is a shortage of feed, they send telegrams to the Central Committee and the Government. If there is a lack of

farm produce, they again send telegrams to the central authorities.

Of course, in no way am I trying to portray everything in one light or to simplify the problem. Many troubles are connected with the general state of affairs in the country, but still the habit of shifting the burden onto others when it comes to solving these issues has infected many of our cadres.

In general, Comrades, the Politburo is of the opinion that we have real opportunities for radically changing the situation with food supply in the next two or three years.

Life provides striking examples which are illustrative of the huge reserves available everywhere. Numerous facts indicate the possibility of a breakthrough both in labour productivity and in the rate of growth of agricultural production. This has been proved by collectives with intensive labour methods established comparatively recently and assigned land and other means of production on a long-term basis. Last year each collective produced 700-800 tons of grain, on average per member. Each workforce made 70,000-100,000 roubles per person of produce, and in some cases more.

Unfortunately, there are still few such collectives. The family-contract system is insufficiently widespread, although the efficiency of organization and remuneration of labour is high.

Of course, durable machinery, agricultural chemicals, and resilient crop varieties are needed for rapid output increase. But above all we need people infinitely interested in the results of their work and dedicated to it.

We have for long tried to manage the economy based on enthusiasm and, at times, by decree. But we tended to forget about Lenin's precepts that the growth of production can be ensured on the basis of personal interest, material incentives, and with the help of enthusiasm.

It is significant that the Kozhukhov brothers from the Bolshevik Collective Farm in Ordynski District, the first members of work collectives using intensive labour methods in Novosibirsk Region, say they were attracted not only by high wages but, in no lesser degree, independence, realization of their social significance, and pride that they are doing really useful work.

If a mass movement for highly organized, interested, and intensive labour is added to the high-performance machinery and other resources which our country has available now, the state of affairs will greatly improve. Life shows that in all districts and regions there are people capable of bringing such a fundamental change.



Here are examples. A. A. Volochensky, a member of the CPSU who is a machinery operator at Artyomovsky State Farm in Pytalovo District, Pskov Region, requested the management to assign him a plot of land and calves. Under a contract, 40 hectares of land, including ten hectares of ploughland and twenty hectares of hayland, were allotted to him. A. A. Volochensky repaired a harvester and two tractors which had been written off, and fixed up an abandoned cow shed for the 20 calves.

He is being assisted in his work by his son and daughter, both students, and by his wife, an accountant at the state farm, in their spare time. On the whole, it is planned to produce more than 11 tons of meat within a year. Proceeds will exceed 31,000 roubles. Payment for the young stock provided by the state farm, for fertilizers, seeds, fuel and other resources at intra-farm prices will amount to 23,000 roubles, and wages will be 8,000 roubles.

I think, Comrades, that such an approach can ensure progress for villages in the non-black soil zone. There is so much discarded arable land there.

It was noted even when debating ways of collectivization that large collective farms open up vast opportunities for the application of equipment, fertilizer, and research achievements but that they run the risk of peasants being separated from the land. On the other hand, small farms bind the labourer to the land while offering no opportunities for top-efficient application of science and technology.

Large collective and state farms have been set up and are operating in our country which have a firm material and technology base and skilled personnel. This context makes important efficient use of collective, family contracts; the interests of individual workers should be more clearly linked with collective interests, with care for the land and other means of production.

Does this contradict the principles of socialism? Can this method of work corrupt? Rather, the old practice, when the negligent worker was paid from the budget, corrupted the farmer.

There are convincing examples of effective work employing the new approach. Party leadership in the Pytalovo District was recently assumed by a young First Secretary, N. N. Vorobyov. The Communists of the district, assisted by scientists, worked out measures to boost the economy of the farms. The district had a population of 46,000 after the war. Now its population is

17,000. It would seem that there are not enough people to work. The situation was considered and it was decided to employ the collective contract widely. Eight units of collective and state farms of the district have been operating on the basis of the family contract from the start of the year. With the same fodder used, cattle weight gain doubled in the past five months to 800-1,000 grams a day. Small groups are now employed in nearly 40 per cent of field cropping in the district. The spring sowing took six days as against the usual 15-18 days. District organizations and farm heads are no longer ordering, ticking off, or rigidly monitoring the course of field work; such methods of management are no longer needed.

Here is another example. Alternate Member of the CPSU Central Committee Lidiya Bryzga and her husband left the advanced Zhdanov collective farm to join the "Pamyat Ilyicha" collective farm in Brest District of Brest Region, which was a poor performer. She has been heading for two years a contract team of six. The team tends 100 dairy cows and has 50 hectares of pasture land. Lidiya Bryzga milks the cows alone. Her husband and daughter prepare fodder and graze the cattle. Milk yields per cow over the two years have increased to 5,580 kilogrammes from 2,917 kilogrammes.

There are such examples everywhere. At the Panfilov collective farm in the Uspenka District of Pavlodar Region, a team was formed in 1983 for fattening young cattle stock. A contract has been signed between them and the collective farm's board. The team consists of three people: tractor and machine operator 1st class A. Y. Rudko leads his daughter and son-in-law. Look at their results in 1986: they catered for 563 calves and achieved a daily weight gain of over a kilogramme per calf, with 167,000 roubles worth of produce per team member. The net cost of a centner of meat increment was 95.5 roubles, which compares favourably with the average of 155 roubles on the farm as a whole and 230 roubles in the district. The average monthly wage per team member is 534 roubles. And there is nothing wrong with that because the money is for work, for real products.

Let me ask: has this undermined the collective farm system? No, it hasn't... So this is nothing other than socialism—effective, creative and labour-minded. This happens when people join broadly in the building of socialism: collective work forms make the links of labourer and farm stronger. And people earn a good living by honest work.

A mechanized potato-growing crew at the Zagalsky state farm in the Lyuban District of Minsk Region has four people led

by I. G. Sinitsky, who holds the Order of Labour Glory in all three classes. They cultivate 60 hectares of land and have been on a collective contract for two years. Their potato yields per hectare in 1986 stood at 383 centners. The crew achieved the lowest net costs in potato production, 1.5 roubles per centner (as compared with 9 roubles in the republic as a whole), with the lowest labour inputs of 0.54 man-hours per centner of produce (as compared with an average of 2 man-hours in the republic).

The family contract system in vegetable growing has been gaining ground also in Ternopol Region. On the Bogdan Khmel'nitsky, Zolotoi Kolos and Kommunist collective farms in Zaleshchiki District this year a total of 15,000 tons of tomatoes, including 5,000 tons of early-ripening varieties (as compared with 1.5 tons marketed by these farms last year), will be grown on small holdings.

The system is being promoted also in the district centre. Collective farms have allotted vegetable seedlings, hot-house film, fertilizer, pesticides, watering pumps and crates to many families. Cultivating early-ripening tomatoes on between 1,500 to 2,000 square metres each, these families gather 7 or 8 kilogrammes of quality produce per square metre.

In the Kremenets District 600 families have contracted to grow strawberries in their gardens. Agreements have been signed to supply 800 tons of berries. Contracts to grow vegetables, cultivate industrial crops or fatten cattle are reported to have been signed this year in the region by some 25,000 families.

There are many such examples, Comrades. They all demonstrate a possibility for fast growth in agricultural production if we enlist all reserves, all working people and all families in this business and encourage people's initiatives.

And what is happening now? Rural dwellers go to the food store for any produce and have become buyers of food to practically the same extent as urban dwellers. A total of 54 per cent of rural families do not keep cows and 33 per cent do not keep any stock at all.

There are many facts to prove what is still more important: unshackled grassroots initiative and departure from over-organization and from excessive reliance on centralized management make it possible, with the same resources, to achieve a breakthrough in increasing food stocks.

In short, an immense potential has accumulated in agriculture. It should now be actively put to use by combining the possibilities of large-scale publicly-owned farms with the collective and family contract method.

The solution of the **housing problem** is also an urgent matter. As I have already said, the possibility of increasing the rate of housing construction in the country has arisen at the central level. In the twelfth five-year plan period, the volume of housing construction is to be increased by 60 million square metres as compared with the eleventh five-year plan via additional capital investments. In all, more than 15 million families will be provided with apartments in the five-year plan period.

But that is not all. No less resources, and maybe even more, are available to enterprises, collective and state farms, cities, areas and districts, regions, territories, and republics. Many local bodies—and I am pleased to be able to say this—have set about tackling in a businesslike manner the job of providing practically every family with a self-contained apartment or a home of their own by the year 2000, a job given them by the Congress. Quite a number of them are already looking for ways of attaining this goal in a shorter period of time. This is the right attitude and it should be supported in every way.

But, Comrades, it must be said frankly that no fundamental change in housing construction has occurred so far and to a considerable extent this is accounted for not only by a shortage of funds but also by the attitude of many Party, local government and economic bodies and executive personnel. General talk is not always followed up with persistent innovative work, initiative and a search for reserves to accomplish this urgent task.

Quite often one hears that there is a lack of facilities to support the growing housing construction. But this explanation satisfies no one: firstly, if there is a lack of facilities, they should be created; secondly, 20 per cent of the capacity of house-building plants in the country is not being used at all now. These are average data for the country. Enterprises of this kind operate at only 65-70 per cent of their capacity in Azerbaijan, Armenia, Kazakhstan, Turkmenia, Uzbekistan, and at 50-65 per cent of their capacity in the Krasnodar and Khabarovsk Territories, Ivanovo, Penza, Rostov, Smolensk, Tashkent, and Tselinograd Regions as well as in Buryat and Kabardino-Balkar Autonomous Republics.

And something else. How can one understand and justify a shortage of housing and building materials in the country while most building-industry enterprises operate in 1.5 shifts a day and shut down on weekends. As a result, up to 50 per cent of calendar time is lost. Why can't they be run continuously? This is precisely what iron and steel workers, chemists, power engineers,

and food industry workers do. Engineering workers are switching over to multishift work conditions.

And it is not just the capacity of the house building plants that is being inadequately utilized. Brickyards in the country are operating at only 80 per cent of their capacity at a time when there is a shortage of bricks everywhere. Proper use is not made of them in the Russian Federation, in the Ukraine, and in Kazakhstan. The brickyards operate at only 57-69 per cent of their capacity in the Altai and Krasnoyarsk Territories.

If we are really concerned over the housing problem, can we put up with ministries and departments utilizing only 70-80 per cent of capital investments allocated for increasing the capacity for large-panel housing construction.

