

Mikhail Gorbachev's report to the plenary meeting of the CPSU Central Committee

Here follows the full text of the report "On the Party's Tasks in Fundamentally Restructuring Management of the Economy" made by Mikhail Gorbachev, General Secretary of the Central Committee of the Communist Party of the Soviet Union, at the plenary meeting of the CPSU Central Committee:

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 man of labour and opened up scope for the initiative and creativity of the masses.

All this enabled us within the shortest period of time, in historical terms, to turn the country into a mighty industrial power, successfully solve extremely complex social problems and create the great multinational 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 October Revolution. We justly take pride in our history and are confident about the future.

At the present stage, guiding themselves by Leninist teaching and creatively developing it, the Soviet people and 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 study one of the cardinal questions of the restructuring. I refer 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 political bureau believes it necessary to present to the central committee an evaluation of the course of the restructuring effort and the fulfilment of the decisions of the 27th CPSU Congress.

I. Along the road of the April plenary meeting

Some political results of the restructuring

Comrades, the period since the April (1985) 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 characterised by intensive theoretical and practical work, by the 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 is becoming ever deeper that restructuring was necessitated

by the mounting contradictions in the development of society.

These contradictions, on 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 concrete 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 directed first of all at unblocking the contradictions forming the main elements of the braking mechanism, and thereby at giving social development a mighty and irreversible impulse of acceleration.

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 changed — cardinally changed — conditions of an internal and international nature, 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 and how socially effective society is will be judged exactly by the progress of the restructuring drive, by its results.

This, comrades, determines the scope of the business at hand and the measure of our responsibility.

The changes in society after the January (1987) plenary meeting show with particular clarity that the country's healthy forces, the working people, firmly demand renewal, acceleration, the prompt solution of ripe problems and the absolutely definite overcoming of stagnation and conservatism.

The process of the democratisation of all aspects of life is expanding and deepening. Public organisations are displaying more initiative. Democratic principles are gaining momentum in the management of production. Public opinion is having its clear and weighty say. The mass media has started working more actively, in the interests of the renewal drive. An offensive is in progress against bureaucratism. The administrative and pressure methods of management are being

gradually overcome. Important changes are taking place in the work of cadres, their composition being renewed by the injection of fresh forces.

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

The explosion of spiritual activity can be named among the achievements of restructuring. The public's interest in processes taking place in science, literature and art, in the press, radio and television has increased. People want to know more about the country's past, present and future. Public interest in affairs of society and the state, in problems of world outlook and in moral and ethical problems has become keener and sharper.

Having started the reform of secondary and higher education we are taking an important step towards creating a modern system of education. All this taps new reserves for further expanding and deepening the reorganisation.

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

Secondly, it is connected with the transition of many branches of the economy to new methods of management, to full cost-accounting and self-financing with a simultaneous development of progressive forms of work organisation, and first of all the collective contract.

The new situation has made its impact to a certain measure on economic results as well. The rates of increment of labour productivity have increased. They have exceeded the figures of the 11th Five-Year Plan period in industry and construction by 30 percent, in agriculture by 100 percent and in railway transport by 200 percent.

On average, during the past two years the rates of increment of industrial production amounted to 4.4 percent and in agriculture to three percent.

The positive trend has also manifested itself in such an important industry as capital construction, which was in a difficult situation. Not without difficulties and struggle, positive changes are taking place in the other branches of the economy as well.

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 by the five-year plan. This year the rates of increment of capital investments in the development of 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, the stage of solving concrete tasks along all directions and in all spheres of socie-

IN THIS ISSUE

Mikhail Gorbachev's report to the plenary meeting of the CPSU Central Committee	p. 221
Main Provisions for Fundamentally Reorganising Economic Management.	p. 232
Resolution of the plenary meeting of the CPSU Central Committee	p. 238
Mikhail Gorbachev's concluding speech at plenary meeting	p. 239

ty's life.

The January plenary meeting gave powerful impetus to labour and social activity. It became obvious that no one can stand on the sidelines of the restructuring drive — every person must take his position.

During these months Soviet people have especially acutely felt the complexity of the accumulated problems and more and more clearly realise the need for really cardinal changes and a consistent pursuance of the course of renewal.

At the same time understanding has deepened in the party and in 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 imbalance between the growing vigour of the masses, and the still surviving bureaucratic manner of activity in most diverse fields and attempts to freeze the renewal drive is one of the manifestations of this real contradiction.

Overcoming this contradiction requires prompt and resolute measures — in personnel policy and in the assertion of new approaches and norms of party, state and public life.

What does the political bureau regard as the most effective means of solving this contradiction? The answer is clear-cut and definite — the extensive development of democracy.

Today, and this is again proved by life, it is the command-and-administrative forms of managing society that put a brake on our movement. Democratic and *only* democratic forms are capable of imparting a mighty acceleration to it.

The experience of the reorganisation, of its initial stage, also calls for a close look at the actually existing contradictions of interests of various groups of the population, collectives, agencies and organisations.

There can be no doubt that socialism removes the antagonism of interests — this is a known and correct thesis. But that 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 of the impossibility of living and working in the old way, of the objective necessity of renewal and profound transformations.

But as soon as this renewal began drastically to affect deeds, penetrate all sections of society and reach the concrete person, we saw the surfacing of the contradiction between the instant, narrowly understood, even egoistic motivations 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 do we not feel how painfully it is being received in some central agencies?

The difficulties of the renewal drive are illustrated by the experience of state quality control, of the struggle against drunkenness and alcoholism and of the efforts to introduce order and discipline.

It is also evidenced by the first steps to introduce principles of cost-accounting and assert such principles of labour remuneration under which it is linked entirely with end results.

All these are real processes, comrades, contradictions of life. And we must see them and taken 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 quality control has been introduced.

As is known, this is not a simple matter and it has affected the interests of millions. Yet the working class has clearly determined its position: state quality control is necessary, 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 reorganisation. And this is of decisive importance for its success.

Work collectives are eagerly tackling the solution of key questions of the country's social and economic development, putting to the fore the timely and proper fulfilment of contract obligations concerning delivery of output.

Emulation in honour of the 70th anniversary of the Great October Socialist Revolution is gaining momentum in the country. In short, the working class is charging the restructuring drive with high-tension energy.

Especially unseemly — against the background of the truly civic stand taken by the working class — is the behaviour of those who for the sake of their selfish advantages are impeding social transformations and standing in the way of the drive for renewal.

I think the work collectives, the party and public organisations should display firmness in respect of such people, be implacable to them. Such is the demand of life. And this is how we in the political bureau understand this question.

There arises the problem of striking a harmony between public and personal interests on a broader plane, as well. 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 crux of the restructuring is to take into account interests, influence and control them, and give guidance by using them.

Mention should also be made of contradictions in the sphere of labour and relations of distribution, which we encountered when beginning the transition to full cost-accounting, to remuneration for the end result and to the system of collective and family contracts.

What has happened here? The issue is that 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 in the moral and ethical aspects.

It appears to be obvious that equality does not mean levelling. But in practice we often got just that. The tendency towards levelling persisted tenaciously. It generated sponging attitudes, 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 level of social protection given to people in our country. This is what makes socialism *socialism* — 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 a person's real contribution to the common cause.

And, conversely, passive attitudes, idleness, low culture of work and anti-social manifestations should be evaluated accordingly — socially and economically. The socialist content of social justice lies precisely in this.

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 con-

stant attention to scientific analysis of the course and socio-economic consequences of the reorganisation, to the contradictions of 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 facts of social life, and a scientific substantiation of the aims and prospects of our movement. We cannot advance successfully using the trial-and-error method: it 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 insights into the future. The experience of the Paris Commune gave Karl Marx the possibility to work out the ways of transition from capitalism to communism.

Proceeding from the experience of the first years of socialist transformations 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 this plenary meeting that the drive for renewal 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, let alone complacency. We are now only actually on the first wave of the restructuring. This wave has sent ripples through stagnant water.

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 possibility to manifest itself fully.

It is the more necessary to speak about this, so that working people continue to be worried about the destiny of the restructuring. People continue to advise — I would say, to demand — that we do not stop, and advance further along the road of changes.

Recently, in one of the conversations with working people in Leninsk during the trip to Baikunur, I was asked when the restructuring would reach them. I replied that the leaders of the republic and region were present, were hearing our conversation and should think why such a question was being asked and draw appropriate lessons 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 thing. People write that they are for renewal, but that they see no changes around them.

The restructuring has not affected the work collectives or the towns and villages where they live and work — many prove this with facts. 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 political bureau cannot ignore the obtaining 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 millions of people, it has generated tremendous hopes. And if today working people are concerned about the slow course of transformations this means there are shortcomings in our work.

An alarming tendency has taken shape, comrades, and is borne out by facts — a number of party organisations are lagging behind the dominant mood and the dynamic processes now developing in society.

Obviously, this question needs to be studied at our plenary meeting. Today this is a key moment in work. The way the party acts will determine the manner in which the restructuring drive will proceed.

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

The political bureau responded to this with understanding. We said at the time that everybody was being given both time and a chance to readjust. But business, comrades, brooks no delay.

We must not allow readjustment 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 in the mood of the people outpace the understanding of these processes in the party, especially 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, and by their inaction actually sabotage the restructuring.

That is why the political bureau concretely sets the question of raising the responsibility of communists, of the leaders of party, government and economic bodies for the state of affairs, for the real solution of ripe problems and for the progress of restructuring.

Exactness should be raised on all levels. But we must begin with ourselves, with the political bureau, the secretariat, the government and members of the central committee.

A tremendous responsibility rests with the political bureau 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 political bureau there is a deep understanding of responsibility to the central committee, the party and the people for the solution of the new complex tasks.

The members of the central committee know that the political bureau, the secretariat and the government are working hard. Large-scale work has been launched within a short period of time along all directions of social transformations.

I can say that in the leadership of the party and the country there is unity of views on the fundamental questions of the restructuring effort, of 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 political bureau I must say self-critically that we also see our weaknesses in practical work. There are instances when important decisions on major questions of the country's development are being fulfilled slowly and not in full. There has been a principled and frank discussion on this score at the political bureau.

Now we have made it a rule at meetings of the political bureau and the secretariat of the central committee, regularly to study progress in fulfilling the key decisions adopted after the April plenary meeting of the central committee and the 27th CPSU Congress, as a way of controlling their fulfilment.

In conditions of the readjustment the Council of Ministers of the USSR has taken an active stand. Yet it should further improve its activities in guiding the economy and attaining the tasks of the social policy, combining concern for the prospects of development with the solution of current tasks. Reorganisation in central agencies is proceeding slower than required by life.

It is clear to us that the transformations which we are carrying out are impossible without vigorous work by local party, government and economic bodies and all leading cadres. A special responsibility rests with them for the practical solution of concrete questions of the reorganisation.

And what we note as positive today is connected in no small measure with the work of local organisations.

I think you will agree that on the local level the process of renewal is only beginning to grow in scope, and it is not proceeding uniformly everywhere. There still remain "preserves" of inertia and sluggishness.

These, too, are realities and we have no right not to notice them. Moreover, we have no right to ignore them and leave them without a party appraisal.

Immediate tasks of the present stage of restructuring

Comrades, it is our task to critically look at the state of affairs and make an objective analysis of the successes and weaknesses of the restructuring effort. So what we need is a principled, frank and comradely discussion, concrete proposals and constructive ideas.

Let us begin with the development of the national economy. The political bureau drew attention in due time to the complexity and responsibility of this year's tasks.

It would seem that this was understandable to all. But serious miscalculations were already made in the first months of the year, leading to malfunctions in many sectors of the economy. Both the political bureau and the government had to take urgent measures to right the situation. And although it is normalising, considerable losses have been sustained.

But what happened at the beginning of the year could have been foreseen and prevented. But that was not done, and those primarily responsible for this 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 not only made by them. The necessary timely measures were not taken by the Ministry of Ferrous Metallurgy (Comrade S. V. Kolpakov) and the Ministry of the Chemical Industry (Comrade Yu. A. Bespalov). The failure by enterprises of these ministries to make deliveries stipulated by contracts resulted in a faltering of the rhythm in other branches of the national economy, and first of all in machine-building.

The Ministry of Machine-Building for Animal Husbandry and Fodder Production (Comrade L. I. Khitrin) did not fulfil its five-month plan of delivering equipment to collective farms and state farms. This is due to the substandard organisation of work at many enterprises of this industry, especially as regards quality of output. The tremendous 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 this branch, pleading objective difficulties, has declined to accept many orders placed by the trade sector, and gone to a curtailment of production at a time when there exist real possibilities for growth.

It was necessary to see to it in earnest that the manufacture of sought-after goods was started, and in necessary amounts, instead of producing goods which are not in demand.

The attitude of the Ministry of Light Industry and Minister Comrade V. G. Kluyev, is an example of how departmental interests rise above society's needs — and that means above the people's interests. There can be no other evaluation of it.

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

We have got, for example, a programme for the modernisation of machine-building. This is a great cause. Work here has been started on a large scale, with an eye to achieving serious end results.

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

The modernisation tasks are being tackled slowly in other machine-building ministries, too. We understand, of course, that the machine-building workers have encountered great complexities and difficulties. It is a question of cardinal reorganisation of the operation of the entire machine-building sector.

But it is difficult to understand why many ministers, party committees and the staff of ministries are acting in this situation as if they are dealing with routine matters. 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 are obviously lacking activity and efficiency.

It is obvious that the state of affairs in the machine-building sector deserves to be considered at the political bureau 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 reorganisation process.

It is marking time in Armenia, for example. The working people of the republic show great concern for the situation which has developed there in the economy and particularly in the ideological and moral sphere.

At the same time the leadership of the Communist Party of Armenia and, first of all, Comrade K. S. Demirchyan, first secretary of the party's central committee, are of the opinion that the state of affairs in the republic is quite all right.

Moreover, some people even maintain that the reorganisation process in Armenia began before the April plenary meeting of the CPSU central committee. It is difficult to say what is meant by this.

A totally unjustified tranquillity is being shown in the republic. There is no due exactness 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 analyse the state of affairs both within the party organisation and in the republic as a whole, consider it from principled positions, and begin reorganisation in practice, not in words.

Few marked changes for the better occur in some major regional party organisations, such as that of Gorky region. Many vitally important issues are tackled there in an unsatisfactory way. The powerful potential of the region is not duly utilised. The social sphere and the agrarian sector of the economy are developing weakly.

It may be presumed that the regional party committee (headed by Comrade Yu. N. Khristoradnov) and all the party organisations of the region should draw conclusions from the criticism and put right the state of affairs.

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 organisations, and ensuring control over the implementation of the decisions of the CPSU central committee.

Comrades, the realisation that the reorganisation is a lasting policy and that the task of leading Soviet society to new advances cannot be accomplished at one go, has become established in the party and society.

But, it turns out, some comrades have

understood this correct and realistic line as meaning that the reorganisation is ostensibly 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 giving oneself much trouble. This is a deep misapprehension for at least two reasons.

Firstly, we have already lost years and decades.