I think that today at the Plenary Meeting, we have a right to urge the Central Committees of the Communist Parties and the Councils of Ministers of the Union Republics, ministries and departments—particularly the Ministries of the Building Materials Industry (headed by Comrade S. D. Voyenushkin), the Timber, Pulp-and-Paper and Woodworking Industry (headed by Comrade M. I. Busygin)—to resolutely change attitude to housing construction.

Let us, Comrades, think it over and take counsel with the working people. Once we have set about solving this vitally important problem, it should be tackled jointly.

I would even say that the working people will not understand us if we, while developing the restructuring process, do not find real opportunities for accelerating the resolving of the housing problem. The construction of housing is a countrywide task, and it is precisely from that position that it should be approached.

And now, Comrades, about **consumer goods and the service sector**, and the situation on the consumer market. Taking into account the importance of the issue, a purpose-oriented state programme has been elaborated. But this in itself is not yet a solution. It is essential to ensure its implementation in practice. Unfortunately, one has to state that the attitude to this very important social task is far from being uniform everywhere. Some people really made use of the created prerequisites, they are actively searching for solutions and increasing the production of goods and the provision of services. The example of Byelorussia, Lithuania, Estonia, Leningrad, Ulyanovsk and other regions can be cited. Their experience is known in the country.

However, many leaders continue to act according to old simplified schemes, counting mainly on assistance from the

centre and on supplies from other regions, rather than relying on their own efforts. I do not want to say, of course, that in this country every region or republic should set up a subsistence economy. But when officials cease to think about utilizing local resources, and count only on those coming from elsewhere, this is nothing but parasitism again. This phenomenon is rather widespread.

I do not think that at the Plenary Meeting it is necessary to go into every detail of the problem, but when one sees what primary consumer goods are being brought from other regions by some republics, territories and regions, one is astounded at how much some of our officials have lost their sense of responsibility for meeting the needs of the people. They bring the simplest of things from afar, including items that could be produced locally without any difficulties. They bring in goods which do not require any allocated resources, new equipment, special production facilities or trained personnel. Comrades, we must bring this unpardonable practice up for popular verdict. The press, radio and television should systematically show how these tasks are handled by economic and local-government bodies. We must let everyone know both those who show a really solicitous attitude to people, and those who are indifferent and lack initiative. People should know everything and have this important work under control.

At the Plenary Meeting of the Central Committee, it must also be said that far from all ministries have turned to manufacture of goods for the people. Eighteen branches, among them the ministries headed by Comrades E. K. Pervyshin, P. S. Pleshakov, V. M. Velichko, A. A. Yezhevsky, failed to cope with last year's targets for the manufacture of recreational and household goods.

Some ministries treat the manufacture of consumer goods formally, as a secondary matter. In some places it is viewed only as a burden. The comrades should be aware that they are under a deep misapprehension. The quicker they rid themselves of it the better, both for the business at hand and for themselves.

Up to now we knew we needed more goods of better quality and wider range. But that is not the only thing.

Just look how many facts indicate that the population is poorly supplied even with goods which are in abundance. And if one adds that there is no set order in many trade institutions and enterprises, that service standards are low, that there are many queues because the number of shops is itself insufficient, and that the operating schedules in trade and the services are not

always subordinated to the work routine and lifestyle of the population of town and country it becomes understandable why their work evokes criticism so often. These questions should be resolved by local bodies as soon as possible.

The possibilities for replenishing commodity resources through production and procurement by consumers' cooperatives are being poorly utilized in this country. There are many complaints on that score. For the time being this system is operating slowly and much of what could be procured from the population and delivered to the consumer through cooperative organizations is simply lost. We have rendered assistance to Tsentrosoyuz. Its efforts should also be supported by the local authorities.

Comrades, we cannot put up with community and consumer services lagging behind, with the unsatisfactory situation in passenger transport, communications, tourism, physical training and sport. Is it really normal when having housing and household appliances repaired, or footwear and clothes made both in town and country become a great problem.

A "shadow economy" of sorts has emerged in that sphere, and not unexpectedly. Consider the following figure: divisions of the Central Statistical Administration estimate that the population pays about 1.5 billion roubles annually to individuals for services.

We have repeatedly drawn attention to the need for fully meeting the population's requirements for lumber and building materials. Decisions have been passed on that score but both central and local bodies are doing a poor job implementing them.

I believe that the discussion at the Plenary Meeting today of Soviet society's vitally important problems will become a lesson and a stimulus for all officials both in the center and at the local level.

The solution of problems with foodstuffs, housing and goods for the population should be constantly in the field of vision of economic bodies. This fully applies to health care and environmental protection. The situation in these spheres has attracted the attention of the Politburo and the Government in the past two years. Health care and protection of the human habitat are not up to standard. We are taking measures to improve the situation. This is a matter of paramount importance and it demands attention from all and immense practical efforts.

## *Democratization Is a Decisive Condition of Restructuring*

Comrades, a new moral and political atmosphere has been created in our society since the April Plenary Meeting of the Party's Central Committee. It is an atmosphere of creativity, quest, realistic appraisal of contemporary actuality and an uncompromising struggle against everything that is holding us back. Therefore the first conclusion that arises from the experience of the past two years is that the atmosphere of openness which has been created in the country and which enables every person to display his civic stance, take an active part in discussing and resolving the vitally important problems of our society, and accelerate processes leading in that direction should not only be preserved and maintained, but also deepened and developed.

Our experience demonstrates that success is achieved where Party, government and economic bodies make full use of the growing political and social activity of the working people. Let me say frankly—we will not be able to cope with the tasks of restructuring if we fail to pursue the policy of democratization firmly and consistently. Let us recall V. I. Lenin's words: "... The more profound the change we wish to bring about, the more we must rouse an interest in and an intelligent attitude towards it, and convince more millions and tens of millions of people that it is necessary." This is how, following Leninist principles, we should act today at this stage of restructuring.

At the same time I must make one more point. Articles appearing in the press, knowledge of the situation at the local level and incoming information demonstrate that the development of openness and democratism is not a smoothly running process and that it is even painful at times. Some comrades have a misconception and fear of democratic changes. This matter is so important that the Plenary Meeting, I believe, will discuss it and take a clear and firm stand on the issue.

As the restructuring is proceeding and the process of democratization of all aspects of the life of our society is running deeper, new realities come into existence and we cannot fail to reckon with them, we simply have no right to fail in that. Our people no longer want decisions related to their interests to be taken without their participation no matter who takes them. Sometimes this gives rise to tense situations. What do they demonstrate? They demonstrate that some local Party, government and economic bodies, a section of our guiding cadres in the centre and at the local level have not yet learnt how to work in conditions of greater democracy. Learning how to do that must



not be postponed till some future date, this lesson should be learnt diligently right now. Party Committees and organizations, bodies of state authority should constantly be in touch with public opinion and use it to verify decisions they are about to take plus their actions. Our people stand for democratization both politically and practically.

Mastering new approaches to political work, organizational and ideological activities is not an easy process. Some have difficulties with openness, others find it hard to accept criticism and unfavourable press reports, still others have come to believe that only their own opinion is "infallible". We are encountering all this and not infrequently at that. Let us look at the root of those phenomena. The democratization is not to the liking of those who are afraid of finding themselves subjected to open control on the part of society. They understand perfectly well that they can talk their way out of it when brought to account by their superiors, but the people will hold them responsible in full measure. Democracy is putting everything in order and it is becoming clear who is who and who is capable of doing what.

I must mention certain points that give cause for concern. It is impossible to be fully insured against errors in any major undertaking. They have occurred, occur and will occur. We have now come across situations where someone would like to make use of the atmosphere of openness not in the interests of the restructuring, not in the interests of developing socialism, of working people, but for attaining his own narrow self-serving aims.

Efforts should be made to combat such phenomena and that should be done openly and in public. To live and work in conditions of extended democracy means to have no fear of debates and of the collision of views and positions. All this is natural and essential in the quest for truth, in the effort to resolve the problems that emerge and to accelerate our progress.

But when we say that democracy presupposes spirited, broad and serious discussions and the comparison of differing points of view, it means that attempts at replacing one half-truth with another under the pretext of rectifying it cannot be considered democratic. It is undemocratic when pretending to counter the ambitions of some group and its claims to the ultimate truth, certain people impose on everyone the ambitions of another group, its tastes, predilections and its subjectivist point of view. We are coming across such examples in the media, in the arts and literature, as well as in the scientific community. Party and public organizations are not immune to that phenomenon either.

But on the whole I would like to say that the process of openness, criticism and self-criticism is unfolding in our country on a sound foundation. It is playing a mighty role in rallying together all forces of society on the principles of the restructuring in order to bring about progressive changes in the interests of the people and of socialism.

Comrades, in considering ways for the further democratization of society I would like to touch on the issue of control. Those who took part in a recent meeting at the CPSU Central Committee have said that control is a must, there is no doubt about it, but not the kind we have at present. Abuse of office and crimes discovered in the economic sphere in recent years testify that the existing system of control is inefficient, it has too many elements, it is wasting working hours, diverting a lot of people and funds and, most importantly, it is closely linked with departmental and parochial interests and largely depends on those organizations and officials which it is called upon to control in the first place.

I believe that the Secretariat of the CPSU Central Committee and the Government should deal with the bloated control apparatus and take decisive action to trim it and regulate its activities, to subordinate it to the interests of the state, of the entire people, and of stronger legality.

We should master in full the Leninist principle of socialist control combining broad democratism with Party guidance. We regard people's inspection both as an efficient tool for detecting new issues which demand urgent solution and as one of the most important forms of bringing the masses into the process of self-government, into running the affairs of society and the state.

In the existing conditions we should consider the establishment on the basis of the People's Inspection Committee of a single and integral system of control which would have a wide range of powers throughout the territory of the country, rely on a maximum of openness in its work and discharge its important functions in a comprehensive fashion, proceeding from the point of view of the entire people and in a broad socio-political context.

Comrades, the restructuring under way in our society arouses immense interest in the world. We feel that our problems are understood not only by the working people in the socialist countries, but also by broad sections of the world public and we feel their empathy. The course towards the restructuring has been taken seriously by very different political forces. That course substantially increased the weight, influence and auth-

ority of our country; it is convincingly demonstrating the sincerity and peaceful nature of our intentions on the international scene.

Of course, precisely that does not suit quite influential groups in the West, especially in the US. Some members of America's ruling quarters are arguing that *glasnost* is a challenge to American public diplomacy and that the spirit of the free world, its life today and prospects for its security tomorrow are imperiled by it. They understand that it is difficult to find convincing arguments against the course of our Party towards the restructuring. This is why they are staking mainly on using the process of democratization and openness for suggesting false aims and defective values to us, for sowing doubt among our people concerning the correctness and sincerity of the Party's policy, its course towards the restructuring and improvement of the situation in the country. There is nothing new for us here. That was to be expected and we foresaw that it would be so. Soviet people know well the real worth of such "interest" in our affairs.

We are implementing the policy of restructuring, extending democracy and consolidating the intrinsic values of socialism not for the purpose of pleasing somebody but so that our society can scale new heights—through the restructuring and democracy—in the process of socio-economic and cultural advancement. And we shall not stray from the road of the restructuring.

Comrades, what conclusion can be drawn from the analysis of the current phase of the restructuring?

First of all, we should proceed from the actual political and ideological situation which has taken shape since the April Plenary Meeting of the CPSU Central Committee—a complicated and contradictory situation which, nonetheless, is on the whole undoubtedly advantageous for the entire cause of renovation of socialism and the cause of the restructuring. The life of our society is characterized by an increased level of civic activity of all sections of the population and by initiative in raising new questions and overcoming inertia. It is characterized by increased boldness and determination, by the desire of the people to assume responsibility for the affairs of society, for the further extension of democratic principles in the country's life.

This is accompanied by increased confidence that the lofty principles of socialism are inviolable and that they can indeed be implemented today or tomorrow and not some time in the distant future.

Of course, new processes in the ideological and political sphere are not proceeding smoothly and their results vary. A considerable amount of negative attitudes have accumulated in the public consciousness as a reflection of certain phenomena in life itself, and first and foremost, of the gap between words and deeds. There is a certain amount of confusion, misunderstanding and fear of change. We are also witnessing attempts to resist the new ways. It would be unwise not to take note of that. However, it would be far worse, even erroneous, to make an absolute out of the difficulties and shortcomings in our ideological and political development, because that would call into question the restructuring itself and the new favourable political and ideological phenomena it has brought about in the life of socialist society.

We should not fear new problems, new discoveries and new approaches in the ideological and political process. We have enough reason, energy and skill to work Leninist style in conditions of the restructuring, without taking delight in every success along that way, but at the same time without losing heart or becoming panic-stricken when some negative factors make themselves felt. We should learn the difficult and dialectically contradictory art of the restructuring.

Comrades, I believe that we should reach agreement at the Plenary Meeting on the following issue. Report-and-election meetings in the primary organizations of the Party will begin in one or two months. It will be appropriate if the meetings of Communists focus on the course of the restructuring, on how Party organizations are functioning and on how all Communists—workers, farmers, intellectuals and our leading cadres are participating in that great undertaking of the entire people. The forthcoming report-and-election meetings in the Party should appraise what has been done and decide what should be done for deepening and accelerating the process of the restructuring.

It is very important that most active supporters of social change, people adhering to principles, aware of the demands of our time, real “engineers” of the restructuring, those who are ready to spare no efforts to make it a success should become leaders of Party organizations at the current stage, a time when large-scale practical work is unfolding.

It will evidently be appropriate to hold Plenary Meetings of the Central Committees of the Communist Parties of the constituent republics, plenary meetings of Party committees in the territories, regions, areas, cities and districts and to discuss

reports of the bureaus of the corresponding committees about their efforts to direct and supervise the restructuring. Primary organizations should hear reports on the same matter from Party bureaus and Party committees which are not scheduled for reelection this year in compliance with the Party Rules.

The Politburo regards the forthcoming report-and-election meetings in the CPSU as a most important stage in stepping up the entire activity of the Party in the runup to the All-Union Party Conference. It is proposed to pass a decision during the current Plenary Meeting on the date of the conference. In our Party such conferences were called in between Congresses. There was a period before 1941 when this was a regular practice. Many conferences held at crucial stages of history solved problems going far beyond the framework of tactical ones. In some cases they tackled tasks of a strategic nature, made amendments in the Party Rules and changes in the composition of the central bodies of the Party.

The January Plenary Meeting supported the proposal for calling the Party conference next year in the runup to the report-and-election meetings in the Party organizations.

The Politburo is proposing that **the 19th All-Union Conference of the Communist Party of the Soviet Union be called on June 28, 1988.**

Proceeding from the principled proposals put forward at the January Plenary Meeting and in the course of preparations for the current Plenary Meeting the following questions could be considered at the conference:

1. Progress in implementing the decisions of the 27th CPSU Congress, the main results of the first half of the 12th five-year plan period, and the tasks of the Party organizations in promoting the process of the restructuring.

2. Measures for more democracy in the Party and society.

It seems that the proposed agenda will make it possible to sum up the political experience accumulated by the Party after the 27th CPSU Congress, appraise our progress along the main avenues of economic and social development, analyze the progress in implementing the radical reform of economic management and the participation of Party and other public organizations, as well as state and economic bodies in the restructuring.

Analysis of how Congress decisions are being realized, evaluation of the political results of work towards the five-year plan targets, and a principled assessment of good and bad points will then make it possible to consider the activities and tasks of each Party organization at report-and-election Party meetings and

conferences in an exacting way. This will contribute to more democracy inside the Party, to greater activity by and responsibility of Communists, and to a deeper restructuring process.

## **II. A RADICAL REFORM OF ECONOMIC MANAGEMENT—THE MAJOR ELEMENT OF RESTRUCTURING**

### *The Necessity and Essence of the Reform*

Comrades, today as we discuss radical restructuring of economic management we must keep a realistic picture of the state of our economy as we entered the 1980s. By that time the rate of economic growth had dropped to the level which virtually signified the onset of economic stagnation. We began to concede one position after another, and the gap we knew in production efficiency, output quality and in technology as compared with the most developed countries began to widen.

The economy was developing in an unhealthy manner. There was need of serious changes in structural policy and capital investments so as to impart greater dynamism to the branches on which scientific and technological progress, resource-saving and labour-saving depend. But this was not done. More than that, machine-building was in a neglected state, its production apparatus obsolete and its output more and more behind world standards.

The desire to check declining growth rates by extensive methods brought exorbitant outlays for the fuel and energy branches and hasty commitment of new natural resources to production, their irrational use, an excessive growth of demand for additional labour and an acute shortage thereof in the national economy with a decline in the output-per-asset ratio.

Financial tension grew in the national economy against a background of economic difficulties and declining rates of increment of the national income.

Let us take the state budget. Outwardly everything looked fine. Spending was covered by revenue, but how was this achieved? Not by increasing the national economy's efficiency but by other means with neither economic nor social justification. In particular, we began to sell extensively oil and other

fuel-energy and raw material resources on the world market.

There was a practice of money belonging to enterprises and organizations being groundlessly taken into the budget; this undermined conditions for their normal economic activity.

And, of course, there can be no justification for the increased production and sales of alcoholic drinks. The tax returns on liquor sales grew to 169 billion roubles in the 11th five-year plan period against 67 billion roubles in the 8th five-year plan period.

In short, the country approached the 12th five-year plan period with a serious financial burden. One should add that although the assignments of the past three five-year plans for the growth of production and its efficiency were not fulfilled, spending on wages systematically exceeded the figures set by the plans. This means that a certain part of the money was paid out without any connection with the end results of work.

In these conditions the deficit in the national economy did not diminish. On the contrary, the situation in this respect worsened. In effect, there has been and remains a shortage of everything—metal, fuel, cement, machinery and consumer goods. If we add to this a chronic shortage of manpower, it becomes clear that in such conditions the economy cannot develop normally. The economic incentives for raising quality and efficiency cease to operate and soil is created for growth of prices and a number of other negative processes.

But perhaps the most alarming thing is that we had begun to lag in scientific-technical development. At a time when the Western countries started a large-scale restructuring of their economies with the emphasis on resource saving, the latest science and state-of-the-art technology, scientific-technical progress in our country slowed down. And not because of absence of scientific backing but mostly because the economy was not responsive to innovation. We even used the hard currency earned on the export of oil and other raw material resources mostly for the solution of current tasks and not for modernizing the economy. As the January Plenary Meeting noted, such an economic situation has had an extremely negative effect on living standards and on development of the social sphere. Such, comrades, are the realities.

The Politburo considers it necessary to tell of all this in all frankness once again, with not the last reason for that being that voices are sometimes heard asking: is everything so bad, is there a need to sharpen evaluations, and is a radical restructuring necessary? Maybe, there is the need simply to put pressure from above and to take some other partial measures? I think that if

such sentiments prevailed and the current policy were elaborated on the basis of those pronouncements, that would have been extremely hard for the country and for people.

We need in-depth, truly revolutionary transformations to get our economy out of the pre-crisis situation it is in. To this end we have worked out a new economic strategy and set about it. We have changed structural and investment policy, created big purpose-oriented programmes, and set guidelines for research and technology advance. Over the past two years, the first steps have been made in mastering new management methods born of analysis of the situation of the late '70s and early '80s. We have undertaken large-scale economic experiments.

But, I would say, the changes achieved in this area are not fundamental or cardinal. The deceleration mechanism has yet to be overcome and replaced with an acceleration mechanism. One has still to compensate for absence of the latter by extra-economic methods, by administrative pressure.

It has now become a first priority for us to create an integrated, effective and flexible system of economic management.

The task, as you understand, is far from easy. The existing management system was established not overnight and it contains numerous strata reflecting the conditions and peculiarities of various periods in the history of our country with all their achievements, contradictions and difficulties.

The foundations for the present system of management were laid down way back in the 1930s. In that difficult period our country, which was far from the most developed economically and which was up against the whole capitalist world, needed to rapidly overcome the technical and economic lag and to bring about quick structural changes in the national economy.

And they were effected in record time. In the years of pre-war five-year periods, gross industrial output grew 6.5 times over, and the Soviet Union moved up from fourth to first place in Europe and from fifth to second place in the world. The share of industries manufacturing capital goods increased from 39.5 to 61 per cent. The number of workers in industry trebled over the twelve pre-war years.

To solve these tasks accumulation had to increase sharply in national income. At the beginning of the second five-year period, it exceeded 30 per cent or became twice as great as at the end of the 1920s, and several times greater than in pre-revolutionary Russia. About 60 per cent of the national income was re-distributed through the state budget. Huge resources were chan-



neled in a centralized way into the development of heavy industry.