Secondly, it may so happen that there will be no 'beautiful tomorrow' if one does not work today by the sweat of one's brow, changing the way of thinking, overcoming inertia, and mastering new approaches. Talk to the effect that "the reorganisation will wait" is harmful and dangerous.

The political bureau puts the question as follows: today, at the initial stage of the reorganisation, in every sector of work, it is already essential for everyone to secure tangible practical results in the sphere of their activity.

Soviet people are aware that the attainment of many goals of the reorganisation will require a long period of time. But they justly put this question: Why are urgent and relatively simple tasks, which would substantially improve working and living conditions and would make the moral and spiritual atmosphere healthier, not 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 for discipline and order. It is a fact that in many places enthusiasm has flagged, and work is being conducted in an extremely languid manner. Instances of drunkenness have become frequent again. Loafers, spongers and pilferers — people who live at the expense of others — again feel at ease. The working people are concerned over that, and it is a legitimate concern, comrades.

The laxness of discipline and the lack of due order are evidenced by instances of periodically recurrent extraordinary, major occurrences. The causes as a rule turn out to be the same: lack of discipline, negligence, mismanagement, and irresponsibility. The same is also evidenced by the violation of Soviet air space by the West German sports plane, and by 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 emphasises the need to enhance vigilance, to act still more resolutely, to strengthen discipline, to raise the degree of organisation, to enhance responsibility and improve performance everywhere and at all levels.

On behalf of the political bureau and the Council of Defence I firmly state that 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 first-priority tasks and of urgent deeds, we proceed from the premise that in the first place, obvious and wide-spread shortcomings will be removed, and that there will be more order in trade. The service sector, the health care system and the communal services — i.e., in sectors of the economy directly connected with people's everyday life.

Of course, these matters should be the focus of attention at the government level. But the responsibility of the republican, territorial, regional, city and district authorities for the state of affairs should be raised.

At present, unfortunately, one encounters such a situation where there is much talk about the benefits of reconstruction but little is done practically to satisfy people's simplest needs.

Parasitic attitudes are deep-seated in many local officials. Even in cases where only a small effort and minimum of attention are enough to resolve the question, officials keep nodding in the direction of the central authorities, and wait for help from those higher up.

That attitude is no good. It should be resolutely condemned and overcome. This is where the party's attention, exactingness and control are needed — but are obviously lacking.

At this plenary meeting, among first-priority items, I would like especially to single out such tasks as the provision of our people with food, housing, consumer goods and services.

One should say that there are already both concrete experience and concrete results in this sphere.

Let us take the food problem. The situation here is improving. Figures on that score are known, in the main. I shall mention only a few of them which characterise changes that have taken place over the past two years. The production of grain increased by 37 million tons compared with 1984; of meat (in slaughter weight), by one million tons; milk by 4.3 million tons; eggs by 4,200 million.

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

The political bureau holds that all objective conditions have been created, at the present stage I would say, for making a kind of leap in boosting the output of farm products. Possibilities for a radical change exist in 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 and livestock products, more widely introduce collective- and family-contract systems and actively solve the social problems of the countryside. This is, comrades, only one aspect of the matter.

Another aspect is in resolutely stopping those who continue to intervene in the work of collective and state farms without bearing financial responsibility for it. At the recent conference at the CPSU central committee, the leaders of collective and state farms voiced requests to protect them 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 changing 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 now been immeasurably raised.

But at the same time their responsibility for the provision of food has grown as well. One should say that this gave a powerful impetus to the initiative at the local level. Quite good results are already manifest in places where the workers promptly and properly understood the meaning of the changes and appreciated the opportunities that had opened up.

For example, Krasnodar Territory, by the results of the first half of the year, successfully coped with the delivery of livestock products to the Union-republic stock — and they procured 15,000 tons of meat for their own needs in excess of that. This is more than 35 percent with respect to the main market stock — more than 100,000 tons of milk and 65 million eggs.

Or take the Tatar Autonomous Socialist Republic: 15,000 tons of meat and 59,000 tons of milk have been procured for local consumption in addition to the main stock.

A similar situation exists 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 gained 25,000 tons of meat and 260,000 tons of milk additionally for the improvement of local supply. The same can be said about the Baltic republics, 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 regional, territorial and republic organisations to exceed the planned targets of the five-year period through an increase in the output of farm

products in the socialised sector — and on that basis to ensure the deliveries of farm products to the state stock without fail, and sharply to improve the provision of them to the local population.

This is the main direction. The collective and state farms should increase the return on the investments channelled into the development of the countryside in recent years.

But one should use all the reserves. It is necessary to return again to the question of the role of the individual small-holding which is understood in different ways at local level, and there are different attitudes to the utilisation of resources of the small-holding.

Here is one example. In Omsk region, the production of meat by small-holdings grew from 27,000 to 60,000 tons — or by 120 percent — over the past decade. There, practically every family living in the countryside keeps cattle, pigs and poultry.

All-round assistance is given to the people, with young cattle, feed and the appropriate services. Last year the co-operatives purchased 20,000 tons of meat from the population. The prices of fresh-killed meat at the markets of the region do not exceed 3.5 roubles per kilogram.

But here are examples of a different kind: Vladimir region has a major industrial and agrarian potential, but only 46 kilograms 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 are brought from other regions of the country.

The situation in the provision of dairy and meat products in such large agricultural regions as Vinnitsa, Kirovograd, Nijkolayev and Yaroslavl is no better.

Quite a lot can be done on the basis of local initiative, not only for boosting the output of farm products but for the development of the food industry.

Why are 25-50 percent of confectioneries brought to Uzbekistan, Kirghizia, Tajikistan and Turkmenia from other republics when they have the richest resources of the raw materials?

Local production ensures only 30 percent of canned fruit and vegetables for the population of Kazakhstan. The rest of the amount is brought from other places. Can this be viewed as normal?

Comrades, it is essential to meet the requirements of the population for orchard and gardening plots in the coming two or three years. It is time to cease alluding to the shortage of land. This does not conform to reality. Land is available.

In places where there really is little vacant land, one should go over to allotting part of the lands belonging to collective and state farms and to enterprises.

Let us agree finally: It is essential to fully satisfy all the requirements of the working people and to lift unfounded restrictions and remove obstacles in this matter.

I think the question of the use of houses and small-holdings that remain vacant for years and sometimes decades in a number of rural areas of the country, particularly in the non-black earth zone, should be resolved more quickly. The number of abandoned houses has now risen to 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 organisations they request permission to purchase those houses and to use the land.

I believe that it will be correct if collective and state farms lease the abandoned houses with small-holdings to city people. And in many cases it will be possible to do that on the basis of a contract for the lands to be used for the output of farm products.

The situation in the transportation, storage and processing of agricultural raw materials also serves as an example of sluggishness in the solution of the food programme. It was emphasised at the 27th Congress of the party that the removal of the losses of agricultural raw materials would make it possible to increase the consumption resources by 20-30

percent and to save considerable funds. Such calculations, it seems, are within the ability of a ten-year-old.

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

Just think, comrades, over this fact: the construction plan for these branches was not fulfilled by a majority of Union and autonomous republics, territories and regions.

This is graphic evidence of an attitude to the question of resolving a vitally important problem. It appears that produce, the provision of which we strive for, will continue to rot because there is a shortage of both storage and facilities of the processing enterprises, and then losses will be compensated for through imports.

Let us stop regarding such things impassively. The USSR State Agro-industrial Committee, together with local bodies, should find out why this is so, and establish common order where necessary, and — the main thing — take a firm course towards the speediest and fundamental solution to the problem of storage and processing.

I should say that everything that has been said makes one think very seriously. Parasitic tendencies in the solution of food issues have developed greatly in this country in recent years.

The leaders of many regions took up 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 resources — again they send telegrams to the central authorities.

Of course, I am far from portraying everything in one colour, or simplifying the problem. Many troubles are connected with the general state of affairs in the country, but still the spirit of parasitism in the solution of these issues has seized many of our cadres.

In general, comrades, the political bureau is of the opinion that we have real opportunities for seriously changing the situation in the food supply in the coming two or three years.

Life provides striking examples 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 the intensive work collectives established comparatively recently, which had land and other means of production assigned to them long-term. Last year each produced, on average per member, 700-800 tons of grain, and put out an aggregate of 70,000-100,000 roubles' worth of produce — and sometimes more.

Unfortunately, there are still few of these collectives. The family-contract system is insufficiently widespread, although the efficiency of these forms of organisation of and payment for labour is high enough.

Of course, durable machinery, agricultural chemicals and crop varieties resistant to unfavourable conditions are needed for a rapid increase in production. But, first of all, what is needed is a person infinitely interested in the results of his work, and responsible for it.

We have long tried to manage the economy on the basis of enthusiasm, and at times by decree. But we used 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 first members of intensive work collectives in Novosibirsk region, the Kozhukhov brothers from the Bolshevik collective farm in Ordynski district, say that what attracted them to this kind of collective was not only high wages but, in no smaller degree, independence, the realisation of their human significance, and pride that they do the necessary kind of work.

If a mass movement for highly organised, 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 who are able to ensure such a fundamental change.

Here are examples: A. A. Volochensky, a member of the CPSU and machinery operator at Artyomovskiy State Farm in Pytalovo district of Pskov region, requested the management of the state farm to assign a plot of land to him and give him calves for fattening.

Under a contract, 40 hectares of land (ten of them ploughland and 20 hayland) were allotted to him. Volochensky repaired a harvester and two tractors, which had already been written off, and a neglected calf shed in which he put 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 her spare time. On the whole, it is planned to produce more than eleven tons of meat within a year. The proceeds will exceed 31,000 roubles. The payment for the young stock provided by the state farm, for fertilisers, seeds, fuel and other resources at intra-farm prices will amount to 23,000 roubles, and wages will be 8,000 roubles.

The family-contract system in vegetable growing has also been gaining ground in the Ternopol region. On three farms in the Zaleshchiki district — the Bogdan Khmel'nitsky, Zolotoi Kolos and Kommunist farms — 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 this year on smallholdings.

The system is also being promoted in the district centre. Collective farms have allotted vegetable seedlings, hot-house film, fertiliser, pesticides, watering pumps and crates to many families. Cultivating early ripening tomatoes on 1,500-2,000 square metres each, these families gather seven or eight kilograms 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 unfetter popular initiative.

What still happens 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 percent of rural families do not keep cows and 33 percent do not keep any stock at all.

Numerous facts have proved to us what is still more important: unshackled grassroots initiatives and departure from over-organisation and from excessive reliance on centralised management make it possible, with the same resources, to achieve a breakthrough in increasing food stocks.

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

To solve the housing problem is another acute and urgent task. As I have already said, possibilities have been found at the central level for increasing the rate of housing construction in the country.

In the 12th five-year period, it is planned to increase the volume of housing construction by 60 million square metres as compared with the 11th five-year period, as the result of additional capital investments.

In all, more than 15 million families will be provided with apartments over the five-year period.

But that is not all. No lesser resources, and maybe even greater ones, are available to enterprises, collective and state farms, cities, districts, regions, territories and republics.

Many local bodies — and I am gratified to point this out — have set about solving in a businesslike manner the Congress-advanced task: to provide

practically every family with a self-contained apartment or an individual home by the year 2000.

There are quite a number of those who are already looking for a possibility to resolve this task within a shorter period of time. This is correct, and should be supported in every way.

But it is necessary, comrades, to say frankly that no fundamental change in housing construction has occurred so far and this is accounted for to a considerable extent not only by the shortages of funds but by the attitude of many party, local government and economic bodies and executive personnel.

The general talk is not always followed by persistent work, with initiative and a search for reserves for the accomplishment of this urgent task.

Quite often one has to hear that there is a lack of facilities to meet the growing scope of housing construction. But this explanation can satisfy no one: firstly, if there is a lack of facilities, they should be created; secondly, 20 percent of the capacities of house-building plants in the country are not used at all now. These data are the country's average.

Enterprises of this kind operate at only at 65-70 percent of their capacity in Azerbaijan, Armenia, Kazakhstan, Turkmenia, Uzbekistan, and at 50-65 percent of their capacity in 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 such a situation where there is a shortage of housing and building materials in the country while most building-industry enterprises operate in one shift and a half with two days off a week?

As a result, up to 50 percent of calendar time is lost. Can they not be switched over to a continuous cycle of operation? This is precisely what iron and steel workers, chemicals workers, power engineers and food industry workers do. Engineering workers are switching over to multi-shift work conditions.

And it is not only the capacities of the house-building plants that are inadequately utilised. Brickyards in the country operate at only 80 percent of their capacity at a time when there is a shortage of bricks everywhere. They are used inadequately in the Russian Federation, in the Ukraine and in Kazakhstan. The brickyards operate at only 57-69 percent in Altai and Krasnoyarsk territories.

If we are really concerned over the housing problem, can we put up with such a phenomenon where many ministries and departments have utilised only 70-80 percent of capital investments allocated for increasing the capacities for the making of large-panel houses?

I think, 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. F. Voyenushkin) and the timber, pulp-and-paper and wood-working industry (headed by Comrade M. I. Busygin) resolutely to change their attitude to housing construction.

Let us, think it over comrades, 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 while developing the reorganisation process, we do not find real opportunities for accelerating a solution to the housing problem. The construction of housing is a countrywide task, and it is precisely from these positions 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 goal-oriented state programme has been elaborated. But this in itself is not yet a solution to the issue.

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 single-valued.

Some people really make use of the prerequisites created, actively conduct a search for solutions and increase the production of goods and provision services. The example of Byelorussia, Lithuania, Estonia, Leningrad, Ulyanovsk and other regions can be cited. Their experience is known in the country.

However, many people continue to act according to old simplified schemes, counting mainly not on their own efforts but on assistance from the centre and on supplies from other regions.

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 of utilising local resources, and count only on those coming from elsewhere, this is none other than 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 gets acquainted with what goods of every-day use are brought from other regions by some republics, territories and regions, one is struck by how much some of our officials have lost the sense of responsibility in meeting the needs of the people.

They bring the simplest of things from afar, including those which can be produced locally without any difficulties. They bring from other places things which do not require any allocated resources, new equipment, special production facilities or trained personnel.

Comrades, we must bring this fallacious practice up for popular verdict. The press, radio and television should systematically show how these tasks are handled by economic and local-government bodies.

Let everyone also know both those who show a really caring 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 is also necessary to say that far from all ministries have turned to the needs of the manufacture of goods for the people: 18 branches, among them the ministries headed by Comrades E. K. Pervyshin, P. S. Pleshakov, V. M. Velichko and A. A. Yezhevsky, did not 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 get rid of this misapprehension, the better for this issue, and for themselves.

Up to now the point was that we need more goods of better quality and wider range. But the point lies not in that alone.

Just look how many facts indicate that the population is poorly provided even with goods which are in ample supply. And if one adds that there is no due order in many institutions and enterprises of trade, that service standards are low, that there are many queues because of the number of shops themselves is insufficient, and that the operating schedules in the sphere of trade and service are not always subordinated to the working and living mode of the population of towns and countryside, it becomes understandable why their work evokes criticism so often. These questions should be resolved by local bodies as soon as possible.