It was precisely for such purposes that a management system based on rigid centralism, over-regimentation of work, and directive assignments and budget appropriations was established. In those special conditions it ensured solution in extra quick time of strategic tasks which had taken capitalist countries decades. The centralized nature of management increased still further during the war years. It was on the whole maintained in the post-war rehabilitation conditions, too.

This nature of management cannot, of course, be explained entirely by objective reasons. There have also been flawed approaches and subjectivist decisions. This should be seen and taken into account in examining present-day problems. But as the years have gone by, the management system has clashed more and more with the conditions and requirements of economic development.

The vigorous scientific and technological revolution, the dramatically increased complexity of the national economy, the need to shift emphasis from extensive to intensive development methods and from quantity to quality, the extended influence of social conditions and the drastically grown significance of the human factor have called for thorough-going change in economic management.

Restructuring economic management has acquired ever greater urgency. It has been debated in scientific and public circles. I can refer you to an article by Academician V. S. Nemchinov printed by the journal *Kommunist* in 1964. He wrote way back then: "A primitive understanding of relationships between big and small economic systems can only create an ossified mechanical system in which all management parameters have been set in advance, while the system itself is limited from top to bottom at every given moment and at every given point... Such an economic system limited from top to bottom will brake social and technical progress and sooner or later collapse under the pressure of the real process of economic life."

Over the past few decades there have been repeated attempts to actually change the system of management. They were made in the '50s, the second half of the '60s and the late '70s. But those attempts were not all-out or consistent, only having at best a short-lived effect and not bringing the desired breakthrough. The old economic mechanism, in the meantime, has been stimulating growth less and less, and braking more and more.

At this crucial moment when we are close to cardinal

solutions, special importance must go to scientific grounding, and theoretical, ideological and political clarity as to the substance and purport of the changes that have begun, and the goals of the management reform. How are we now to proceed? What could we and should we reject? What do we need to strengthen and update? What should be introduced anew?

It is important to stress in this connection that every period in our history has been filled with hard work by the people and marked by major accomplishments. The experience of economic development we have gained is of great value. This experience, for all the achievements, extremes and even mistakes, is a school whose lessons are important both for now and for the future.

The general meaning and thrust of a radical management reform are clear to us. They boil down to this formula: more socialism, more democracy.

It also holds the answer to the question: Doesn't our restructuring drive mean a departure from the foundations of socialism or at least their weakening? No, it doesn't. On the contrary, what we already are doing, planning and proposing should strengthen socialism, remove everything holding back its progress, bring out its immense potential for the people, give play to all advantages of our social system, and lend it the most modern forms.

But what does boosting socialism actually mean? The essence of our revolutionary teaching and all our vast experience demonstrate that socialism should not be seen as an ossified, unchanging system or the practical work to refine it as a means of adjusting complex reality to fit ideas, notions and formulas adopted once and for all.

Views on socialism and its economy are developed and enriched all the time, with account taken of historical experience and objective conditions. We should follow Lenin's example in creatively developing the theory and practice of building socialism, adopt scientific methods and master the art of specific analysis of a specific situation.

The main question in the theory and practice of socialism is how to create on the socialist basis even more powerful stimuli than under capitalism for economic, scientific, technological and social progress and how to best blend planned guidance with the interests of the individual and the work collective. This is the most difficult question that socialist thinking and social practice have been seeking to answer. At this stage of socialism the significance of the question has grown immeasurably.

Many problems need to be tackled in this area. The worker

[3] must assume the position of a real master in his work place, collective and in society as a whole: this is how to stimulate higher production efficiency. From the standpoints of theory and practice, the interest of working people as the masters of production comes foremost and represents the most powerful force for expediting social, economic, scientific and technological progress.

What does making the worker a real and active co-proprietor actually mean? It means giving collectives and individual workers broad possibilities to manage public property and increase their accountability for how efficiently it is used. This means ensuring the practical involvement of the broad masses of working people in economic management at every level—from work unit to the entire national economy. This means that the incomes of working people should be geared to performance at their bench and factory and, in the final analysis, to how things are going in the country as a whole, to the end results in general.

More democracy in the economy is indivisibly linked with active use of various forms of cooperative and individual enterprise projects alongside state ownership. We have taken decisions on this score. It should be said, however, that their implementation has drawn varied responses. Quite often, people have talked not about how to use the opportunities opening up more quickly and better, but about how legitimate these forms of economic activities are at this stage of socialism.

Some people even see cooperative and individual labour activities as a revival of private enterprise. I think, Comrades, that both our own experience and the experience of other socialist countries attests to it being useful and necessary to employ these economic forms under socialism skilfully. They help meet people's vital needs ever more fully, crowd out the shadow economy and various forms of abuses and thus facilitate the real process of making social and economic relations healthier.

The problems of correlation between centralized economic planning and independent branch action, and between planning and commodity-money relations deserve to be seriously rethought. We proceed from them being in dialectical unity and complementing each other in an integral economic management system.

In the new economic mechanism the problem is tackled notably through economic norms. Changing over to norm-based methods makes it possible to realize most fully socialism's

inherent objective prerequisites of the unity of the interests of society, work collective and individual.

A science-based understanding of socialism implies that the economic system should include commodity-money relations. A well-ordered price and finance-and-credit system whereby the market is won and controlled in accordance with its laws, and enhanced prestige for the rouble help create an efficient cost-wise mechanism and strengthen socialism.

Using commodity-money relations in the management system along with the advantages of a plan-based national economy is, of course, more difficult than issuing commands and directives. But that is what our economic executives must do.

Economic emulation and competition is central to activating the motive forces of socialism.

We proceed from the need to step up real competition between factories and organizations, including competition between government-run and cooperative ones, for meeting consumer and national economic requirements better. The winners in this competition should receive tangible economic benefits in reward. This is in line with the principles of socialism and readily understandable.

I should, perhaps, make special mention of the need to introduce competitive principles for the sphere of science and technology too. The point is that one opinion frequently voiced in the past was that the parallel existence of research, development and design organizations amounts to a scattering of forces, duplication of efforts and irrational spending. But experience has convinced us that monopoly for individual organizations is a serious drag on scientific and technological progress and adds up to even heavier losses for society.

I do not want to say at all that we should create parallel structures in every field. But it is a right and worthwhile idea to form different scientific collectives, temporary as well as permanent, to tackle important technological issues. This idea has been earnestly welcomed by engineers, technicians and research workers and is already bearing fruit.

In short, we should renovate our notions about the economic forms of socialism, proceeding from the requirements of Soviet society's development at the present stage, and thereby find scope for an economic overhaul.

Comrades, you have been provided with copies of draft "Basic provisions for the radical restructuring of economic management" as prepared by the Politburo and Government.

The aim of restructuring management suggested in the docu-

ment is to re-orient economic growth from intermediary to final, socially significant results and to public needs, promoting all-round development of the individual, making technology advance fundamental to economic growth, and creating a dependable cost-wise mechanism.

To achieve all this, we must change over from predominantly administrative to mainly economic methods of management at every level, to broad democracy in administration, and to activating the human factor in every way. This changeover involves:

**Firstly**, a drastic extension in the margins of independence for amalgamations and factories, their conversion to full-scale profit-and-loss accounting and self-financing, increased responsibility for high end results, fulfilment of obligations to clients, a direct linkage of the collective's income level to its work performance, and extensive use of the team contract in labour relations;

**Secondly**, radically restructuring centralized economic management, raising its qualitative level and focussing it on the main issues that determine the strategy, quality, pace and proportions of development for the the national economy as a whole and its optimal balance, while at the same time decisively relieving the centre of interference in the day-to-day activities of subordinate economic bodies;

**Thirdly**, a cardinal reform in planning, pricing, financing and crediting, transition to wholesale trade in productive goods, and reorganized management over scientific and technological progress, foreign economic activities, labour and social processes;

**Fourthly**, the creation of new organizational structures to ensure deeper specialization and more reliable co-production schemes, the direct involvement of science in production and on this basis a breakthrough to world-standard quality;

**Fifthly**, going over from an excessively centralized, command system of management to a democratic one, promoting self-administration, creating a mechanism for activating the individual's potential, clearly delimiting the functions and fundamentally changing the style and methods of work of Party, local government and economic bodies.

### ***Starting Point for Restructuring Management***

Comrades, we are proceeding to overhaul the economic mechanism starting with the key unit, that is the enterprise/amalgamation. We aim first of all to provide the most

favourable economic environment for the latter, to formalize its rights while increasing its accountability, and on this basis to introduce fundamental changes to the activities of all superior economic management bodies.

By setting this order of moves for the restructuring, we have taken account of the fact that it is at this level that the principal economic processes take place, it is here that all the goods and services needed by the people are produced and scientific and technological ideas materialize. It is in the work collective that economic and social relations really shape and people's interests—personal, collective and social—intertwine. The social and political climate in our society is in effect determined largely by the situation existing in work collectives.

What is the main drawback of the factory's economic management mechanism today? First, weakness of internal stimuli for self-development. A factory is given production quotas and resources through a system of obligatory indices. Virtually all costs are covered and the marketing of products is effectively guaranteed. Last but not least, workers' incomes are connected poorly with the end result of the work by their collective—contract fulfilment, product quality and profits. The situation is like this: with the present mechanism, manufacturers find it disadvantageous to use cheap source and other materials and unprofitable to improve product quality and apply research innovation.

Under such an economic mechanism, the line between efficient and systematically lagging enterprises is virtually erased. The director-general of the Omskshina amalgamation, Pyotr Vasilyevich Buderkin, raised all these issues rightly at a recent conference at the CPSU Central Committee. The Omsk amalgamation is indeed one of the best in the tyre industry. Its products are of high quality and last 50 per cent longer than others'. Over the past 20 years the amalgamation has not failed to honour a contractual delivery commitment. But does the work collective enjoy any benefits for this? In point of fact, it has no advantages, either in the wage growth rate or in the social field, over others.

And can anyone explain the following paradox? Customers pay the same price to the Omsk amalgamation for its tyres, whose quality is the best in the country, as to other factories.

Or take an example from the agro-industrial complex. Poultry plants in the Northern Caucasus get a price nearly a quarter less than that paid in other zones of the country for the same product. Yet modern poultry farming based on industrial technology, especially broiler breeding, is conducted in buildings con-

structed to the same designs and with the same equipment produced at the country's only factory for such machinery. Feed comes from one and the same Ministry of Grain Products.

These are faults in our economic mechanism which, whether we like it or not, is geared to average or even poor work. How can an economy make progress if it offers hot-house conditions for laggards, while hitting front-runners?

We cannot continue in this rut any longer, Comrades. The new economic mechanism should put everything in place. It should provide a powerful lever and incentives for good, enterprising and resourceful work. This is the goal we have declared. It will take time to reach. It is very important correctly to go about selecting the main demands on the new economic mechanism.

The main thing we should achieve by adopting the new mechanism is giving broad rights to factories and ensuring real economic independence for them based on full-scale profit-and-loss accounting.

There is a need to do in practice what has already been recognized essential, namely to make sure that the factory, guided by real public requirements, will itself draw up its plan for turning out and marketing products. The plan should be based not on a multitude of detailed targets handed down by superior agencies but on direct commercial orders placed by state organizations, enterprises operating on a self-supporting basis, and trading establishments for a specific quantity of specific products of adequate quality.

Factories should be put in such conditions as will prompt economic competition among them to meet consumer demand in the best possible way. The interests of the state will be guaranteed by a system of state commercial orders. But they should offer priority, preferential economic terms, provide for reciprocal accountability of the sides, and be awarded, as a rule, on a competitive basis.

In view of the changed approaches to planning, there has arisen the question of the nature and purpose of target figures. They should help the factory know where it stands in the economic situation. To do this, the target figures should reflect the social need for a particular kind of output, the minimum rate of efficiency and social goals, that is kind of guide the factory to the desired development level. Target figures should not serve as directives and shackle the work collective in drafting its plan and should leave it plenty of room for manoeuvre in choosing decisions and partners when signing economic agreements.

Fulfillment of state contracts should be the main criterion for the performance of an enterprise and for rewarding its workers.

The switchover of factories and amalgamations to the pay-your-own-way basis is of fundamental importance. This means that they should cover all their current expenses, including the pay packet, and make investments in modernization and capacity buildup schemes and social amenities for their work collectives at the expense of their own profits. Funding from the state budget will only be preserved for tackling major and important state tasks. Factories at the same time will be granted broad possibilities to draw bank credits on their own responsibility. The work collective should thus bear full economic responsibility for its activities.

A most important role in the new economic management mechanism will belong to stable long-term norms. These will include payments to the state budget for basic assets, land, water and other natural resources, manpower, and interest on credits. These include norms for forming wage funds and meeting social and cultural needs. The prices of manufactured products and the pay rates for services will also be a kind of economic norm. The collective's interests will be blended with national interests through economic methods relying on norms.

The new economic mechanism means fundamental changes in the system of material and equipment supplies to factories—transition from centralized material and equipment supplies to wholesale trade in means of production goods. Factories should be able to buy with money they have earned anything they need for manufacturing, construction and modernization schemes, and social services.

Transition by work collectives to self-management, whereby they decide at their own discretion all production matters at their factories up to, and including, the election of top managerial personnel, is becoming a strong stimulus for initiative and independence.

Such are, it seems, the main features of the new economic management mechanism for factories and amalgamations.

Of course, a number of uncustomary questions might arise during transition to that mechanism. Some have already been raised during the nationwide discussion of the Draft Law on the State Enterprise.

One of these questions is what should be done with those factories which, because of mismanagement, are unable to guarantee payments to the state and a normal level of income for



the work collective. I believe various forms of aid can be used here, emanating either from the particular industrial branch or the bank. But if the situation does not improve after such measures, then, proceeding from the priority of society's interests, the question can be raised of reorganizing the enterprise or terminating its activity. Of course, this is an extreme measure. It goes without saying that the state should show concern for providing working people with jobs.

And another question is raised: will not greater independence for enterprises and rejection of the detailed system of mandatory indicators lead to a weakening of the principle of planning and affect the economy's balance?

We believe that these apprehensions are groundless. It is an illusion to think that everything can be foreseen from the centre within the framework of such a huge economy as ours. The activity of the State Planning Committee and other economic agencies to balance the national economy will be backed by economic interests and economic responsibility of enterprises and by a greater role of economic contracts between them. This will make the task of achieving a balance more realistic.

The principal features of the new economic mechanism are reflected in the Draft Law on the State Enterprise (amalgamation). The common view of production personnel, scientists, representatives of central agencies, Party and local government cadres and the public is as follows: this is a sound document in line with today's requirements and new tasks. This is a good basis for transition to the new mechanism.

Nationwide discussion revealed a persistent demand: not to give in to habits and notions of inertia, but to move ahead confidently. We must not allow the new law, as frequently happened in the past, to be bogged down in instructions that may make it meaningless and let the restructuring drive drop.

In principle transition to the new methods of economic management has already started. I mean that enterprises and amalgamations of several branches have, as of this year, been working on a full profit-and-loss accounting and self-financing basis. Five-six months are, of course, too brief a period to reveal fully both strong aspects and shortcomings in the new economic mechanism. Especially considering the specific conditions in which this transition is taking place.

The activity of such enterprises is greatly influenced by external factors, above all their "insular situation." This applies both to ties between enterprises and suppliers and consumers adhering to old principles, and to leadership on the part of

ministries and central economic bodies operating so far on the basis of old provisions. The transfer of enterprises to principles of full profit-and-loss accounting and self-financing has begun with the five-year plan already in operation and many standards have to be geared to it. Nevertheless, Comrades, this should not stand in our way as we work to introduce new principles of economic management.

### ***Changing Functions of Centralized Economic Management***

Comrades, the conditions of full profit-and-loss accounting and self-management of the basic links of the national economy demand that centralized economic management become qualitatively new.

The point at issue is a new concept of centralism resting on activity of working people and independence of enterprises, that is, a genuinely democratic centralism as Lenin understood it which possesses a far greater potential than centralism thorned by attempts to regulate all and everything.

Firstly, on **national economic planning**. What in the new conditions is the "philosophy" of a national plan? It should define basic priorities and objectives for the country's socio-economic development, trends in structural and investment policy, scientific and technological progress, and targets for scientific, educational and cultural potential and the defence capability.

What is meant in the new conditions is enhancing the role of the task-setting part of planning, above all the concept of the country's long-term socio-economic development for the next 15 years. It should comprise all major programmes, balance them and determine ways of attaining strategic goals. A five-year plan defining yearly assignments should be made the basic form of national planning.

To ensure planned proportions and balance in the economy, the ministries and departments as well as the constituent republics will be given target figures. The principal lever to be applied to enterprises will be economic norms and incentives. They should make it profitable to look for ways of meeting social needs most effectively.

And now we must touch upon a question which concerns many. Concern has been expressed that when, in conditions of

complete cost-accounting, directive setting of volume targets for amalgamations and enterprises is discarded, there might be a temporary reduction in the rates of growth of production in separate branches, regions, and even the country as a whole.

What can be said on this matter, Comrades? If higher rates of growth through ballooning gross volumes and repeated counting without a real increase of the end results is meant, society gains nothing. It loses.

And we trust that the transition to profit-and-loss accounting, new methods of economic management, broad introduction of a collective contract and other progressive forms of organization and stimulation of work will enhance people's work, tap the resources that have not yet been used, enhance efficiency and thus achieve higher rates of real growth with high quality of products.

It is precisely such a restructuring that is natural and necessary if we are to ensure a new quality of economic growth. And if it affects adversely the indexes of enterprises that operate inefficiently, such a restructuring will play a positive role for the country's national economy as a whole, for development prospect judged by end results, for the degree of meeting social needs.

**A radical reform of the pricing system** is a most important part of restructuring economic management. Without that, complete transition to the new mechanism is impossible.

Price must play an important stimulating role for improving use of resources, lowering outlays, improving the quality of products, speeding up scientific and technological progress, and rationalizing the entire system of distribution and consumption. New political and economic approaches corresponding to the contemporary stage of development must be applied.

The available system of pricing has long been geared to cheap natural resources. The existing prices of coal, oil, gas and electricity no longer guarantee self-financing for the fuel and energy sector. They keep up an illusion of cheapness and inexhaustibility of natural resources and promote an orientation for further increased production, consumption and export.

Economically unjustified approaches to pricing have resulted in the emergence and rapid growth of subsidies for production and realization of various kinds of products and services. The total volume of subsidies from the state budget now exceeds 73 billion roubles a year. On the other hand, an unjustifiably high level of profit for many goods has formed which does not mean efficient production. This is also a fault in pricing.

Those who manufacture goods with prices understated have no incentive to increase output, and those who, because of excessive prices, get surplus profits have no incentive to lower outlays, to enhance effectiveness. In this situation normal economic relations in the national economy are simply impossible.

So we need not to partially improve the system of pricing, but to radically reform pricing with an interconnected restructuring of our entire price system—wholesale, purchase and retail prices, and tariffs.

What is involved is not just the level of prices, but the system for fixing them. Prices for the most important products must certainly be set in a centralized way alongside a state plan and as part of it. At the same time it is expedient in the new mechanism to widen the sphere of contract prices to promote broader rights and economic independence for enterprises.

The reform of wholesale prices must improve the situation in the national economy, boost the effort for higher production efficiency, resource-saving and quality. As to retail prices, the way they are changed, far from eroding living standards, must improve the living conditions of certain categories of the working people, and bring fuller social justice.

One thing must be clear, that because of the importance and complexity of the pricing reform, its preparation must be approached with great responsibility. A vast volume of work has to be carried out within a short period of time, and the necessary forces must be brought into play. It should be borne in mind that, without solving this question, we cannot draft a new-style five-year plan or embark on a comprehensive system of economic management.

In view of the political and social significance of the pricing reform, it must be most broadly discussed countrywide.

**The restructuring of the system for material and technical supply in the national economy** is closely linked with a reform in pricing. The main vent is transition to wholesale trade in means of production both through direct contacts between suppliers and consumers and through self-sustained wholesale bases. In this case state bodies will ultimately retain the functions of regulating and controlling wholesale trade.

Transition to wholesale trade in means of production is not new, but it is only of late that the first real steps have been taken in this area. We must speed up this work and widen its scope so as to complete it in the next few years.