Possibilities for replenishing commodity resources through production and procuring activities of consumers' co-operatives are being poorly utilised in the country. There are many complaints on that score.

For the time being this system is operating slowly and much of what can be procured from the population and delivered to the consumer through co-operative organisations simply gets lost. We have rendered assistance to Centrosoyuz. Its ef-

forts should also be supported through local bodies of authority.

Comrades, we cannot put up with the lag in community and consumer services, with an unsatisfactory situation in passenger transport, communications, tourism, physical training and sport.

Can the situation be considered normal when repairs of housing and household appliances and the making of footwear and clothes both in the city and countryside become a great problem?

It is not accidental that a "shadow economy" of sorts has emerged in that sphere. Consider the following figure: divisions of the Central Statistical Administration report that, according to their estimates, the population annually pays about 1.5 billion roubles to private individuals for services.

We have repeatedly drawn attention to the need for meeting in full the population's requirements for timber 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 today's discussion at the plenary meeting of vitally important problems of Soviet society will become a lesson and a stimulus for all workers both in the centre and at the local level.

The solution of problems of 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 to what we call ecology. The situation in that sphere has attracted the close attention of the political bureau and the government in the past two years.

It should be said that many negative phenomena have accumulated in the sphere of health care and the protection of the human habitat. We are taking measures to improve the situation. This is a matter of paramount importance, and it demands the attention of all and calls for immense practical efforts.

Democratisation 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, constructive initiative, realistic appraisal of contemporary actuality and an uncompromising struggle against everything that is hindering life.

This is why the first conclusion that arises from the experience of the past two years is that the atmosphere of openness that has taken shape in the country and that enables every person to display his civic stance, take an active part in discussing and resolving vitally important problems of our society and accelerate processes going on in that direction should not only be preserved and maintained, but deepened and developed.

Our experience demonstrates that success is achieved at the places 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 cope with the tasks of restructuring if we fail to pursue the policy of democratisation firmly and consistently.

Let us recall the words of V. I. Lenin: "The more profound the change we wish to bring about, the more must we rouse an interest 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 the same time I cannot fail to make one more point. Articles appearing in the press, acquaintance with the situation at the local level and incoming information all demonstrate that the development of openness and democratism is not a smoothly running process, and that in certain places it is even painful.

Some comrades have developed 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 reorganisation is proceeding and the process of democratisation of all aspects of 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 do so.

Our people no longer want decisions 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, and a portion 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 and right now. Party committees and organisations, and bodies of state authority, should constantly be in touch with public opinion and verify with its help the decisions and actions they are about to take. Our people stand for democratisation both politically and practically.

Mastering new approaches to political work and organisational and ideological activities is not an easy process. Some have difficulties with openness, others find it hard to accept criticism and unfavourable press reports, others still have come to believe that only their own opinion is "infallible".

We are encountering all this — and not infrequently, too. Let us look at the root of those phenomena. The democratisation displeased those who are afraid of finding themselves subjected to open control by society.

They understand full well that they can talk their way out when brought to account by their superiors, but that the people will hold them responsible in full measure. Democracy is putting everything in order, and it becomes clear who is who and who is capable of doing what.

I cannot fail to mention certain points that give rise to concern. It is impossible to be fully ensured against errors in any major undertaking. They have occurred, do occur and will occur.

We have now come across situations when some people would like to make use of the atmosphere of openness not in the interests of reorganisation, not in the interests of developing socialism, but for attaining their narrow self-serving aims.

Efforts should be made to combat such phenomena, openly and in public. To live and work in conditions of the extension of 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, for resolving the problems that emerge and for accelerating our progress.

But when we say that democracy presupposes spirited, wide-scale 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 something undemocratic when, under the guise of countering the ambitions of some group and its claims to be always unquestionably right, the ambitions of another group, its tastes, predilections and its subjectivist point of view are imposed on all.

We are coming across such examples in the mass media, in the arts and literature as well as in the scientific community. Party and public organisations have not been immune to that phenomenon either.

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

Comrades, in considering ways for the further democratisation 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.

Facts of 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 important, it is closely linked with departmental and parochial interests and largely depends on those organisations 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 actions to trim it and regulate its activities, to subordinate it to the interests of the state and of the entire people, and to strengthen legality.

We should master in full the Leninist principle of socialist control, combining broad democracy with party leadership.

We regard people's control both as an efficient means 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 affairs of society and the state.

In the existing conditions we should consider the establishment on the basis of the People's Control 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 reorganisation under way in our society causes immense interest in the world. We feel that our problems are understood not only by the working people in the socialist countries, but by broad sections of the world public, and we feel their sympathies.

The course towards reorganisation was taken seriously by very different political forces. That course substantially increased the weight, influence and authority of our country, and it is convincingly demonstrating the sincerity and peaceful nature of our intentions on the international scene.

Of course, that precisely does not sufficiently suit influential groups existing 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 and imperilled by it.

They understand that it is difficult to find convincing arguments against the course of our party towards reorganisation. This is why their main stake is on using the process of democratisation and openness for prompting us to false aims and defective values, for sowing doubt among our people concerning the correctness and sincerity of the party's policy, its course towards reorganisation 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 an "interest" in our affairs.

We are conducting the reorganisation, extending democracy and consolidating intrinsic values of socialism not for the purpose of appealing to somebody, but so that our society could scale — through reorganisation and democracy — new heights in the process of socio-economic and spiritual advancement. And we shall not steer away from the road of reorganisation.

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

First of all, we should proceed from the actual political and ideological situation which has taken shape after 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 reorganisation of socialism and the cause of reorganisation.

The life of our society is characterised by an increased level of civic activity of all sections of the population and by initiative in raising new questions and overcoming inertia that has accumulated.

It is characterised by increased boldness and determination, by the desire of the people to

assume responsibility for the affairs of society, for the further extension of the 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, tomorrow and not in some distant future.

Of course, new processes in the ideological and political sphere are not proceeding smoothly and have more than one aspect as far as their results are concerned.

No small amount of negative things has accumulated in 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 changes. We are also witnessing efforts to resist new ways. It would be unreasonable not to notice that.

However, it would be far more unwise, even erroneous, to convert difficulties and shortcomings in our ideological and political development into an absolute, because that would call into question the reorganisation itself and the new felicitous 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 conduct ideological work Leninist-style in the conditions of reorganisation, without taking delight in every success along that way, but at the same time without losing heart or becoming panic-stricken when some negative phenomena make themselves felt. We should learn the difficult and dialectically contradictory art of reorganisation.

Comrades, I believe that we should reach agreement at the plenary meeting on the following issue: report and election meetings in the primary organisations of the party will begin in one-two months.

It will be appropriate if the course of reorganisation is put at the focus of attention of the meetings of communists, if they consider the participation of communists — workers, farmers, intellectuals and our leading cadres — 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 reorganisation.

It is very important that the most active supporters of social change, people adhering to principles, aware of the demands of our time, real "engineers" of reorganisation, those who are ready to spare no efforts to make it a success, should become leaders of party organisations at the current stage — a stage 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 and plenary meetings of the 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 reorganisation.

Primary organisations should hear reports on the same matter from party bureaus and party committees which are not scheduled for re-election this year in compliance with the rules.

The political bureau regards the forthcoming report and election meetings in the CPSU as an important stage in scaling up the entire activity of the party in the run-up to the all-union party conference.

It is proposed to pass a decision during the current plenary meeting concerning the date of the conference. As is known, in our party such conferences were called in between congresses.

There was a period before 1941 when it 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 strategic character, made amendments in the party rules and changes in the central bodies of the party.

The January plenary meeting supported the proposal for calling the party conference next year in the run-up to the report and election meetings in the party organisations.

The politbureau is putting forward the proposal 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. On the course of implementation of the decisions of the 27th CPSU Congress, on the main results of the first half of the 12th Five-Year Plan period, and on the tasks of the party organisations in promoting the process of reorganisation.

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

It seems that the proposed agenda will make it possible to sum up political experience accumulated by the party after the 27th CPSU Congress, appraise our progress along the guidelines for the economic and social development, analyse the course of the radical reform of economic management and the participation of party, public organisations, state and economic bodies in the reorganisation.

An analysis of the course of the realisation of the decisions of the congress, the summing up of the political results of work to attain the targets of the five-year plan, and a principled evaluation of successes and shortcomings will then make it possible to consider the activities and tasks of each party organisation at report and election party meetings and conferences in an exacting way.

This will contribute to the process of democratisation of the inner-party life, to raising the activity and responsibility of the communists, and to deepening the entire reorganisation process.

II. A radical reform of economic management — the major element of reorganisation

The necessity and essence of a reform

Comrades, now that the issue of a radical reorganisation of economic management is under discussion, it is essential to visualise clearly again and again what was the condition of our economy at the turn of the '80s.

By that time, the rate of economic growth had dropped to a level which virtually signified the onset of economic stagnation. We began obviously to concede one position after another, and the gap in raising the efficiency of production and the quality of output and in scientific and technological development as compared with the most developed countries began to widen not in our favour.

The development of the economy was acquiring an unhealthy character. There was need of serious changes in the structural policy and in the directions of capital investments so as to impart greater dynamism to the branches forming the basis of scientific and technological progress, resource saving and saving of human labour.

But this was not done. More than that, machine-building was in a neglected state, its production apparatus had become obsolete and its output increasingly fell behind world standards.

The desire to slow down the declining growth rates by extensive methods brought about exorbitant outlays for building up the fuel and energy branches and the hasty drawing of new natural resources into production, their irrational use, an excessive growth of demand for additional labour and its acute shortage in the national economy,

and a decline of the output-per-asset ratio.

Financial tension grew in the national economy against the 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.

Money belonging to enterprises and organisations was groundlessly taken into the budget, undermining conditions for their normal economic activity.

There is, of course, no justification for the build-up of the production and sale of wine and vodka. Liquor tax revenues amounted to 169 billion roubles in the 11th Five-Year Plan period, while in the eighth five-year period they stood at 67 billion.

In short, the country approached the 12th Five-Year Plan period with a serious financial burden.

One should add to this 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 of raising quality and efficiency cease to operate and the soil is created for growth of prices and a number of other negative processes.

But perhaps the most alarming thing is that we have begun to lag in scientific-technical development. At a time when the Western countries started a large-scale restructuring of their economy with emphasis on resource saving, the use of the latest technologies and other achievements of science and technology, scientific-technical progress in our country slowed down.

And not because of absence of scientific backing, but mostly because of the economy's non-responsiveness to innovations.

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 modernising the economy.

As was already said at the January plenary meeting, such a situation in the economy has had an extremely negative effect on the living standard of the population and on the development of the social sphere. Such are, comrades, the realities.

The political bureau considers it necessary to say all this in all frankness once again, not least because voices are sometimes heard asking: is everything so bad, is there a need to sharpen evaluations, and is a radical reorganisation necessary? Maybe there is simply the need 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 fraught with extremely hard consequences for the country and for the people.

Taking our economy out of the pre-crisis situation in which it has found itself calls for in-depth, truly revolutionary transformations. With this end in view we have worked out a new economic strategy and have begun to implement it. We have introduced changes to the structural and investment policy, created major goal-oriented programmes and determined the main directions of scientific and technological progress.

Over the past two years, the first steps have been made in mastering new methods of management worked out on the basis of an analysis of the situation at the turn of the '80s and a series of large-scale economic experiments.

But, I would say, changes that have been achieved here are not fundamental or cardinal ones. The deceleration mechanism has not yet been overcome and has not been replaced by an acceleration mechanism.

One still has to compensate for its absence by extra-economic methods, by administrative pressure.

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

The task, as you understand, is no easy one. The existing management system was not built in a day, 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 of the present system of management were laid down way back in the 1930s. In that difficult period our country, which was far from being the most developed economically, and which stood alone against the capitalist world, was confronted with the necessity rapidly to overcome the technico-economic lag and to bring about quick structural changes in the national economy.

And they were effected in an unprecedentedly short period of time. Over the years of the pre-war five-year periods, gross industrial output grew 6.5 times over, and the Soviet Union moved up from the fourth to first place in Europe and from the fifth to the second place in the world.

The share of industries manufacturing capital goods increased from 39.5 to 61 percent. The number of workers and employees in industry trebled over the twelve pre-war years.

To solve these tasks it was necessary sharply to increase the share of accumulation in the national income. At the beginning of the second five-year period, it exceeded 30 percent, or twice that of the end of the 1920s, and several times that of pre-revolutionary Russia.

About 60 percent of the national income was redistributed through the state budget. The huge resources were channelled in a centralised way into the development of the heavy industry, in the first place.

It was precisely for such purposes that the management system based on rigid centralism, detailed regimentation of work, and directive assignments and budget appropriations was established.

In those special conditions it ensured the solution, within the shortest possible time, of strategic tasks which had taken capitalist countries decades to accomplish. The centralised nature of management increased still further during the war years. In the main, it was kept on 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 years have gone by, the management system has come into increasingly sharp collision 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 increased significance of the human factor have called for thorough-going change in economic management.

The issue of reforming 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 at that time: "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 slow down social and technical progress and sooner or later break under the pressure of the real process of economic life."

Over the past few decades there have also been repeated practical attempts to change the existing 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, they only had what was at best a short-lived effect and did not lead to the desired breakthrough. The stimulating action of the old economic mechanism, in the meantime, has been growing ever weaker, while the braking one has been gaining strength.

At the crucial moment now that we have come close to cardinal solutions, special importance belongs to scientific grounding and theoretical, ideological and political clarity in understanding the substance and main meaning of the changes that have begun and the goals of the management reform.

How and where shall we go further? What is it that we can and should give up, what needs strengthening and updating, and what should be introduced anew?

It is important to stress in this connection that every period in our history has been filled by hard work by the people and marked by major accomplishments.

The experience of economic development we have gained is of great value. This experience, with all its achievements, extremes and even mistakes, is a school whose lessons for us are important both for the present 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 standing in the way of its development and holding back its progress, bring out its immense potential in the interests of the people, give play to all advantages of our social system, and lend it the most modern forms.

But what does strengthening socialism mean in practice? The essence of our revolutionary teaching and all our vast experience demonstrate that socialism should not be seen as a kind of ossified, unchanging society, nor the practical work of refining it as a means of adjusting complex reality to make it fit into ideas, notions and formulas that have been 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 learn from Lenin his ability to take a creative approach to developing the theory and practice of building socialism, adopt scientific methods and master the art of making a specific analysis of a specific situation.

The main question in the theory and practice of socialism is how on the socialist basis to create even more powerful stimuli than under capitalism for economic, scientific, technological and social progress and how most effectively to blend planned guidance with the interests of the individual and of the 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 been growing immeasurably.

Many problems are to be tackled here. We see the key to creating effective stimuli for higher production efficiency in ensuring for the worker the position of a real master in his workplace, in the

collective and in society as a whole.

From the standpoints of theory and practice, it is indisputable that the interest of working people as the masters of production is the greatest interest and the most powerful force for expediting social, economic, scientific and technological progress.