Many weighty reasons, above all transition of enterprises and amalgamations to a profit-and-loss accounting scheme, neces-

sitate wholesale trade in means of production. I would like to mention another reason: the need to normalize stocks of commodity and material values. These stocks in the key branches of the production sphere have surpassed 300 billion roubles. Considerable volumes of national wealth thus lie idle.

This situation is largely explained by a cumbersome and unwieldy system of material and technical supply which is erratic and prompts enterprises to lay resources in store.

Look what happens to metal. Complaints about its shortage do not abate, while the stockpiles grow. The accumulations of ferrous rolled metal with consumers increased by two million tons in the past six years to reach 9.3 million tons by the beginning of this year. So let us consider: are we short of metal or is it that we cannot use it thriftily? It is certainly not easy to use resources of rolled metal that are piled up in enterprise yards. It might surprise you if I told you that state supply organizations account for only 1.5 per cent of commodity and material stocks, while the rest is scattered throughout the economy.

The following question arose at the conference in the CPSU Central Committee: is wholesale trade possible while resources are in short supply? This argument is invariably advanced whenever the problem of schedules for transfer to wholesale trade is discussed. The conferees said convincingly that it is the very system of resource allotment, of supply that leads to shortages. And this was confirmed by specific examples. The transfer of enterprises to full-scale profit-and-loss accounting will be of decisive importance here. Therefore the sooner we establish direct ties and embark on wholesale trade, the quicker we shall get rid of shortages in supply and of surplus stocks of material values.

And these are not desktop considerations. Take the following fact. Even as collective and state farms have started going over to new profit-and-loss principles, their orders for farm machinery and other resources have decreased considerably. For instance, orders for combines for next year have dropped by approximately 30 per cent. Orders for individual tractor types and other farm machinery, above all the obsolete and non-efficient, are declining. Such is the real situation. So what seems in short supply today might be overproduced tomorrow.

Major problems have piled up **in the field of finances, crediting and money circulation**. A new economic mechanism cannot be created without such problems being resolved too. The main shortcoming in this area now is that financial and

crediting resources and monetary funds are divorced from the movement of material values, that the national economy is oversaturated with money. The rouble does not fulfil in full measure its role of an active means of financial control over the economy.

The national finance system has grown largely outdated. It does not stimulate better economic management and often pursues short-term fiscal objectives. Crediting has in a large measure lost its specific role. The limits separating it from gratis financing have become eroded.

By all indications we cannot avoid a radical finance and crediting reform. It must place budgetary relations with enterprises on a basis of norms; block all opportunities for profits before the ultimate realization of goods; and improve the finances of the national economy.

Comrades, not one state in the world of today can regard itself isolated from others in the economic respect. Our country is no exception. The Soviet economy is part of the world's. International commercial and financial relations of countries and the latest technological ideas invariably have an impact in one way or another on our own economy.

The measures being taken to improve the management of external economic relations are aimed, specifically, at deepening the Soviet Union's participation in the international division of labour, which is becoming an ever more important factor in the development of the Soviet economy.

On the other hand, not only we and our allies, but all wanting to work with us in new, more favourable conditions will gain from the successful realization of the plans of the restructuring in our country and the modernization of our economy. In other words, the overhaul of the Soviet economy, considering the Soviet Union's significant share in the world economy, will promote broad international cooperation and, hence, better world economic relations.

Important and far-reaching decisions in the sphere of foreign economic policy have been adopted recently. The economic management restructuring provides a vast scope for raising the efficiency of our **external economic ties** and, which is especially important, for enhancing the impact of the external market on the functioning of industries and enterprises, on the quality of their products, on scientific and technological progress.

Of fundamental importance in this connection is increased efficiency in cooperation with socialist countries. The overhaul of the economic mechanism is called upon to create favourable

economic, organizational and legal conditions for deep integration of our national economy with the national economies of fraternal countries.

Broad opportunities for this are opened by enterprises getting the right to direct ties with partners in socialist countries. As the recent discussion of this matter in the Politburo showed, this right is not being sufficiently used. One of the reasons is, apparently, the lack of interest of work collectives in terms of profit-and-loss accounting. It is quite apparent that the success of the restructuring largely depends on more effective economic, scientific and technological cooperation with fraternal countries. The Politburo, Secretariat of the Central Committee, and Council of Ministers should keep a watchful eye on development of economic interaction with them.

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

In short, Comrades, an important and large-scale reorganization of the activity of the centralized management of the national economy lies ahead. Alongside switching enterprises to a pay-your-own-way basis, this work constitutes a single whole, a radical reform of economic management.

### *Remodelling Organizational Structures and the Work of Management Bodies*

You surely realize, Comrades, that in altering an economic mechanism and adopting new methods of economic management, organizational structures should be revamped.

What can be said in this connection about factories, **the main link in the economy**? Today's enterprises and amalgamations formed in conditions where they had to set up their own blanking shops, tool shops, foundries, maintenance and other sectors, regardless of production costs, a primitive production system and low productivity of labour. Such subsistence economy laid roots within industries, engendering irrational ties and waste of social labour.

Despite all our efforts, the creation of production amalgamations and particularly those with applied research facilities halted, running up against departmental barriers and territorial borders, and a desire of superior authorities to include in amalgamations solely the enterprises of their own ministry, and at times even only of their own department.

What enterprises and amalgamations do we need? There is no one answer here. No set pattern should be used in resolving such an important question. And yet some initial ideas should be mentioned. First of all the composition of enterprises and amalgamations must be in keeping with rational specialization and cooperation, creating conditions for most progressive equipment and technology. It is important to combine in one organization all links of production—from applied research to batch production and technical servicing. And the factor of controllability should definitely be considered. Finally, a monopoly position for amalgamations should be avoided in the manufacture of products.

I believe the switching of enterprises and amalgamations to complete profit-and-loss accounting and self-financing must be combined with granting them the right to launch joint ventures or amalgamations on a basis of share-holding up to and including a complete merger where this is dictated by economic expediency. We are confident that in new conditions the enterprises will be interested in forming all kinds of voluntary amalgamations, involving the creation of new equipment, computing centres for collective use, social and environmental protection facilities, transport junctions, and even schools for training personnel and managers.

But the stand of management bodies should not be passive or conservative. The gate should be thrown wide open to all integration processes.

While 37,000 industrial enterprises covered by the state plan are directly controlled from the centre now, several thousand large sectoral, inter-branch and territorial-branch amalgamations capable of implementing the entire cycle of research—investments—production—marketing—maintenance could be controlled from the centre in future. Alongside them, tens of thousands of medium and small enterprises, including cooperative ones, oriented at servicing large amalgamations and the local market could be under republican and local subordination.

No less important is the question of restructuring **branch management**.

What should be its essence? It should be clear delimitation of the areas for which ministries are responsible and those for which amalgamations and enterprises are. The ministries should really become the scientific, technological, planning and economic headquarters of their industries, should account to the country for meeting national economy demands in the products of their industries, be responsible for bringing the technology of produc-



tion and the quality of goods up to world standards, and vigorously go about improving their sectors structurally and promoting specialization and cooperation, and should work out economic norms, levers and incentives for enterprises in their charge.

The ministries have at their disposal leading research and development organizations and centralized funds which may be used for building new enterprises and supporting work collectives in major modernization and expansion schemes. The vast majority of industrial ministries will be able to actively join in foreign economic activities. Training and retraining of personnel and upgrading their qualifications is an important task of the ministries, and their role will increase immeasurably.

In order to discourage the attempts of the ministries' staff at petty administrative guidance of enterprises, they should be relieved of the functions of operational economic management by eliminating corresponding units and reducing the staff of the ministries and organizations servicing them.

With new functions, the ministries do not need a cumbersome structure and large staff. The question of merging certain ministries might crop up during the implementation of the proposed measures.

**A system of management for national economic complexes and groups of interrelated branches** is now being set up. The following agencies have been formed and function as permanent agencies under the USSR Council of Ministers: the State Agro-Industrial Committee (Gosagroprom), the State Committee for Construction (Gosstroj), the Bureau for Machine-Building and the Bureau for the Fuel and Power Complex, the Foreign Economic Commission and the Bureau for Social Development.

This system is just being formed. The optimal way of distributing functions between the bodies for running economic complexes, on the one hand, and the USSR State Planning Committee and ministries on the other, has yet to be found.

The policy of turning the permanent government agencies into viable organizations responsible for the development of their particular economic complexes and solving inter-sectoral problems should be consistently pursued. We know from experience that it is precisely at the junction of sectors that major national economic problems arise. It is precisely there that the discrepancies emerge that cause heavy losses. And it is there that vast reserves for improving work are hidden.

Strengthening standing government agencies will make it

possible to link ministries and departments with them and make management more effective.

In new conditions enhanced demands are made on the quality of work of the **central economic bodies**: 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, the State Committee for Labour and Social Questions and others. The transition to complete profit-and-loss accounting, radical changes in the activity of ministries, and development of the system of management of national economic complexes cardinally change the functions of these bodies.

As to the USSR State Planning Committee, the stress in its work should shift to determining prospects for development, realizing the fundamental economic and social tasks, and ensuring overall balance in the national economy. The structure of the State Planning Committee as the highest scientific and economic headquarters of the country should be radically transformed in accordance with this. It is important that its general departments, social orientation, science-and-technology and regional services be strengthened. All this should be linked in with the functions of the standing agencies of the USSR Council of Ministers.

The question of enhancing the coordinating role of the State Planning Committee with regard to the activity of other central economic agencies is clearly pressing, Comrades.

We have been saying that the new system will be effective only if it succeeds in linking and harmonizing the multiform interests of our society, including the interests of not only enterprises and branches but also the interests of the republics, territories, regions, cities, districts, what we call **area interests**.

It should be borne in mind that unless local possibilities and initiative are tapped in a radical reform, the cause might be seriously affected for the worse.

It would not be amiss to recall, Comrades, that many ideas behind the important experiments and the contemporary management philosophy originated at local level and were realized by local bodies. The team contract in agriculture and construction, in industrial production, new forms of area management of the economy, progressive undertakings in railway transport, in the sphere of public service, in trade, and transition to self-financing and many other things emerged on the initiative of work collectives with vigorous support from local Party, government and economic agencies.

[2] A number of decisions on enhancing the role of republican agencies and local Soviets have been adopted of late. They have met with approval. And yet the question of area management has not been given due attention and has not been solved so far. Cardinal measures are required.

Our experience indicates that the activity of territorial agencies should be concentrated above all on the problem of a comprehensive development of a region, on the most rational use of local manpower, natural, production and economic resources. Definite steps have already been taken in this direction. I mean establishment of agencies to manage the agro-industrial complex, construction, and production of consumer goods and services.

Area agencies can do a lot to set up inter-branch production facilities, to ensure a better use of unique equipment, secondary resources, and shape the production infrastructure. There is broad scope for their activity in these areas.

The social sphere is certainly a most important sphere for area management, and notably the Soviets. I have two remarks to make in this connection. The first concerns the protection of interests of the social sphere in large cities. We, Comrades, should arrest the escalation of construction of production facilities in such cities to the detriment of their social development.

Why shouldn't we consider and implement a system under which ministries and departments will be permitted to build production facilities only if they simultaneously allocate funds to area agencies so as to develop the social sphere on a basis of justifiable norms. I think such an approach would help put urban development in order.

The second remark is about the role of territorial agencies in organizing cooperative and individual labour activity. There exist now practically all the necessary decisions at the state level on this score. Many working people would like to form cooperatives for resolving some or other tasks connected with meeting the requirements of people. There are a lot of people wishing to be engaged in individual labour activity. It seems that there is everything for developing this important process. Nevertheless, it proceeds with difficulty and very slowly. There is one reason behind this: the lack of initiative in local government bodies, inattention to this matter and at times the unwillingness to tackle it, various bureaucratic obstacles. But it is a direct duty of the local government bodies to deal with the matter and they must be fully responsible for this.

Thus, no matter what aspect of our economy is taken, the

need for bolstering the role of territorial bodies, above all the Soviets, is felt everywhere. Organizational measures seem to be indispensable, too. We believe it is expedient to set up production and economic boards at the executive committees of Soviets at regional and territorial levels to draw up plans for regional development and coordinate all economic activities on a given territory.

All in all, Comrades, we need such a system of management that would suit new principles of the economic activity, the essence of economic methods. The competence and responsibility of government agencies at all levels and in all spheres should be clearly delimited in that system and the best conditions for the functioning of the main link—enterprise and amalgamation—should be created.

### *Social Aspects of Restructuring Management*

Comrades, man with his real interests and motives is central to our economic policy and economic practice.

We must realize that the time when the management consisted of orders, bans and appeals, has gone. It is now clear to everybody that such methods can no longer be employed for they are simply ineffective. To create a powerful system of motives and stimuli encouraging all workers to fully reveal their capability, work fruitfully, use production resources most effectively—such is the requirement of the times.

Everything is extremely important in this: the organization of work and forms of incentive, the system of employment, the situation in the consumer market, the state of social and cultural services. Each of these areas should be considered from the viewpoint of activating the human factor.

The question of the need of a qualitatively new approach to the organization of work is posed acutely. The current practices, as a rule, have long become outdated. We need such labour organization that would correspond to the present-day requirements of the scientific and technological progress, would encompass the best national and world experience and, what is particularly important, would suit the new conditions of economic management and principles of self-government.

After a series of certain experiments it has become clear to us all that the new economic mechanism is best suited by the team contract and other effective forms of labour organization and

incentives. It is only on that basis that full profit-and-loss accounting is possible and it can be applied to every collective and work place.

The system of pay and labour incentives must be arranged in a new way. The law on the enterprise guarantees enterprises the right to raise the wage rate and establish extra payments. The incentive possibilities are dramatically expanding. But it is particularly important that actual pay of every worker be closely linked to his personal contribution to the end result, and that no limit be set. There is only one criterion of justice: whether or not it is honestly earned.

Intensification of social production and creation of a corresponding economic mechanism encourage us to appraise in a new way effective employment in our society.

The number of work places grew rapidly at the previous stages, in conditions of predominantly extensive production development. Filling vacancies was the main problem then. The situation is radically changing now. The scale on which the excessive workforce will be trimmed will increase considerably with the speedup of scientific and technological progress. The new economic mechanism will give incentives for this. The need in labour resources for public services, culture, education, health service and recreation facilities will increase at the same time.

Such a rearrangement of the workforce requires close attention and well-considered organizational measures. We must ensure social guarantees for employment of the working people, for their constitutional right to work. The socialist system has such opportunities.

The rights of state agencies for labour and social issues must be expanded in the new situation, and their responsibility must be enhanced.

I have mentioned that a large gap has formed in recent years between monetary incomes and solvent demand of the population, on the one hand, and available commodities, on the other. In 1971-1985 the volume of money in circulation grew 3.1 times while consumer goods production only doubled. We must consistently and firmly pursue the line, within the economic management reform, of making production of consumer goods fit people's demands. Work merely to stock warehouses is not only wasteful. It is absurd whichever way you look at it. Better close down such production. I think this question merits the closest attention.

And the point of the matter is not only that the solvent demand of the population be met with available supply.

Thought must apparently be given to drawing fuller the funds of the population into the solution of a number of other tasks. Many people would like to acquire housing with personal funds through cooperative and individual housing construction. There has been no real advance in this. Quite the contrary, the share of cooperative housing construction has been declining markedly until recent time. This is certainly not right.

Considerable funds could be borrowed from the population for setting up leisure and tourist amenities, and for building paid sports facilities on the local level. The population could invest funds on definite terms into the cooperatives that are being set up now in public services and other areas.

And here we approach another matter. To overcome deformation of demand, we must double or treble the development rate of the entire sphere of paid services, introduce additional stimuli there, and provide more resources. Estimates indicate that by taking this road we can assure an annual increase of services at the rate of 15-20 per cent.

All this and many other things would make it possible to soon improve the situation in the market of goods and services and to strengthen money circulation. Let those responsible for this, in the centre and at the local level, ponder the issue.

The passivity of those managers who are not using the new opportunities to attain social targets is particularly intolerable today. The old habit of approaching social problems from the leftover principle, and the existing sponger psychology are still manifest in this area. And both things should be eradicated once and for all. It is work collectives, and they only, that are to solve their social problems. And work collectives, cities and districts, regions and republics must act energetically, rationally, and enterprisingly, as befits a proprietor.

***Restructuring of Management Should Be  
Efficiently Organized,  
with Party and Political Backing***

Comrades, a radical reform of the economic management is not single act, but a process which will take a certain time to complete. And there must be no delays about this, for that might be the main danger. Too much time has been wasted. In any case we must usher in the 13th five-year plan period with a new

economic mechanism, though the adjustment could be continued later.

The Politburo deems it unacceptable for a lack of reliable organizational backing, and tardiness and lack of coordination of action to lead, as in the past, to delays and incomplete reform.

In this connection it is proposed that the Plenary Meeting endorse the "Guidelines for the Radical Restructuring of Economic Management", a document which contains both fundamental and concrete directives for establishing a new system of economic management. It is also proposed that it should become a Party directive for the entire subsequent work in this area.

What is the organizational intent of the planned economic management restructuring?

Its starting point will be the adoption by the USSR Supreme Soviet of the Law of the USSR on the State Enterprise (Amalgamation). A whole package of specific measures on major matters of the management restructuring is proposed for adoption by the end of this year so as to bring centralized management into accord with the law on the enterprise.

From the year 1988, the new principles will be applied to the operation of enterprises and amalgamations manufacturing about two-thirds of the entire industrial output, including all machine-building, metallurgy, the main part of enterprises of the fuel-and-energy branches, as well as of the chemical, timber, light, food, fishing industries and all types of transport. The transition to new conditions of economic management must be completed in 1989.

The restructuring of the most important economic management functions will be effected parallel with this before the end of the five-year plan period: planning, pricing, finance and crediting, material and technical supply. Stable economic norms of long-time action for the 13th five-year period will be set.

A new five-year plan is to be worked out in a new way, on the basis of the system of economic management introduced. First of all broad independence in concluding agreements on the basis of economic norms and orders of consumers must be provided for enterprises. All work should be organized in such a way as to ensure that the five-year plan is adopted before the beginning of the five-year period itself.

Comrades, the organizational aspect of the changes planned should include a vast programme of legislative activity with the legal mechanism of the economic reform formalized.

The approach is simple: there must be no lack of clarity in the question of legality or illegality of some or other actions in the sphere of economic management. The principle that all not banned by law is permitted should be applied more broadly.

All norm-setting acts contradicting the Law on the Enterprise should apparently be annulled after the adoption of the law, and the issuance of norms by departments should be placed within a strict juridical framework.

A system should also be created for promptly informing work collectives of laws and decrees of the government. People should know the laws which regulate their life and activity.

The role of legal control by the procurator's office over the observance of laws by all organizations and officials is increasing vastly in this connection. The role of State Arbitration in the regulation of economic activity should be seriously enhanced.

I would like to emphasize particularly the need for maximum openness in the entire process of working out and making decisions on social and economic life, for regular and widely covered accountability of representatives of the economic bodies. Publications of drafts and decrees, and broad information about proposals on questions discussed must become a rule. This is the subject of a new Law on nationwide discussion of the most important questions of state life, a draft of which will be submitted to the upcoming session of the USSR Supreme Soviet.

There is a major acute problem of radically restructuring our statistics. A sharp turn towards qualitative indices, broader information on regional and social development, and various selective surveys are needed. No serious socio-economic analysis and, consequently, competent approach to problems is possible without this. We must also broaden the margins for publishing materials on economic and social statistics.

Comrades, it is now especially necessary to increase Party influence in all aspects of our work, to achieve skillful guidance of social processes and work out new creative approaches. From the Central Committee to the primary Party organization, our main task in switching the economy to the new system of management is to ensure the normal functioning of the national economy. This is important precisely because during the transition period we will have to solve simultaneously a number of major and complex tasks in economic development, carry out the structural reorganization of the national economy, implement measures to accelerate scientific and technological pro-



gress, a radical reform of management and deepen its democratic principles.

One should also remember that in the period of time necessary for comprehensive resolution of these matters, the new and old methods of management will be used concurrently. This brings forth problems, unusual in character and complexity, which Party organizations must tackle. The latter must be in the vanguard of all the changes that are being carried out.

The ongoing reform affects essentially all tiers of our economic edifice. The large-scale, diverse work which is carried out at all levels of the national economy to reconstruct the economic mechanism, must receive constant and unflagging attention from Party organizations and committees. They have to impart a political, national meaning to the effort to restructure economic management.

The role and responsibility of Party organizations at enterprises and amalgamations are particularly great. They are undergoing a test for political maturity and capacity for action. Their Party position and practical work will largely determine the transition to new methods of economic management and the implementation of principles of self-government in work collectives.