What does it mean in practice, however, to make the worker a real and active master of public property? It means giving collectives and individual workers broad possibilities to manage public property and increase their accountability for how efficiently it is used.

It means ensuring the practical involvement of the broadest masses of working people in economic management at every level — from a workers' team to the national economy.

It means that the incomes of working people should be linked to how they perform on the job, at their factories and, in the final analysis, to how things are going in the country as a whole, to the end results in general.

Democratisation in the economy is inseparably linked with the active use of various forms of co-operative and individual enterprise projects along with state property.

We have taken decisions on this score. It should be said, however, that their practical realisation has drawn varied responses. Quite often, people have talked not about how to use the opportunities being opened up more quickly and better, but about how legitimate these forms of economic activities are at this stage of socialism.

Some people even see co-operative and individual labour activities almost 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 "grey economy" and various forms of abuses, and thus facilitate the real process of making social and economic relations healthier.

The problems of correlation between centralised plan guidance over the national economy and the independence of the latter's individual parts and between planning and commodity-money relations deserve to be given a new serious look. We proceed from their dialectical unity and complementarity in an integral economic management system.

In the new economic mechanism the problem is solved, in particular, by means of economic norms. Changing over to norm-based methods makes it possible to realise most fully socialism's inherent objective prerequisites of the unity of the interests of society, the collective and the individual.

In accordance with the scientifically-substantiated understanding of socialism, its economic system organically includes commodity-money relations. Their skilful use through prices and finance-and-credit relations, the planned winning and controlling of the market with regard for its laws, and the enhancement of the rouble's standing help create efficient cost-wise machinery and strengthen socialism in fact.

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 our economic executives should cope with the job.

The problem of economic emulation and competition is a central one from the point of view of activating the motive forces of socialism.

We proceed from the need to step up real competition between factories and organisations, including that between government-run and co-operative ones, for meeting consumer and national economic requirements better.

The winners in this competition should be rewarded with tangible economic benefits. This is in line with the principles of socialism, and is readily understandable.

I should perhaps make special mention of the

need also to introduce competitive principles into the sphere of science and technology. The issue is that one opinion frequently voiced in the past was that the parallel existence of research, development and design organisations amounts to a scattering of forces, duplication of efforts and irrational spending.

But experience has convinced us that the monopoly position of individual organisations 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, including not only permanent but temporary ones, for solving a number of important scientific and technological problems. It has been welcomed with interest by engineers, technicians and scientific workers and has already been 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, so as to open scope for an economic overhaul.

Comrades, you have been provided with copies of the draft *Basic Provisions for a Radical Restructuring of Economic Management* as prepared by the politburo and the government.

The aim of the concept for a management overhaul suggested in the document is to re-orient economic growth from intermediary to final socially significant results and to satisfying public needs, promoting an all-round development of the individual, making scientific and technological progress the main factor for economic growth, and creating a reliably-operating input-restricting mechanism.

To achieve all this, it is essential to change over from predominantly administrative to predominantly economic methods of management at every level, to broad democratisation in administration, and to activating the human factor in every way.

This changeover involves: Firstly, a drastic extension of the margins of independence for amalgamations and factories, their conversion to full-scale profit-and-loss accounting and self-financing, increased responsibility for achieving the highest 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 transforming centralised economic management, raising its qualitative level and focussing it on the main issues determining the strategy, quality, pace and proportions of development of the national economy as a whole and its balance, while at the same time decisively relieving the centre of interference in the day-to-day activities of subordinate economic bodies;

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

Fourth, the creation of new organisational structures to ensure deeper specialisation and more reliable co-production schemes, the direct involvement of science in production and on this basis a breakthrough to world standards in quality;

Fifth, going over from the excessively centralised, 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 management overhaul

Comrades, we begin to overhaul the economic mechanism starting with the key part of the economy — the enterprise/amalgamation — aiming first of all to provide the most favourable

economic environment for it, to formalise 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 overhaul, 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 products and services needed by the people are produced and scientific and technological ideas materialise.

It is in the work collective that economic and social relations really take 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 at present? First of all, it is the weakness of internal stimuli for self-development. A factory is indeed given production quotas and resources through a system of directive-like 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 — the fulfilment of a contract, product quality and profits.

In short, the situation is like this: with the present mechanism, manufacturers find it disadvantageous to use cheap and other materials and unprofitable to improve product quality and adopt scientific and technological novelties.

With this 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 motor tire industry. Its products are high quality and last 50 percent longer than others'. Over the past 20 years the amalgamation has not failed to honour its contractual delivery commitments even once. Does the work collective enjoy any benefits for this, however?

In 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 tires, whose quality is the best in the country, as to other factories.

Or take an example from the agro-industrial sector. Poultry plants in the Northern Caucasus get a price nearly a quarter lower than is paid in other zones of the country for the same kind of product.

Modern poultry farming based on industrial technology, especially broiler breeding, is pursued, in the meantime, in buildings constructed to the same designs and with the use of the same equipment which is produced by the country's only factory manufacturing this kind of machinery, as well as feed from one and the same ministry of grain products.

Showing behind all this are the faults of 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 certainly may not continue in the same 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 a goal that we have put forward. To be sure, it will take time to reach. It is very important now 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 their real economic independence based on full-scale profit-and-loss accounting.

The need is to do in practice what has already been recognised as essential, namely to make sure that the factory, guided by real public re-

quirements, 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 organisations, 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 the 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 to 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, a kind of guide for 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 a lot of room for manoeuvre in choosing decisions and partners when signing economic agreements.

The fulfilment of commercial orders and agreements should be the main criterion for the enterprise's performance and for rewarding it materially if it has done well.

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 payroll, and make investments in modernisation and capacity build-up 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 will at the same time be granted broad possibilities to draw bank credits on their own responsibility. The work collective should thus bear full economic responsibility for the results of its activities.

A most important role in the new economic management mechanism will belong to the stable long-term norms. These will include payments to the state budget for basic assets, land, water and other natural as well as manpower resources, 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 with the help of economic methods by dint of norms.

The new economic mechanism means fundamental changes to the system of material and equipment supplies to factories — transition from centralised material and equipment supplies to wholesale trade in productive goods.

Factories should have the possibility to buy with money they have earned anything they need for manufacturing products, construction and modernisation schemes, and for resolving social matters.

Transition by work collectives to self-management, whereby they will decide at their own discretion all issues of organising production at their factories up to, and including, the election of top managerial personnel, is becoming a strong stimulus for displaying 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 of them 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 enterprises which because of mismanagement find themselves incapable of ensuring payments to the state and a normal level of incomes for the work collective.

I believe various forms of aid can be used here, emanating either from the particular branch of industry or the bank. But if the situation does not improve even after all these measures then, proceeding from the priority of society's interests, the question can be raised of reorganising this 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 the greater independence of enterprises, the 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. To think that everything can be foreseen from the centre within the framework of such a huge economy as ours means to entertain an illusion.

The activity of the State Planning Committee and other economic agencies on balancing the national economy will be backed by economic interests and economic responsibility of enterprises and by a greater role of economic contracts between them. Under these conditions achieving balance will become more realistic.

The principal traits of the new economic mechanism are reflected in the Draft Law on the State Enterprise (Amalgamation). The common view of men in production, scientists, representatives of central agencies, party and local government cadres and our public is as follows: this is a sound document meeting today's requirements and new tasks.

This is a good basis for transition to the new mechanism.

Its nationwide discussion revealed the persistent demand: not to give in to habits and notions of inertia, but to move ahead confidently. One should not allow the new law, as frequently happened in the past, to be accompanied by numerous instructions that may render it without meaning and let the reconstruction drive drop.

In principle, transition to new methods of economic management has already started. I mean that enterprises and amalgamations of several branches this year turned to work on a full cost-accounting and self-financing basis.

Five or six months are, of course, too brief a period to reveal fully both the strong points and shortcomings of the new economic mechanism. The more so, since there are specific conditions in which this transition is taking place.

The activities of these enterprises are 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 cost-accounting and self-financing has begun in the conditions when the five-year plan was already in operation and many standards have to be geared to it.

Nevertheless, comrades, this should not stand in our way in the effort to introduce new principles of economic management.

Changing functions of centralised economic management

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

The point at issue is in fact the elaboration of 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, possessing a far greater potential than the centralism bogged down in the 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 of the country's socio-economic development, trends in structural and investment policy, scientific and technological progress, tasks of accumulating scientific, educational and cultural potential and maintaining the defence capability.

What is meant in the new conditions is enhancing the role of the so-called 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 for 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 for enterprises (amalgamations), guided by target figures, to look for ways of meeting social needs most effectively.

And now we must touch upon the question which concerns many. Concern is 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 lowering of the rates of growth of production in separate branches, regions, and even in the country as a whole.

What can be said on this matter, comrades? If higher rates of growth through ballooning gross volumes, repeated counting, without a real increase of the end results are meant, society gains nothing from this. Moreover, it even suffers losses.

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

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

A radical reform of the pricing system is a most important part of the economic overhaul. Without it a complete transition to the new mechanism is impossible.

Price might play an important stimulating role for improving the use of resources, lowering outlays, improving the quality of products, speeding up scientific and technological progress and rationalising the entire system of distribution and consumption.

New political and economic approaches corresponding to the contemporary stage of development must be applied in this.

The available system of pricing has oriented itself at the cheapness of natural resources for a long time. The existing prices of coal, oil, gas and electricity no longer ensure the conditions for the self-financing of the fuel and energy complex.

They continue creating the illusion of cheapness and inexhaustibility of natural resources and promote the orientation to further increase of their production, consumption and export.

The economically unjustified approaches to pricing have resulted in the emergence and rapid growth of subsidies for the production and implementation of varied kinds of products and services. The total volume of subsidies from the state

budget now surpasses 73 billion roubles a year.

On the other hand, an unjustifiably high level of profitability of many types of products has formed while it does not reflect the effectiveness of production. And this is also a result of the fault in pricing.

Those who manufacture products whose prices are unjustifiably understated have no incentive for the increase of 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.

This is why we are faced with the need to carry out not just a partial improvement of the system of pricing, but a radical reform of pricing, interconnected restructuring of our entire price system — wholesale, purchase, retail prices and tariffs.

What is involved is not just the level of prices, but also the order of their fixing. Prices of the most important products must certainly be fixed in a centralised way, alongside drafting a state plan and as part of it.

At the same time it is expedient in the new mechanism to wide the sphere of using contract prices which will promote the widening of rights and economic independence of enterprises.

The reform of wholesale prices must improve the situation in the national economy, create better conditions for the effort toward higher efficiency of production, resource saving and quality of products.

As to retail prices, their change, far from eroding the living standards of the working people, must on the contrary lead to the improvement of living standards for certain categories of the working people, for a fuller implementation of social justice.

One thing must be clear, that because of the importance and complexity of the reform of pricing, its preparation must be approached with great responsibility.

A vast volume of work should 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 it is impossible to draft a five-year plan in a new way, to embark on a comprehensive system of economic management.

In view of the political and social significance of the reform of pricing, it must become the subject of the broadest discussion in the country.

The overhaul of the system of the material and technical supply of the national economy is closely linked with the reform in pricing. Its main direction is a decisive 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 the wholesale trade.

The question of 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 years ahead.

Many weighty reasons, above all the transition of enterprises to the cost-accounting scheme, necessitate wholesale trade in means of production.

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

This situation is largely explained by the cumbersome and unwieldiness of the material and technical supply and its unreliability, which prompts enterprises to lay resources in store.

Look what happens to metal. Complaints about the shortage do not abate, while the stockpiles grow. The accumulations of non-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? True, it is not

easy to put to use the resources of rolled metal, because they piled up at the enterprises. It might surprise you, but I must say that the state supply organisations account for only 1.5 percent 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 it possible to introduce wholesale trade while resources are in short supply? This argument is invariably advanced whenever the problem of schedules for the transfer to wholesale trade is discussed.

The participants in the conference said convincingly that it is the very system of resource allotment, of supply that leads to shortages. And this was confirmed by concrete examples.

The transfer of enterprises to full cost-accounting will be of decisive importance here. Therefore the sooner we establish direct ties, embark on wholesale trade, the quicker we shall be getting rid of shortages in supply and of surplus stocks of material values.

And these are not considerations arrived at at a desk. Here is a concrete fact: even at the very start of the transition of collective and state farms to new, cost-accounting principles, their orders for farm machinery and other resources decrease considerably.

For instance, orders for combines for the next year have dropped by approximately 30 percent. Orders for separate kinds of tractors and other, above all obsolete and inefficient, farm machinery decrease. This is a real situation. So what seems in short supply today might result in overproduction tomorrow.

Major problems have piled up in the field of finances, crediting and money circulation. A new economic mechanism cannot be created without resolving such problems as well.

The main shortcoming in this area now is that financial and crediting resources, 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 financial system has grown basically outdated. It does not stimulate better economic management and often pursues short-term fiscal objectives. Crediting has in large measure lost its specific role. The limits separating it from gratis financing have become eroded.

By all indications we cannot avoid a radical financial and crediting reform. It must be aimed at placing budgetary relations with enterprises on a basis of norms, at blocking all the opportunities for getting profits before the ultimate realisation of goods, and at all-round improvement of the state of finances of the national economy.

Comrades, not one state in the world today can regard itself as isolated from others economically. In this sense, our country is no exception. The Soviet economy is part of the world economy.

International commercial and financial relations of countries and the latest scientific and technological transformations invariably have an impact in one way or another on the state of affairs in our own economy.

The measures for improving the management of external economic relations, taken now, are aimed specifically at deepening the Soviet Union's participation in the international division of labour, which becomes an ever more important factor of the development of the Soviet national economy.

On the other hand, not only we and our allies, but all who are interested in co-operation with our country in new, more favourable conditions would gain from the successful implementation of the plans for the reorganisation in our country, from the modernisation 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 the development of broad international co-operation and, hence, improvement of international economic relations.

Important and far-reaching decisions in the

sphere of foreign economic policy and the mechanism for its implementation have been adopted recently.

The reorganisation of economic management opens broad scope for enhancing the efficiency of our external economic ties and — particularly important — for enhancing the impact of the external market on the functioning of industries and enterprises, on the quality of their products and on scientific and technological progress.

Of fundamental importance in this connection is the increase of effectiveness of co-operation with socialist countries. The overhaul of economic mechanism is called on to create favourable economic, organisational and legal conditions for deep integration of our national economy with the national economies of fraternal countries.

Broad opportunities for this are opened by granting enterprises the right to form direct co-operation ties with partners in socialist countries. As the recent discussion of this matter in the political bureau showed, in practice they still use this right insufficiently.

One of the reasons for this is, apparently, the lack of interest of work collectives inherent in cost-accounting. It is quite apparent that the success of our reorganisation is largely determined also by the enhancement of the efficiency of the economic, scientific and technological co-operation with fraternal countries.

The political bureau, the secretariat of the central committee and the Council of Ministers should constantly follow the development of economic interaction with them.

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

In short, comrades, an important and broad-scope reorganisation of the activity of the centralised 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 the economic management.

Revamping of organisational structures and work of management bodies

You surely realise, comrades, that when altering an economic mechanism, adopting new methods of economic management, one cannot bypass the upgrading of organisational structures in earnest.

What can be said in this connection about the main link of the economy? The present enterprises and amalgamations formed in conditions when they were compelled to set up their own blanking shops, tool shops, foundries, maintenance and other shops disregarding the growth of production costs and paying no attention to the primitive nature of production and low productivity of labour. Natural economy was also amassed within industries, engendering unpractical ties and waste of social labour.

Despite all our efforts, the creation of production amalgamations and particularly the scientific-production amalgamations halted.

It came up against departmental barriers and territorial borders, the striving of the higher authorities to include into amalgamations only the enterprises of their own ministry, and at times even only of their own administration.

What enterprises and amalgamations do we need? There is no single answer here. A set pattern should not 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 specialisation and co-operation, and must be creating conditions for the use of the most progressive equipment and technology.

It is important to combine in one organisation all the links of production — from applied research

(Continued on Page 240)

Main Provisions for Fundamentally Reorganising Economic Management

Here follows the full text of the document "Main Provisions for Fundamentally Reorganising Economic Management" adopted by the plenary meeting of the CPSU Central Committee:

TO accelerate the country's social and economic development, to resolutely overcome the unfavourable tendencies in the economy, impart proper dynamism to it, open scope for the initiative and creativity of the masses, for truly revolutionary transformations in society — such is the top-priority task of the Party and the entire people set forth by the April 1985 plenary meeting of the Central Committee and approved by the 27th Congress of the CPSU.

The Central Committee of the CPSU notes that in accordance with the decisions of the 27th CPSU Congress a new structural and investment policy has been formulated and is being implemented in the main sphere of society — the economy, that forces and means are being concentrated on the development of the social sphere and the key directions of scientific and technological progress and that resolute efforts to raise the efficiency of production and improve the quality of output are being taken.

A process of far-reaching changes in the management of the economy has started, being mastered are new methods of management which were worked out on the basis of an analysis of the situation that had formed late in the 1970s and early in the 1980s and of a series of major economic experiments. But so far not cardinal but only partial results have been achieved. The economy's development is being restrained by snags in the economic mechanism and system of management.

The deceleration mechanism has not yet been dismantled. Economic processes have not yet been freed from the pressure of cost-is-no-objection and gross output approaches, work to save resources is progressing slowly and a breakthrough is yet to take place in accelerating scientific and technological progress.

The main unit of the national economy — the enterprise (amalgamation) has not yet been placed in such economic conditions that would prompt it to satisfy society's requirements in its output produced with an efficient utilisation of all resources.

Only separate components of the new system of management on the level of the national economy have been formed. There is little change in the forms and methods of work of the branch ministries. They effect management mostly by administrative methods. The functions of the central economic bodies have not been changed and the accumulated problems in the field of planning, price-forming, material and technical supply, finances and credit, work organisation and remuneration are making themselves increasingly felt.

The Central Committee of the CPSU believes that the main political task of the Party in the economic field is to carry out a radical reform and create a streamlined, effective and flexible system of management making it possible to make maximum use of the advantages of socialism.

The radical reform of managing the country's economy is directed at:

— reorienting economic growth from intermediate to terminal, socially significant results, to satisfying public requirements;

— organically combining the interests of society, the collective and every worker, ensuring the all-round development of the individual and attaining a qualitatively new level of welfare of Soviet people;

— turning scientific and technological progress into the main factor of economic growth;

— ensuring balance, overcoming shortages of material resources, consumer goods and services that obstruct efficient management and intensification of production;

— giving the consumer priority in economic relations, rights and possibilities of economic choice;

— creating a reliably operating cost-restricting mechanism for the functioning of the national economy and first of all of its main unit — the enterprise (amalgamation).

The essence of the radical restructuring of managing the country's economy is the transition from predominantly administrative to economic methods of management at all levels, to management of interests and by way of interests, to an extensive democratisation of management and the utmost invigoration of the human factor.

A streamlined system of management has been worked out in accordance with the decisions of the April 1985 plenary meeting of the CPSU Central Committee and the 27th Party Congress. It includes:

— firstly, a drastic expansion of the margins of independence of enterprises (amalgamations), their transition to full cost-accounting and self-financing, enhanced responsibility for the highest end results, the fulfilment of obligations to clients, the establishment of a direct dependence between the level of incomes of the collective and the efficiency of its work, the extensive development of the collective contract in labour relations;

— secondly, a fundamental reorganisation of the centralised management of the economy and raising its qualitative level, concentration on the main processes determining the strategy, rates and ratios of development of the national economy as a whole, balanced development and simultaneously an emphatic relieving of the centre of interference in the day-to-day operation of subordinate economic units;

— thirdly, a cardinal reform of planning, price-forming, the finance and credit mechanism, transition to wholesale trading in means of production and reorganisation of management of scientific and technological progress, foreign economic ties, labour and social processes;

— fourthly, creation of new organisational structures ensuring a deepening of specialisation and raising the reliability of co-production ties, as well as direct inclusion of science in production and on this basis a breakthrough to the world standard of quality;

— fifthly, transition from the excessively centralised system of management to a democratic one, development of self-management, creation of a mechanism of activating the potential of the individual, clear-cut delimitation of functions and drastic change in the style and methods of activity of Party, government, public and economic organisations.

The reorganisation of economic management should be comprehensive. It should be completed in the main during the present five-year-plan period and the plan of the 13th five-year period should be formed in full accordance with the new mechanism of economic

management.

The plenary meeting of the Central Committee of the CPSU holds that the radical reform of economic management is one of the main directions of the restructuring and renewal of socialist society and instructs the Political Bureau of the CPSU Central Committee, all Party organisations to head the activity of work collectives, soviets of people's deputies and economic agencies in implementing it in accordance with the following main provisions.

I. To switch to the new economic mechanism of the activity of enterprises (amalgamations).

1. The Central Committee of the CPSU holds that the main unit of the economy — the enterprise (amalgamation) is the starting point of radical transformations of the economic mechanism. The most favourable economic environment should be created for it, its rights should be formalised, its responsibility enhanced and on this basis the entire system of economic management reorganised.

The plenum of the CPSU Central Committee puts forward the task of setting up a modern economic mechanism of the activity of enterprises on the basis of full cost-accounting, self-repayment and self-financing, providing for effective internal incentives for its development, stimulating work aimed at the consumer, all-round resource-saving and broad use of achievements of science and technology. This mechanism should gear most closely the interests of the enterprise to the interests of the national economy.

With these aims in view the enterprise should independently draft and endorse its five-year and yearly plans, proceeding from social requirements on the basis of state orders, direct orders of enterprises and organisations and consumer demand. This sharply increases the role of contracts in planning, assessment and material stimulation of the performance of enterprises, which implies greater mutual responsibility of the customer and the manufacturer. Control figures, long-term economic norms, state orders and allocations are the initial data and basis for drafting the state plan of the enterprise.

A provision should be made for prompt acquisition by enterprises of necessary raw and other materials, accessories, machines and equipment. With these aims in view it is necessary to turn from material and technical supply of enterprises based on limits and assets to predominantly wholesale purchase of means of production, without assets and limits, by way of the free choice of partners in economic relations — manufacturers or wholesale outlets operating on a cost-accounting basis.

2. The enterprise (amalgamation) should bear full economic responsibility for the results of its activity, and the level of incomes of the workforce should directly depend on these results. For that, all enterprises are to be put on a full cost-accounting and self-financing basis. The enterprise should use its revenues to cover all current expenses, including wages and salaries, and invest in modernisation, extension of production and social development. An order should be in operation when the state is not accountable for commitments of enterprises. Budgetary financing is, as a rule, excluded. It is preserved only for implementing the biggest

projects. Simultaneously the enterprises are given broad opportunities for responsible use of bank credits.

The cost-accounting revenue, made up of takings from the sale of products with the deduction of material outlay, payments into the budget and to the higher authority and credit interest, is called upon to become the chief source of financing the activity of the workforce of the enterprise. The enterprise independently uses depreciation deductions directed according to a fixed norm to the fund for the development of production, science and technology or to another similar fund.

The practice of gratuitous diversion of workers of one enterprise for performing work at other enterprises — collective and state farms, building organisations, vegetable storages, and so on — should be considered as incompatible with full cost-accounting and self-financing.

It can be done only by decision of the soviets of people's deputies as an exception, provided orders are placed in the form of contracts and costs are recouped by those enterprises and organisations for whom this work is done.

3. The combination of the interests of the entire people with those of the collective is attained through long-term stable economic standards of payment to the state budget; through wage funds and funds of economic incentives as well as prices and interests on credit. They are called upon to create economic conditions which will make it profitable for enterprises to seek more effective ways of satisfying demand, boosting production and raising the quality of output, to fulfil state orders, meet target figures and vigorously implement scientific and technological processes.

Successfully to fulfil these functions, the long-term economic standards must be endorsed by enterprises before drafting their five-year plans and be stable. Attempts to set them on the initial base, divide by years and expense items, and substitute gross output targets for them should be regarded as incompatible with the new economic mechanism.

It is necessary to set the standard of payments from an enterprise's revenues or profits into the budget on the basis of the state's equal demands on the use of productive resources. Rates of payment for productive assets, labour and natural resources should be used for these purposes.

A line should be taken on introducing the single rate of payment for productive assets at all enterprises of the branch and in all branches in the future. Provision should be made enabling either to suspend it or lower for loss-making and not sufficiently profitable enterprises.

Through payment for labour resources, differentiated by the country's regions depending on the availability of labour resources, to refund the state's expenses on training schemes and providing social and communal services to workers and members of their families.

Through payment for natural resources (land, water, minerals) to deduct a differential rent which forms as a result of difference in the natural productivity of these resources.

Along with the payments for resources to the budget, to use taxation on an enterprises's revenues, left after payments for resources and interests on credit.

4. In switching over to full cost-accounting the collectives of enterprises depending on production activities can opt for either of the two models of full cost-accounting and self-financing.

The first model is based on the standard distribution of profits. The wage fund is formed on the basis of net product, and in extractive industries also on the basis of marketed product in physical terms. Profits are used to make payments into the budget and higher authorities and pay interests on credit. The remaining profit is made available to work collectives. The

remaining profits are used to form funds for the development of production, science and technology; social development; material incentives. In this cost-accounting model revenue is comprised of the wage fund and remaining profits.

The second model (collective contract model) is based on the standard distribution of profits, which are left after refunding costs from the revenue.

The profit is used to make payments to the budget and higher authorities and pay interests on credit, which leaves a cost-accounting profit. The single wage fund consists of the remaining part of an enterprise's cost-accounting profit after forming funds for the development of production, science and technology; social development, which are fixed in respect to the cost-accounting profit.

5. It is necessary to create conditions for economic emulation and competition between enterprises, including those run by the state and co-op, to meet consumer demand in the best possible way and at minimum costs; to use economic emulation as a means against the manufacturer's monopoly and diktat over the consumer.

6. To carry out a switch-over to the self-management by work collectives for the purpose of ensuring that every worker is a true master in production and to strengthen guarantees for the rights of enterprises. To make fuller use of the advantages of the self-management in order to provide people with greater incentives to take care of public property, to foster initiative and ingenuity of every worker and, at the same time, instil a sense of responsibility for the performance of their enterprise, its successes and mistakes.

To recommend to the work collectives of enterprises to be set up within 1987-1988 the councils of work collectives and hold elections of executives on a competitive basis.

II. To raise the efficiency of centralised economic guidance on the basis of economic management methods.

The CPSU Central Committee believes that in conditions of the new economic mechanism of enterprises (amalgamations) it is necessary to overhaul the system of centralised economic guidance. It should be concentrated on issues which can and must be solved only in the centre. This concerns, first, the implementation of the state's strategy of economic, social, scientific and technical development, the adjustment of economic processes on the basis of complete and reliable economic balance. Second, the provision of necessary conditions for effective functioning of enterprises (amalgamations) and territorial administrative units. The restructuring drive must ensure the optimum unity between the centralised planned economic guidance and independence of its individual links, and the development of commodity-money relations.

The attainment of strategic goals of the economic policy of the Communist Party and the Soviet State calls in current conditions for the creation of a centralised guidance system, which is implemented through controlling interests with the use of all economic levers — plan, financial credit relations, prices, material and technical supply in their organic interrelation and unity.

The modern form of democratic centralism presupposes the reliance on the activity of working people and independence of enterprises, the wide use of economic methods.

Planning.

The Central Committee of the CPSU points out that the planned management of the economy as a single economic complex is the major gain and advantage of the socialist economic system and the main instrument for the realisation of the Party's economic policy.

1. With a view to more fully utilising the advantages of the planned economy, it is essential to restructure the system for state planning of economic and social development of the country.

To elaborate a concept of economic and social development of the USSR for the coming fifteen years as the initial economic and political platform for consistent embodiment of the Party's economic strategy in plans and for determination of fundamental ways and means to carry it out.

Such a concept should include a set of priorities and goals of the country's development, determine the directions of the structural and investments policy, scientific and technological progress, the objectives of social and cultural development, and tasks of accumulating educational and cultural potential and maintaining the country's defence capability.

The concept serves as a scientifically valid programme for the drafting of the main guidelines for economic and social development of the USSR for the fifteen years with a detailed feasibility study of the first five years of the period.

The main guidelines should materialise the Party's strategy in specific figures and targets, determine the initial parameters of a plan for the coming five years and to substantiate possibilities and time for its implementation for each year of the coming five-year period.

2. A state five-year plan for the economic and social development of the USSR being worked out in a yearly breakdown should be made the main form of the realisation of the goals and tasks provided for by the main guidelines.

A draft state five-year plan for the economic and social development of the USSR is worked out by the USSR State Planning Committee proceeding from the main guidelines for economic and social development, draft plans of the ministries (departments) of the USSR and union republics, and determines major indicators which describe the results, proportions and efficiency of the national economy. The USSR State Planning Committee submits a draft five-year plan to the Council of Ministers of the USSR in advance, prior to the beginning of a regular five-year period.

Following the main guidelines for economic and social development and the initial planning data being adjusted by the USSR State Planning Committee, and on the strength of the plans of enterprises (amalgamations) of ministries (departments) of the USSR, the councils of ministers of the union republics work out draft five-year plans for the development of branches and union republics.

The ministries (departments) of the USSR and the councils of ministers of the union republics determine initial data for the drawing up of five-year plans by enterprises (amalgamations) under their authority: planned targets, long-term stable economic standards, state orders and allocations. In accordance with the initial data as well as with direct orders placed by users and material and technical supply agencies, the enterprises (amalgamations) conclude economic contracts, draw up and endorse their own plans.

3. A transition to economic methods of planning the activities of enterprises on the basis of planned targets, long-term stable economic standards, state orders, and allocations is the central element of the reorganisation.