We are sure that all Party organizations, and all Communists and personnel will take up the outstanding economic problems with redoubled energy, fully mindful that the restructuring of our economy is the decisive, major condition for advancement towards increasing the well-being of the Soviet people and towards all-round progress of our socialist homeland.

\* \* \*

Comrades, such are the ideas and principles underlying the planned restructuring of the system for managing our economy—the most thorough-going and sweeping reform of its kind over the years of building socialism. We are duty-bound to knuckle down to effecting it with a feeling of tremendous political responsibility to the people and to the future of the country.

The main purpose of the reform is to provide further stimuli and impulses to economic growth and lay a solid material foundation for Soviet society's accelerated social and cultural progress.

The restructuring drive under way across the land is directly

continuing the cause of the October Revolution and consistently realizing the ideals inscribed on the banner of our revolution whose 70th anniversary we shall celebrate this year.

The restructuring drive is our response to the historic challenge of the times. Our Party and our people will respond to it in the same manner as when accomplishing the greatest social revolution, building socialism and winning a historic victory of global significance in the Great Patriotic War.

It has always been this way when we were facing the tasks of a historical choice. It will be the case this time too.

# CONCLUDING SPEECH

by **MIKHAIL GORBACHEV,**  
**General Secretary**  
**of the CPSU Central**  
**Committee,**

*at the Plenary Meeting of the  
CPSU Central Committee  
on June 26, 1987*

Comrades, we are concluding the work of our Central Committee Plenary Meeting. You know, and this was rightly noted in speeches here, that the whole Party, the whole country were looking forward to it. Firstly, the present stage of the restructuring has raised many problems. This Plenary Meeting of the Central Committee was to evaluate them and make conclusions for political and organizational work. And, secondly, the Plenary Meeting was faced with the task of working out the main provisions, the principles of a radical reform of the management of our economy.

I believe we have all grounds to say that the Plenary Meeting has justified the hopes of Communists and of all Soviet people. And this determines its tremendous importance. The Plenary Meeting moves our restructuring considerably further along the course mapped out by the 27th CPSU Congress, and makes the understanding of its necessity and new methods of approach to its implementation more profound.

A programme of the radical reform of economic management was adopted at the Plenary Meeting. It creates a powerful and effective lever for speeding up the restructuring.

This programme has absorbed everything that the practical experience of the past two years has given us, that scientific thought has given us, that the lessons of decades of building socialism have given us. The experiments we have conducted in recent years, testing new approaches to the economy, have served as a basis for it. So the adopted documents reflect the collective thought, everything that we succeeded in summing up on this score at the present stage of our society's development.

Special mention should be made of the atmosphere in which the Plenary Meeting took place. It reflects the further development of the new situation that has been shaping up in the Party

since the April Plenary Meeting and the 27th CPSU Congress, and is characterized by a sober evaluation of the course of the restructuring, its successes and achievements, an in-depth analysis of the work, criticism of shortcomings, and an open and businesslike discussion of outstanding problems. All this was present in the work of this Plenary Meeting, and all of us, Members of the Central Committee, have the right to be satisfied.

It was stressed in the report and speeches that, although there have been many accomplishments, the process of restructuring is still going on slowly. By critically assessing the situation we thereby mobilize our possibilities, and we have a great deal of them in all spheres of public life.

The criticism and self-criticism made here are an expression of reasonable dissatisfaction with the state of affairs and an indicator of our strength. The main feature of Bolshevik criticism is that it is concrete, businesslike and constructive. We have all grounds to say that there is progress both in industry and in such a complex sector of the economy as agriculture. But particularly considerable is the progress in the minds of people, in the understanding of the socio-political situation which has arisen in the country of late.

Our country is a rapidly changing society now. This is a society with new moods and new hopes. Society is renewing itself, it has been set in motion, thinking has become active, and practical actions are getting more vigorous and bringing ever more tangible results.

The Plenary Meeting is completing the elaboration, as it were, of an integral concept of restructuring, the idea of which we advanced in April 1985 and worked out in the documents of the 27th Congress and the January Plenary Meeting of the Central Committee. And the issue is not only of the theoretical aspect, however important that may be. The political importance of the current Plenary Meeting is that it translates the ideas of the restructuring into practical deeds, and, moreover, it does this in the decisive sphere of society—the economic sphere which concerns the foundations of the people's life.

I wish to say once again that the decisions of the Plenary Meeting and the documents adopted by it substantially deepen, both theoretically and practically, our strategic course of acceleration, of restructuring. They provide fundamental guidelines for restructuring the economy. Much will, of course, be prompted by practical experience. Life itself will broaden the views of the

restructuring. We are in for new problems and considerable difficulties. We are not insured against mistakes either, but we must act and work in such a way that there are as few mistakes as possible.

And yet I am sure that the greatest mistake is the fear to err.

If somebody, fearing the complexities of the current stage, sits it out cowardly in his office, without reacting to the fact that life is knocking ever louder at the doors and windows, this will become the biggest mistake.

We have made it a strict rule not to evade resolving urgent problems and not to let questions pile up, for too great a number of questions have piled up as it is. The fear of making a mistake is particularly ruinous—it paralyzes one's will and restrains the efforts aimed at transforming society.

We are now living through a kind of transitional period, particularly as concerns the economy. We are to switch all enterprises and amalgamations over to complete cost-accounting, to prepare and carry out a radical planning and price formation reform, and to restructure the material and technical supply system, finances and crediting, and remodel organizational structures of management.

All this will require serious and thoughtful work. At the same time no one will relieve us of accomplishing the tasks of the 12th five-year plan period and of attaining the goals which we set in the five-year plan.

Of course, we must do everything to ensure that this transitional and complex period not become too long, and that we act in this crucial period resolutely, thoughtfully and efficiently.

Everything is important in this work. But, perhaps the most important thing is that we are launching a radical reform of economic management which affects the economic interests of millions of people. This, I repeat, is the main and the most important thing.

This is why in all our practical actions we should take these interests into account. This does not at all mean that we may let ourselves be led astray by various sentiments and by reliance on others. No, Comrades. I am speaking of the legitimate interests which we must take into account without fail, and therefore all the work for switching over to a new mechanism of management must provide more opportunities for realizing these interests. It is precisely the consideration of these interests that is to become the spring which will add new dynamism to our economic system and to all economic activities.

In general, all the work at the present stage should be carried out with a great sense of responsibility. And society headed by the Party, which has experience, is theoretically prepared and united organizationally, is capable of this. We must emphasize very strongly now that the role of the Party is particularly important at this stage of social development and in the restructuring as a whole.

A most important task—the practical implementation of the reform in all links, at all levels—is assigned to the CPSU. Speaking of this, I want to emphasize the role of primary Party organizations. For everything we have planned will in the main be implemented in the work collective. The activities of all the bodies of economic management must be aimed above all at creating the conditions needed for the main link of the economy to function successfully and effectively.

The growing role of the primary Party organization is determined precisely by the fact that it is functioning in a work collective. The Party committees, starting from the CPSU Central Committee, must bear this in mind and use every means possible to help primary organizations function effectively in the new conditions. This applies to all the aspects of Party work—political, organizational, and ideological.

The huge corps of the country's economic managerial personnel also faces new tasks. The Party is counting on their decisive contribution to the implementation of the reform. The country has an immense managerial personnel potential, and it is essential to help this personnel understand even better the novelty and magnitude of the current changes in connection with the economic reform and to join in the active work under way on the basis of the new principles of management, introducing them everywhere, in all sectors of the economy. All those who are on the side of the restructuring, who are for the reform and who strive to give all their energy and experience to it, to put their heart into this work, should have the active support and attention of Party bodies.

Such persons constitute the overwhelming majority of the people. Moreover, the reform will proceed with great difficulty if we do not overcome such a shortcoming as reshuffling in the main section of the personnel; I mean the managers of enterprises, construction projects, and collective and state farms. Therefore, I want to repeat once again: all the managers who are politically for restructuring and who have the necessary com-

petence must be given support. It is necessary to support them and to help them in their work.

Speakers at the Plenary Meeting, Comrades, pointed out correctly that the 13th five-year plan period will be a decisive stage in the radical restructuring of economic management. By that time the reform of planning, price formation, and of the financial and crediting mechanism will have been completed, and the transition to wholesale trade in capital goods will have been basically carried out. An integrated system of management will be introduced as a result of all these measures.

But for this the 13th five-year plan should be drawn up with due account taken of the present, of the new notions and more profound understanding of the processes taking place in the economy. In this connection it is essential that one of the Plenary Meetings of the Central Committee discuss the political concept of the 13th five-year plan and its strategic design.

We adopted a decision on the holding of the next, 19th Party Conference. This will be a major political event for the Party and the country. For us Communists it will become in effect a political exam in what is the most important to us—the restructuring.

We should conduct all our practical work in the field of the economy and in other spheres in such a manner as to pass this exam with flying colours, to bring to the Conference good practical experience and real results, and to learn lessons for the future.

Comrades, I want to stress once again that our economic work and the restructuring in the national economy can be successful only if they involve millions of working people. So it can be said that our course of fundamentally restructuring management actually merges with the course of the further democratization not only of the economy but of society as a whole. Progress in the economy and development of socialist democratism are indivisible.

You will soon be heading home to republics, territories, regions, cities, districts, and to enterprises, and the Members of the Central Committee and all the participants in the Plenary Meeting will be confronted with practical tasks of immense significance that stem from the decisions that have been adopted.

The directives and ideas of the Plenary Meeting must, first of all, be made known to Communists and the broadest sections of the population. It is very important that we should be capable of

linking the long-term tasks set by the Plenary Meeting with the accomplishment of day-to-day tasks, above all with those set forth in the Politburo Report to this Plenary Meeting of the Central Committee.

I think this is the most important thing now. People should really feel that the restructuring is unfolding, expanding and beginning to bear real fruit in all spheres of life and above all in what concerns meeting the daily, essential needs of the working people.

Let me wish you, Comrades, productive work in fulfilling the decisions adopted by the Central Committee Plenary Meeting.



**Михаил Сергеевич Горбачев**  
**О ЗАДАЧАХ ПАРТИИ**  
**ПО КОРЕННОЙ ПЕРЕСТРОЙКЕ УПРАВЛЕНИЯ ЭКОНОМИКОЙ**

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