Planned targets should reflect social requirements for the products made by the enterprise, and the minimum levels of the efficiency of production. They should not be of directive nature and should not restrain the work collective in the elaboration of a plan, giving it wide scope for the choice of solutions and partners when concluding economic contracts. The filling of orders and contracts should become the major criterion of an evaluation of the activities of

enterprises and of material incentives to the work collectives.

Planned targets include the indicators of output, work done, and services in terms of value (estimated) for concluding contracts, profit (income), currency revenue, and the most important general indicators of scientific and technological progress, and indicators of the development of the social sphere.

The indicators of labour productivity and materials-intensiveness can be used in the period of mastering the new economic mechanism and finalising the transition to complete cost-accounting, self-repayment and self-financing.

Stable long-term economic standards determine relationships with the budget, the formation of the funds for the remuneration of labour and economic incentives, and are, along with prices and interest on credit, the main instruments of planning and the main levers of the planning agencies' influence on enterprises, urging them to work in the interests of society and to achieve the objectives of the plan.

State orders guarantee the satisfaction of first-priority social requirements and are handed down to enterprises for putting into operation production capacities and facilities of the social sphere at the expense of state centralised capital investments as well as for the delivery of some types of products which are necessary, first of all, for the solution of state social tasks, the implementation of scientific and technical programmes, the strengthening of the country's defence capacity, and for the delivery of farm products to the all-union and republican stocks.

State orders are handed down to the enterprise by a higher authority and may be placed on a competitive basis; they are compulsory for being included in the plan. When state orders are placed, provisions should be made for mutual responsibility of the sides — the manufacturer and the customer.

Allocations for the enterprises set ceilings on state centralised capital investments for the development of inter-sectoral production units, new construction projects, and solution of particularly important tasks in accordance with the list of projects included in the state plan, the amounts of building, assembly and contractor work, and the centrally-distributed material resources.

4. Proceeding from the overall tasks of the reorganisation of the entire planning work in the country, radically to reorganise the activities of the USSR State Planning Committee and other central economic departments.

To make the USSR State Planning Committee the truly economic and scientific headquarters of the country, relieved of the current economic issues. It should concentrate efforts on strategic directions of the planned guidance of economic and social development, the formation of major economic proportions, the realisation of main scientific and technical achievements, the refinement of the structural and investment policy, and the ensurance of a balanced nature of the national economy.

Taking this into account, to restructure the staff of the USSR State Planning Committee and other planning agencies, and to strengthen their combined, socio-economic, scientific and technical, and territorial subdivisions.

Continuous adjustment of the economic mechanism and the creation of economic prerequisites for an efficient operation of the enterprises, and the elaboration of scientifically valid long-term stable economic standards should become paramount in the activities of the USSR State Planning Committee.

At a time when a coordinated elaboration of financial plans, long-term stable economic standards, a system of prices, financial and credit levers, principles of the remuneration and

stimulation of labour for the five-year plan period acquires major importance, the USSR State Planning Committee should be entrusted with coordinating the activities of central economic agencies.

All planning work should be organised so as to ensure in practice an acceleration of scientific and technological progress and to make it the main source of economic growth. With respect to both the entire national economy and the guidance of the scientific and technological progress, it is essential resolutely to abandon administrative and high-handed methods and move on to economic management ones. Long-term stable economic standards, prices, finances and credits, and state orders should be oriented towards accelerating scientific and technological progress.

In accordance with this, the activities of the USSR State Committee for Science and Technology should be reorganised, too, and it should be entrusted with elaborating state scientific and technical programmes, the formation, distribution and control over the filling of state orders for the development of science and technology and with directing inter-sectoral scientific and technical complexes.

To ensure large-scale introduction of competitive contractual principles in the scientific and technical sphere, including fundamental research.

To make scientific research and development efforts on the principles of cost-accounting and self-financing, the customers' payment for the results of scientific development efforts, depending on the effect of their utilisation.

Material and technical support.

The CPSU Central Committee points out that material and technical support requires radical reorganisation under the new conditions of management.

1. It should be based on a resolute transition from centralised allocation of material resources and the attachment of users to producers to wholesale trade in capital goods.

Wholesale trade should be used as a means making it possible to increase the influence of the user on the producer and to achieve a dynamic balance between demand and supply, to overcome the deficit of material resources;

To give a real opportunity to each enterprise within the limits of its financial means to acquire material and technical resources corresponding to its requirements and development plans, and thereby to ensure material conditions for complete cost-accounting and self-financing.

Wholesale trade in capital goods should be maintained in the form of free purchase and sale under direct contracts between producers and users, contracts with intermediaries, first of all, with the enterprises of territorial supply-and-sales agencies and through the manufacturers' chain stores.

The transition to the marketing of capital goods by way of wholesale trade should be completed within four-five years. It is advisable to sell only particularly scarce capital goods within the limits of allocations.

To effect a transition to trade in capital goods in individual groups of commodities, which are particularly essential for the manufacture of consumer goods, for the provision of agriculture, construction, and machine building as well as for the development of individual enterprise co-operation, in the coming years.

2. To organise a system for the filling of and support for orders placed by the State. The composition of orders placed by the State is fixed by the USSR State Planning Committee, while those placed by the ministries and departments are fixed by them jointly with the committee.

The composition of state-placed orders for enterprises which are under the authority of republican ministries and departments as well as

for consumer goods and paid services (except orders placed by the USSR State Planning Committee, by the ministries and departments of the USSR) is endorsed by the councils of ministers of the union republics.

Economic management bodies place state orders with enterprises (amalgamations) and if necessary give a list of enterprises, organisations and institutions which are granted the right to purchase products made under the orders.

3. To consider it the main task of the territorial agencies of the USSR State Committee for Material and Technical Supply to organise jointly with enterprises a reliable and effective system of material and technical support in the region, to establish stable rational contacts between suppliers and users, to exercise control over the delivery of output, and to render effective aid to enterprises in providing them with material resources.

The USSR State Committee for Material and Technical Supply and its agencies should organise on a cost-accounting basis a multi-channel trade in capital goods, and economic management of the rational utilisation of material resources.

The supply-and-sales organisations are called upon to become independent self-sustained enterprises to render services in selecting the most rational variants of the marketing of output, its sale on a commission basis, in determining possible sources of supply, in servicing small producers and users, in storing and initial processing of products, in using secondary resources, and other services.

The material and technical supply agencies and enterprises bear material responsibility for failure to comply with their contractual obligations and, according to an established procedure, make up for the damage done.

Price formation.

The CPSU Central Committee is of the opinion that a radical reform of price formation should become a major component of the reorganisation of economic management. Under new conditions of management it is essential firmly to do away with the underestimation of the role of price formation in economic management and to make prices an effective instrument for raising the efficiency of social production, for developing economic management methods, and for deepening cost accounting and self-financing.

1. It is essential to effect not just a partial refinement of the pricing system but a mutually dovetailed reorganisation of the pricing mechanism — wholesale, purchasing, and retail prices and tariffs.

A reform of price formation should improve the situation in the national economy and create better conditions for the drive for the efficiency of production. Work to restructure the system of prices and tariffs should be done within the shortest possible period so that the next five-year plan could be drawn up on the basis of new prices. Preparation for this work should be started immediately.

2. All types of prices and tariffs should be reconsidered in their aggregate, and organic connection between wholesale, purchasing, and retail prices and tariffs should be ensured during the realisation of a radical reform of price formation.

It is necessary consistently to reflect in them the socially necessary expenses on the production and marketing of output, its consumer-oriented properties, the quality of output, and effective demand. Prices should take into account the payment for production assets, labour and natural resources as well as expenses on environmental protection.

Prices should be given a cost restricting character. Their stimulating role in accelerating scientific and technological progress, in improving the quality of output, and in saving resources should be raised.

A new system of prices should ensure a reduction in unjustified redistribution processes and subsidies, create economically valid conditions for a transition to complete cost accounting and self-financing in all branches of the national economy.

Correlation between wholesale prices of the products made by raw-materials and processing branches of industry should be improved in a new system of prices. The prices of raw materials and fuel should be raised with a view to ensuring a normal level of profitability of appropriate branches, and to stimulating the saving of fuel and raw-material resources.

The prices of engineering products and new equipment should take into account real effectiveness of machines and equipment and stimulate the manufacture and mastering of high-quality products and fundamentally new equipment corresponding to or exceeding the best foreign specimens. Contract prices of the results of scientific and technical development efforts should be determined in keeping with the effect produced by their application.

In construction, it is essential to create conditions for large-scale use of contract prices of completed construction projects and of other finished products for buildings.

The purchasing prices of farm products should create conditions for concentrating agricultural production in the main commodity zones, specialisation and rational distribution, economically efficient work of collective and state farms, a rise in labour productivity and the quality of output, and a cut in expenses.

To promote a gradual transition to the payment for farm products at contract and calculative prices which are determined on the basis of and within the limits of wholesale and retail prices of appropriate end products.

The change of retail prices should not lead to a decline in the living standard of the working people but, on the contrary, should result in a rise in the living standard of certain categories of working people and in fuller exercise of social justice.

By virtue of the importance and complexity of the reform of price formation, its preparation should be treated with great responsibility. The reform of price formation should become the subject of the broadest discussion in the country, considering its political and social significance.

The planning of prices and tariffs should be an integral part of five-year plans in order to more fully reflect the tasks and conditions of economic development in the planned period in prices.

3. The USSR State Committee for Prices and its agencies should concentrate their activities on preparing and effecting a radical reform of price formation, seeing to it that prices correspond to the requirements of the Party's social policy and economic effectiveness of output, control over the general level, structure, and dynamics of prices.

The fixing of prices of specific types of products and services is to rely on a wider use of economic methods with a simultaneous increase in centralised principles in managing the entire price formation process.

It is essential substantially to enhance the role of users in determining prices, to broaden the practice of fixing limit and contract prices, to combine stability and flexibility, to simplify the price formation procedure by sharply reducing the share of centrally-fixed prices, and to determine the latter simultaneously with the elaboration of a state plan.

It is necessary to create a single state system of control over prices, to overcome the tendency towards the growth of prices on the basis of the development of the competitive power of enterprises, the elimination of deficit and any types of monopolism, of pressure on producer on the part of user which under conditions of self-financing has to limit its expenditures by the earned funds.

Financial and credit-granting mechanism.

The CPSU Central Committee holds that a radical reorganisation of the financial and credit-granting system is essential for a successful transition to new management conditions.

1. Finances and credits should be made one of the major instruments ensuring the organic inclusion of commodity-money relations in the mechanism of plan-based economic management, and raising its efficiency.

An improvement of the financial situation is needed, first of all, for a new economic mechanism to begin to function. With this end in view, a special programme for a financial revitalisation of the economy should be worked out, and money turnover should be brought into line with the turnover of material resources. Any expenditure of means in production should be carried out at the expense of earned money and should be correlated with the effectiveness of measures taken.

2. Five-year financial plans should become an integral part of state plans for economic and social development.

To place the relationship between the budget and enterprises on a normative basis and to reduce to the utmost the non-returnable circulation of funds, to cut off all possibilities for gaining incomes without the end marketing of goods.

To raise the stability of the revenue part of the State Budget, and to turn the payments by enterprises for the used resources into the main source of budget revenue from socialist enterprises.

3. The USSR Ministry of Finance and its local agencies should resolutely move on to carrying out a fundamentally new financial policy based on combining the interests of the state and enterprises.

To ensure genuine control over the efficiency of management by using money levers, to remove the fiscal-redistributive activities of financial agencies, petty tutelage, detailed regimentation, and parasitic tendencies. To determine a package of measures for financial and credit-lending regulation of co-operative and individual enterprise, and to regulate taxation of the population's incomes, and to bring the style, methods and forms of work into line with new management methods.

4. To change the system of financing the activities of budgetary organisations and to build it on the basis of long-term stable economic standards and financial norms oriented towards the end results of activities.

More widely to use methods of economic stimulation of the quality of work and rational utilisation of the appropriations assigned. To grant a right to budgetary organisations, which have attained the established indicators of their operation, to use the saved means for their social and production needs.

To end the practice of withdrawing the means saved by them and of diminishing by that sum the appropriations for the next plan period.

5. It is essential to effect cardinal changes in managing credits: to restore the main principles of lending, to draw distinction between budget and credit resources, to exclude the use of emission for credit granting, and to turn credit into an instrument of strengthening the Soviet rouble.

To consider it advisable to establish specialised banks with due account for the peculiarities of economic complexes and fuller satisfaction of the population's requirements for credit-and-settlements services, to turn the credit granting system into a highly qualified, reliable and interested partner of enterprises and organisations.

The State Bank of the USSR should become in actual fact the main bank of the country, the organiser and coordinator of all credit-granting and settlement relations in the national economy.

Its role as the single emission and banking centre should be enhanced.

To make it binding upon the State Bank of the USSR to draw a clear distinction between credit resources by the sources of their formation and areas of application, and to coordinate the activities of specialised banks.

It is advisable to reduce non-returnable budget financing of capital construction and to broaden the use of long-term credits for these purposes. The activities of the banking system should be switched over to the principles of complete cost-accounting and self-financing.

6. The organisation of insurance and money saving bank business in the country should be raised to a qualitatively new level. With this end in view, the principles of complete cost-accounting and self-financing should be used in the activities of state insurance agencies. New types of insurance should be introduced, its promptitude and flexibility should be increased, its range extended, and the quality of services rendered to the population by the saving banks and insurance agencies should be raised.

7. The influence of the financial and credit granting mechanism on raising the efficiency and expansion of foreign economic relations is to be enhanced. The development of monetary and trade-and-economic relations should be maintained on a mutually beneficial basis.

The financial and credit granting mechanism is to create economic conditions for improving the pattern of export and import, for widening production co-operation on the basis of currency self-repayment and self-financing, and the pursuance of an active customs policy.

Special attention should be devoted to raising the purchasing power of the rouble, and to ensuring its stage-by-stage convertibility, first and foremost, within the framework of the Council for Mutual Economic Assistance (CMEA).

III. To remake organisational patterns of management.

A bulky and continuously swelling apparatus is characteristic of the established pattern and methods of management. It tries to manage the economy not by using economic interests but by means of detailed and day-to-day instructions and petty control. As a result, the management system becomes less and less efficient. The CPSU Central Committee considers it necessary to remake all the organisational economic structures — from the main element to branches, regions and the national economy as a whole.

1. It is essential to ensure the formation and development of organisational structures of the main element — enterprises (amalgamations), to overcome narrow departmental and parochial barriers which restrict the process of the socialisation of production, its concentration, specialisation, combining, and the development of diverse integration processes, particularly horizontal ones, in the economy.

The switching of enterprises over to complete cost accounting and self-financing should combine with the granting of the rights to them to create common production units on a joint basis, and to unification, right up to complete merger if this is prompted by the interests of co-operation and technological ties and effective output of end products.

It is essential to pursue a policy of securing that union managerial bodies have under their authority in prospect several thousand big scientific-production, sectoral, intersectoral and territorial-sectoral associations capable of independently carrying out the entire cycle "research and development — investments — production — marketing — servicing".

Medium- and small-sized enterprises, including co-operative ones, oriented to the local

market should be subordinated to republican and local managerial bodies.

During this work one should proceed from the need to create organisational conditions for economic competition between enterprises (amalgamations), and to prevent the monopolisation of production and the producer's dictation to the user.

2. The ministries are called upon to be scientific and technical, planning and economic headquarters of sectors. For the activities of ministries to improve radically, it is necessary to relieve them of the functions of day-to-day control of enterprises.

They should answer to the country for the satisfaction of requirements for the output of the branch, prevent disproportions, and ensure the attainment of world standards for the technology of production and quality of output, organising the elaboration and implementation of sectoral scientific-and-technical programmes.

Their task is effectively to conduct work to deepen specialisation and co-operation, to improve the organisation and structure of production. It is of importance to raise the activity of ministries in the foreign economic field, and in training, re-training and advanced training of personnel.

New tasks and functions of the ministries call for specifying their composition, for cutting down and streamlining the structure of the staff and strengthening their scientific, technical, planning, and economic sub-divisions, and eliminating the part of the apparatus engaged in day-to-day economic functions.

The staff should master economic methods of management, secure the democratisation of style, and raise openness in work.

3. The activities of the standing bodies of the Council of Ministers of the USSR are to be improved and subordinated to the tasks of carrying out a radical reform of economic management.

The policy of turning the standing government bodies into viable organisations responsible for the development of their sectors should be carried on. Their work should be focussed on solving inter-sectoral scientific and technical problems, on developing inter-sectoral co-operation, and on strengthening the export resources and international scientific, technical and economic co-operation.

4. Resolute measures should be taken to reduce and regulate the activities of the control apparatus and to subordinate it to state and national interests. People's control should become an effective means for identifying pressing issues, and one of major forms of drawing masses of people into the process of self-management in the affairs of the state and society.

To set up on a basis of the People's Control Committee of the USSR a single integrated system of control which would have broad powers on the whole of the country's territory, would conduct its activity in a comprehensive way, from all people's point of view, would rely on the maximum of openness in its work.

5. To radically revamp statistics. To ensure in its work a sharp turn toward qualitative indexes, the widening of the information on the matters of regional and social development, the holding of various selective surveys. To use statistics as an important instrument of openness, social and economic analysis, enhancement of competence in the solution of economic and social problems. To increase promptness and reliability of statistical information, to reduce and simplify accountability, to step up the effort to combat eye-wash and report-padding. To broaden the framework of the publication of statistic materials.

IV. To ensure optimal combination of branch and territorial economic management.

1. The CPSU Central Committee, for purposes of all-round development of productive forces, deems it necessary to enhance the territorial aspect in planning and to increase comprehensiveness of the plans of the economic and social development of union and autonomous republics, territories, regions and large cities.

To draw up as a concept of territorial development a master plan of the development and distribution of productive forces for a period of fifteen years. In working out regional plans of the economic and social development to take into consideration the activity of all enterprises and organisations situated on a given territory, regardless of their departmental subjugation. To pay special attention in plans to the development of the production and social infrastructure, of inter-branch facilities needed for a comprehensive development of a territory.

The limits for capital investments and building-assembly works necessary for the development of a republican economy should be set for a republic as a whole. In districts of new construction the funds for the creation of a regional production and social infrastructure and environmental protection should be specially allocated. A system of economic privileges for enterprises placed in promising areas should be applied.

2. To heighten responsibility of the councils of ministers of the union republics for a comprehensive solution of the economic and social tasks on the territory of republics. For these purposes it is expedient to make them responsible for:

The guidance of entire social and cultural construction and coordination of the activity in this sphere of agencies, enterprises (amalgamations) and organisations of union, union-republican and republican subjugation functioning on a republic's territory;

The meeting of the population's needs in food products through using local possibilities to the utmost, the fulfilment in full measure of food supplies to the all-union and republican stocks;

The coordination of the activity of enterprises for the production of consumer goods and development of the services, elimination of their deficit as well as responsibility for the volumes of the output of goods and the rendering of services;

To increase dependence between the volume of resources channelled for social development of union republics and separate regions and results of economic activity of enterprises situated on the territories of republics.

3. In order to strengthen the economic base of local soviets of people's deputies and union republics and its linkage with the results of the economic activity of all enterprises situated on a given territory it is necessary to rearrange the shaping of republican and local budgets on the principle of norms.

For this purpose, in conditions of the new system of prices it is necessary to envisage the contribution to the local budgets on the basis of long-term stable economic norms of a part of the pay for labour and natural resources used, as well as the total sum of fines for environmental pollution. To introduce the payments to local bodies on the basis of norms from estimated profits (incomes) of enterprises (amalgamations), regardless of their departmental subjugation. To enhance the interest of the soviets of people's deputies in increasing the manufacture and sale of consumer goods to the population, establishing for them stable norms for a five-year period of deductions from taxes levied on the territory.

At the same time it is necessary to expand substantially the range of tasks of economic and social development of regions which should be tackled by local soviets of people's deputies

at the expense of their budgets, to fully relegate to them the solution of matters of financing the construction of new enterprises of local subjugation, development of the regional production and social infrastructures and other matters of regional importance. To increase the construction of roads of local importance, as well as the production of local building materials at the expense of the funds from local budgets.

4. It is necessary to effect the reorganisation of economic management in union republics, without allowing for republics copying mechanically the composition and structure of union government bodies, and local bodies copying that of republican ones.

To concentrate the management of enterprises (amalgamations) of the heavy industry and geological survey mainly in union bodies of management, while the management of enterprises working for the local market should be concentrated in the republican and local government bodies.

It is expedient to set up the main production-economic departments of executive committees of the soviets of people's deputies for practical guidance of the national economy in territories and regions. The criteria of the assessment of enterprises' activity by local Party, government and managerial bodies should be brought into accord with the new economic mechanism.

V. Enhance social trend of development

1. The CPSU Central Committee holds that the main political, economic and social task is to enhance the role of the human factor, to create a powerful system of motives and stimuli encouraging all workers to work fruitfully for the common benefit and on this basis to direct production at achieving a qualitatively new level of the people's prosperity, all-round development of every Soviet person.

2. To manage interests through interests, to combine material interests of a personality with the interests of a collective and society it is necessary:

To conduct consistently the line at work collectives earning funds to repay labour and social development, to ensure the possibilities of their complete use. To embark everywhere on norm setting of wage fund of collectives in direct dependence on the end results of their activity;

To restructure the system of wages proceeding from the tasks of sharply enhancing the efficiency and improving the quality of work, increase the interest of the working people in fulfilling work with a smaller number of employed. Not to allow the wage-levelling, to ensure a justified differentiation in the pay, without setting any limit to it;

To implement a qualitatively new approach to labour organisation so that it should be in keeping with the requirements of the scientific and technological progress, to widely apply its progressive forms;

To create conditions for extensive use of collective contract.

To promote the adoption of collective contracts by teams, units, shops and enterprises by involving managers, engineering workers and technicians in self-supporting collectives. To organise a collective contract, as a rule, on the basis of an agreement between the administration and the collective by allocating the necessary property to it and by shaping the wage fund on the basis of stable norms depending on the end results of work.

To revamp planning within an enterprise and material-technical supply, to pass on to enlarged norm-setting, to introduce new forms of accounting within enterprises.

3. To ensure broad application of scientifically substantiated social norms in management,

setting them as the basis for the planning of the development of the social sphere. To regard as obligatory the application of social norms in creating new equipment and technologies in designing, building and reconstruction of enterprises and facilities, in improving the labour organisation and conditions, as well as in implementing measures for environmental protection.

4. To create a system of shaping effective employment of the population. In new conditions of economic management it is necessary to cardinal improve the organisation of the use of labour resources, of selection, training, retraining and job placement of personnel.

For implementing state policy of employment it is necessary to restructure the activity of the USSR State Committee for labour and social affairs and its local bodies, to make them responsible for ensuring complete employment, job placing, training and vocational guidance of workers released for other jobs and of unengaged able-bodied population, the granting of enterprises' needs in personnel.

To create a network of self-supporting centres (bureaus) for job placement and vocational guidance of the population.

5. The CPSU Central Committee emphasises that the implementation of the inter-related system of measures for radical restructuring of the management is inseparable from the solution of the tasks of ensuring a balanced demand and supply of consumer goods and paid services. For this purpose it is necessary:

To set the trend of speedy development of the production of consumer goods and services and their subjugation to the population's requirements. To encourage in every way co-operative and individual labour activity;

To overcome the deformation of the structure of the population's expenditure, above all on the basis of considerable speeding up of the development of the sphere of paid services, particularly in the housing and amenities economy, in the sphere of rest and tourism, cultural and communal services;

To speed up the development of co-operative and individual housing construction. To draw more actively the funds of the population into its widening, particularly in rural areas.

6. To perfect the guidance of the development and use of the material and technical base of the socio-cultural complex. In drawing up plans at all levels to provide for priority allocation of funds for an early solution of the housing problem, strengthening of health, meeting of cultural requirements of man. To enhance considerably the role of funds of enterprises in improving the conditions of daily life of the working people. To channel capital investments saved in the construction of production facilities for the development of the material and technical base of the socio-cultural sphere.

To borrow savings of collective farmers, factory and office workers for the financing of the construction of socio-cultural facilities under the guarantees of collective farms, enterprises and local soviets of people's republics.

The need is ripe for overhauling the economic mechanism of the functioning of socio-cultural complex — education, culture, health services, physical culture and sports. To introduce self-financing of enterprises, organisations and institutions of this area in close linkage with end results of their work.

VI. To organise efficiently the reorganisation of economic management.

The plenary meeting of the CPSU Central Committee emphasises that efficient organisation of work and its coordination in time is a most important condition of the successful making of the radical reform of economic management.

It is impermissible that the lack of reliable organisational ensurance, tardiness and lack of coordination should lead, as in the past, to delays and incomplete implementation of a radical reform of economic management. Its steady and consistent implementation is a most important task of Party committees and organisations, soviets of people's deputies, economic management bodies, trade unions and the Komsomol.

1. To carry out before the end of 1987 a thorough preparation for bringing into effect the law of the USSR on the State Enterprise (amalgamation) and to apply its operation to all enterprises in 1988-1989, to place them in conditions of full cost-accounting and self-financing.

To implement the reorganisation of planning, pricing, finances and crediting, the material and technical supply, so as to enter the 13th five-year period with a new economic mechanism. At the same time to reorganise the functioning of central economic, branch, republican organs of management.

The drawing up and implementation before 1990 of a programme of measures aimed at normalisation of the situation at the consumer market, a substantial improvement of the balance of the supply and demand for goods and paid services must become a task of priority importance.

To draw up the plan of the 13th five-year period proceeding from the requirements of the new system of management, and to endorse it before the beginning of the five-year period.

2. The CPSU Central Committee emphasises particularly the need for the consolidation of the legal mainstays of the reorganisation of the economic management of the country.

To revise and abrogate all normative acts, including instructions of ministries and departments contradicting the Law on the State Enterprise (Amalgamation), the new provisions in the area of planning, pricing, finances and crediting, material and technical supply, guidance of labour and social processes.

In applying legislation to proceed from the view that any economic activity other than prohibited by law is permitted to enterprises. As a rule laws must be direct acts and must apply immediately to work collectives, state and public bodies, officials and citizens.

To work out strict legal procedures of adopting economic decisions on the basis of new legislation, to preclude the possibilities of voluntarism at any level of the economic system.

To systematise and codify economic legislation, to speed up the drafting of an all-union act on the procedure of drawing up and application of departmental normative acts, to take measures for enhancing control over departmental normative acts being in accordance with legislation.

3. Upgrading of the economic knowledge of personnel, the ability to use economic methods of management in the atmosphere of democracy and broad openness are an indispensable condition for successful reorganisation of management.

To organise everywhere the study of the new system of economic management, its explanation and concrete discussion in all work collectives and bodies of management. To restructure the system of training, retraining and upgrading of the qualification of Party, government, managerial and trade union cadres. To base instruction on practical grasping of contemporary methods of economic management. To work out and implement measures for the consolidation of the material base of tuition, its equipment with up-to-date managerial technique.

To practise broadly exchanges of experience between executives of all ranks, to organise business clubs for directors of enterprises. To improve drastically training at establishments of higher economic learning and at economic

faculties and economic education of specialists in all branches of agriculture.

To prepare soon new text-books and teaching aids on economics for higher educational establishments and the upgrading and retraining system, above all for studying the new system of economic management. To combine general professional training with economic training, to incorporate it in the state system of upgrading and retraining personnel.

4. Broad development of democratic principles in society is an indispensable condition for the successful implementation of the radical reform of economic management and the effective functioning of the new economic mechanism.

The activity of bodies supervising economic construction and construction of social and cultural amenities should be carried out in conditions of openness and broad involvement of the general public in the elaboration of major decisions.

To submit for nation-wide discussion large-scale scientific, technical, economic, social and ecological problems and drafts on their solution. To discuss widely among the population issues of socio-economic development concerning the interests of the republic, territory, region, city and district and systematically conduct public opinion polls on major socio-economic problems.

To create conditions for public participation in the discussion of draft plans, budgets, laws and resolutions on major issues of social and economic life.

To provide better information on decisions adopted by the government and departments and local bodies and on progress in implementing plans and decisions adopted. To broaden the publication of statistical data on the socio-economic development of the country, union and autonomous republics, regions, territories, cities and districts.

To secure that representatives of governing bodies make regular reports to soviets of people's deputies, work collectives, public organisations and the population, as well as through press publications, press conferences and other forms of communication with working people and their representatives.

The implementation of the fundamental reorganisation of the country's economic management is a truly revolutionary process. Economy today is on the frontline of the reconstruction drive. Radical change in economic management has become an inevitable necessity. The chief objective of the overhaul in management is to give fresh impulses to the social and economic progress of Soviet society.

The plenum of the CPSU Central Committee calls on behalf of the entire Communist Party upon working people in the Soviet Union — factory workers, collective farmers and intellectuals — to support the CPSU's strategic course towards the radical reform of economic management, actively join in its implementation, master economic methods of administration and learn to live and creatively work in conditions of full cost-accounting and self-financing, democratisation and self-management, broad openness.

It is only by advancing boldly and steadily along this path that we will be able to attain qualitative improvement in the life of all Soviet people, achieve genuine renewal of socialism and secure prestige and authority of our Soviet homeland, the land of the Great October Revolution. □

(Moscow, June 26, TASS)

Resolution of the plenary meeting of the CPSU Central Committee

Here follows the full text of the resolution of the plenary meeting of the CPSU Central Committee:

ON THE PARTY'S TASKS IN FUNDAMENTAL REORGANISATION OF ECONOMIC MANAGEMENT

1. The plenum of the Central Committee of the Communist Party of the Soviet Union, having heard and discussed the report by General Secretary of the CPSU Central Committee Mikhail S. Gorbachev on the Party's tasks in fundamental reorganisation of economic management, notes that the consistent implementation of the course of the April (1985) plenum of the Central Committee and the 27th Congress of the CPSU towards accelerating socio-economic development and restructuring is having a profound effect on all spheres of life in Soviet society. The January (1987) plenum of the CPSU Central Committee was an important landmark along the road of its democratisation. The Soviet people have fully backed and are joining ever more actively the process of large-scale transformation.

The plenum approves of the political and practical activity of the Political Bureau of the CPSU Central Committee in carrying out the course towards restructuring and assigns it to continue unswervingly the strategic policy of the Party Congress in the interests of the people, consolidation of socialism and deepening of socialist democracy.

2. The plenum states that at present, when the Party and the country have entered the crucial period of restructuring, a period of practical deeds, the main thing is to build up in all ways the rates of transformation and shift the centre of gravity to painstaking and purposeful organisational and ideological and political work in all directions of domestic and foreign policy.

The plenum attaches special importance to subordinating the entire activity of the Party, of every Party organisation and every communist to deepening the reconstruction drive, consolidating its positive results and promoting and developing everything that makes it possible to get rid as quickly as possible of stagnant phenomena and introduce in practice a reliable and effective mechanism of acceleration.

The plenum deems it necessary to pursue with ever greater vigour and consistency the course

towards democratising Soviet society, regarding this as the principal condition for direct involvement of broad masses of working people in restructuring, as a guarantee of the process of renewal.

3. The plenum of the CPSU Central Committee holds that a radical reform of economic management is the key task of restructuring, a major condition for speeding up social and economic development. Moved to the foreground is the establishment of a new integral system designed to exert revolutionising influence on all aspects of work and life of Soviet people, impart new quality to socialism and advance it to a new stage of development.

The plenum approves of the main provisions, set out in the report by General Secretary of the CPSU Central Committee Mikhail Gorbachev, of the fundamental reorganisation of economic management, the objectives and principles of its implementation.

Transition to the integral system of management should ensure real acceleration of the development of economy, impart new dynamism and quality to it, meet the demands of society through the maximum use of achievements of scientific and technological progress, ensure sensible socialist use of the environment, resolute changeover from predominantly administrative to predominantly economic methods of management at all levels, and all-round activation of the human factor.

To endorse the "Main Provisions of Fundamental Reorganisation of Economic Management" submitted by the Political Bureau of the CPSU Central Committee.

To approve the Draft Law of the USSR on the State Enterprise (Amalgamation) amended with account for the results of the nation-wide discussion. To assign the USSR Council of Ministers to submit it for consideration to the USSR Supreme Soviet.

4. The plenum of the CPSU Central Committee notes that the radical reorganisation of management raises in a new way the question of applying the principle of democratic centralism to guidance over the socialist economy and makes new demands on the work of central bodies of economic management. They are called upon to ensure the implementation of the national strategy of socio-economic and scientific and technological development, balance the economy fully and reliably, create necessary conditions for effective economic performance of enterprises and amalgamations in the conditions

of cost-accounting independence and self-management of work collectives and meet social requirements on this basis.

The plenum approves on the whole the draft resolutions relating to the reorganisation of the activity of central, republican and local bodies of management, the planning system, the implementation of a radical finance and credit reform, a reform of pricing and restructuring of material and technical supply and other norm-setting acts and assigns the Political Bureau of the CPSU Central Committee and the USSR Council of Ministers to endorse them with account for the discussion at the plenum of the Central Committee.

5. The plenum of the CPSU Central Committee emphasises that it is now especially important and necessary to strengthen Party influence in all directions of the reconstruction drive, guarantee skilful guidance over public processes and elaboration of new creative approaches in Party work. In transferring the economy to a new system of management special attention should be given to ensuring the normal functioning of the national economy in the transitional period when both new and old methods of management will be in operation.

Party organisations are called upon to be in the vanguard of the transformation work. The central committees of the communist parties in the union republics, territorial, regional, city and district Party committees should consistently carry out a course towards perfecting the style of work, introducing political methods of guidance with reliance on primary Party organisations, work collectives and public organisations, assess in a truthful and principled way the state of affairs and teach the cadres to work in a new way. It is necessary to adopt specific measures to raise responsibility and principledness in the work of Party organisations of central economic bodies, ministries and departments, enterprises and amalgamations.

With a view to invigorating the activity of Party organisations on implementing decisions of the 27th Party Congress, the January (1987) plenum and this plenum of the Central Committee, to deem it necessary to hold at the year's end meetings of communists and plenums of Party committees to consider reports by elected bodies on their work on guiding the reconstruction drive.

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The plenum of the CPSU Central Committee emphasises that the restructuring of economic management and the economic mechanism on the whole is now the central task determining success of the entire strategy of acceleration. Its implementation is a major concern of the entire Party and people, an integral part of the process of renewal of all life in the country, direct continuation of the cause of the October Revolution. □

(Moscow, June 26, TASS)

Changes in Political Bureau

THE plenary meeting of the CPSU Central Committee studied organisational questions:

The plenary meeting promoted Nikolai Slyunkov and Alexander Yakovlev from alternate to full members of the Political Bureau of the CPSU Central Committee.

The plenary meeting elected Secretary of the CPSU Central Committee Viktor Nikonov a Member of the Political Bureau of the CPSU Central Committee.

The plenary meeting promoted Dmitri Yazov, Minister of Defence of the USSR, from candidate to full member of the CPSU Central

Committee and elected him an alternate member of the Political Bureau of the CPSU Central Committee.

The plenary meeting relieved Sergei Sokolov of his duties of alternate member of the Political Bureau of the CPSU Central Committee in connection with his retirement.

The plenary meeting removed from the CPSU Central Committee Dinmukhamed Kunayev for serious shortcomings in leading the republic Party organisation when he was First Secretary of the Central Committee of the Communist Party of Kazakhstan. □

(Moscow, June 26, TASS)

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Mikhail Gorbachev's concluding speech at plenary meeting

Here follows the concluding speech made by Mikhail Gorbachev at the plenary meeting of the CPSU Central Committee on June 26, 1987:

Comrades,

We are concluding the work of our Central Committee plenum. 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 reorganisation has raised many problems. The present plenary meeting of the Central Committee was to evaluate them and come up with conclusions for political and organising 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 full reason to say that the plenary meeting has justified the hopes of communists, of all Soviet people. And this determines its tremendous importance. The plenary meeting substantially advances our reorganisation along the course mapped out by the 27th CPSU Congress, deepens understanding of its necessity and new methods of approach to its implementation.

The programme of the radical reform of economic management was adopted at the plenary meeting. It creates a powerful and effective lever for accelerating the restructuring drive.

This programme has absorbed everything that was given us by the practical experience of the past two years, that was given us by scientific thought, that was given us by the lessons of decades of building socialism. The experiments that we conducted in the course of 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 question 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 is forming in the Party after the April plenary meeting and the 27th CPSU Congress and is characterised by a sober evaluation of the course of the restructuring, its successes and achievements, a deep analysis of the work done, criticism of shortcomings and a free and business-like discussion of ripe problems. All this was present in the work of this plenary meeting and we all, members of the Central Committee, can experience a legitimate feeling of satisfaction.

The thought that despite all of its accomplishments the process of reorganisation is yet advancing slowly was stressed in the report and speeches. By critically assessing the situation we thereby mobilise our possibilities, and we have quite many of them in all spheres of public life.

The criticism and self-criticism that sounded here are an expression of a reasonable dissatisfaction with the state of affairs and an indicator of our strength. The main feature of Bolshevik criticism is that it is concrete, business-like and constructive. We have full reason to say that there is advance both in industry and in such a complex sector of the economy as agriculture.

But particularly great is the advance in the minds of people, in the awareness of the socio-political situation which has shaped in the country of late.

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

The plenary meeting is completing the working out of an integral concept of the reorganisation, whose idea we advanced in April 1985, worked out in the documents of the 27th Congress, of the January plenary meeting of the Central Committee. And it is not only the theoretical aspect, however important, that is the point of the matter. The political importance of the current plenum is that it translates the ideas of the reorganisation into practice, and, moreover, in the decisive social sphere — the economic sphere which is related to the fundamentals of the people's life.

I wish to say once again that the decisions of the plenum, the documents adopted by it deepen substantially, in both the theoretical and practical aspects, our strategic line at acceleration, at the reorganisation. They provide fundamental guidelines for the reorganisation of the economy. Many things will, certainly, be prompted by practical experience. The views of the reorganisation will be deepened by life itself. We are in for new problems, considerable complexities. We are not insured against mistakes either, though we should act and work in such a way that there should be as few mistakes as possible.

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

For if, fearing complexities of the current stage, somebody will be cowardly sitting it out in offices, without reacting to the fact that life knocks ever louder at doors and windows, this will become the biggest mistake.

We have made it a rule not to avoid resolving urgent problems, not to allow questions to pile up, for too great a number of questions piled up as it is.

A dread of making a mistake is particularly ruinous: it paralyses one's will and restrains the efforts aimed at remaking society.

We are now living through a kind of transitional period, particularly when applied to the economy. We are to switch all enterprises and amalgamations over to complete cost-accounting, to prepare and effect a radical reform of price formation, and to restructure material and technical supply, finances and crediting, and organisational patterns of management.

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

Of course, everything should be done for the transitional and complex period not to become too long, and to secure that we act in this responsible period resolutely, thoughtfully and efficiently.

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

This is why in all our practical actions we should take the interests into account. This does not at all mean that we should drag behind various sentiments and parasitic interests. No, comrades, we should not. I speak of the legitimate interests which we should take into account without fail.

Therefore the entire amount of work to move on to a new mechanism of management should provide more opportunities for the realisation of these interests. It is precisely the taking into account of these interests that is to become the spring which will add new dynamism to our economic system and to all economic activities.

All in all, the entire work of the present stage should be carried out with a great sense of responsibility. And society headed by the Party which is equipped with experience, theoretically prepared and rallied organisationally, is capable of this. We must emphasise most forcefully now that the role of the Party is particularly important at the given stage of social development, in the reorganisation as a whole.

A most important task — practical implementation of the reform in all links, at every level, is assigned to the CPSU. Dwelling on this, I want to emphasise the role of primary Party organisations especially. For everything we have conceived will be implemented mainly in a work collective. The activity of all the bodies of economic management must be aimed above all at creating conditions for a successful, effective functioning of the main link of the economy.

The growing role of the primary Party organisation 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 promote by every means they have the effective functioning of primary organisations in new conditions. This applies to all aspects of Party work — political, organisational, ideological.

Novel tasks are also facing the huge corps of the country's economic managerial personnel. The Party counts on their decisive contribution to carrying out the reform. The country has an immense cadre potential, and it is essential to help them to realise still more profoundly the novelty and magnitude of the current changes in view of the economic reform, to join in active work on the basis of the new principles of management, introducing them everywhere, in all sectors of the economy.

It is essential to act so that all those who are on the side of the reorganisation process, who are for the reform and who strive to devote all energies and experience to it, and to put their heart into the work could enjoy active support and attention on the part of Party bodies.

Such persons constitute the main portion of the people. Moreover, the reform will proceed with much difficulty if we do not overcome such a shortcoming as personnel reshuffles in the main section of the cadres, I mean the leaders of enterprises, construction projects, collective and state farms.

Therefore I want to repeat once again: all cadres who are politically on the side of the reorganisation and possess the necessary competence should 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 become a decisive stage of the radical

(Continued on Page 244)

MIKHAIL GORBACHEV'S REPORT TO THE PLENARY MEETING

(Continued from Page 231)

to batch production and servicing.

And the factor of controllability should, certainly, be taken into consideration.

And, finally, the monopoly position of amalgamations should be avoided in the manufacture of some or other kinds of products.

I believe the switching of enterprises and amalgamations to complete cost-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, if 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, even schools for training personnel and managers.

But the stand of management bodies here should not be passive, much less conservative. The gate should be thrown wide open to all manner of 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 work from research to investments to production to marketing to maintenance could be controlled from the centre in future.

Alongside them, tens of thousands of medium and small enterprises, including co-operative ones, oriented at servicing large amalgamations and at the local market could be in the republican and local subordination.

No less important is the question of revamping 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 the requirements of the national economy in the products of their industries, be responsible for bringing production and its quality to world levels, and vigorously go about improving their sectors structurally and promoting specialised- and co-operative-production arrangements, should work out economic norms, levers and stimuli for enterprises in their charge.

The ministries should have at their disposal leading research and development organisations and centralised funds by dint of which it is expedient to set up new enterprises and support work collectives through major modernisation and expansion schemes.

The vast majority of industrial ministries will actively join in foreign economic activities. Retraining of personnel and upgrading their qualifications is an important task of the ministries, and their role in this will increase immeasurably.

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

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

As is known, a system for the management of national economic complexes and intersectional management is now being fashioned. The following agencies have been formed and function as permanent agencies under the Council of Ministers: the State Agro-Industrial Committee (Gosagroprom), the State Committee for Construction (Gosstroil), 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. An optimum way of distributing functions between the bodies for running economic sectors, on the one hand, and the USSR State Planning Committee and ministries, on the other hand, is yet to be found.

The policy of making standing government agencies into viable organisations responsible for the development of their particular economic sectors 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 discrepancies present themselves, because of which we sustain heavy losses. And it is precisely there that vast reserves for improving work are hidden.

The strengthening of 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 on Prices, the State Committee of Technical and Material Supply, the State Committee for Science and Technology, the State Committee for Labour, and others.

The transition to complete cost-accounting, radical changes in the activity of ministries and the development of the system of management of national economic sectors cardinal change the functions of these bodies.

As to the USSR State Planning Committee, stress in its work should be shifted to dealing with determining the prospects for development, realising the fundamental social and economic 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 trend, science-and-technology and regional services be strengthened. All this, naturally, should be most closely linked with the functions of the standing agencies of the USSR Council of Ministers.

The question of enhancing the co-ordinating role of the USSR State Planning Committee with regard to the activity of other central economic agencies is apparently ripe, comrades.

We have already been saying that the new system will be effective only if it succeeds in linking and harmonising the multifarious interests of our society, including the interests of not only enterprises and branches but the interests of the republics, territories, regions, cities and districts — or territorial interests as they are customarily called.

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

It will not be amiss to recall, comrades, that many ideas, on whose basis important experiments have been carried out and the contemporary concept of management emerged, originated at local level and were implemented due to effective work of local government bodies.

The team contract in agriculture and construction, in industrial production, new forms of territorial management of the economy, progressive undertakings in rail transport, in the sphere of public service, in trade, transition to self-financing and many other things emerged on the initiative of work collectives with vigorous support of local party, government and managerial agencies.

A number of decisions on enhancing the role of republic agencies and local soviets have been adopted of late. They were met with approval. And yet the territorial aspect of the management has not been given due attention and has not been solv-

ed so far. Cardinal measures are required in this area.

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 resources — manpower, natural, production and economic ones.

Concrete steps have already been taken in this direction — I mean the setting up of agencies managing the agro-industrial complex, construction, production of consumer goods and services.

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

The social sphere is certainly a most important area of territorial management, above all on the part of 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 should arrest the escalation of construction of production facilities in cities where it is 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 territorial agencies for the development of the social sphere on the basis of justifiable norms. I think such an approach would help put things in order in the development of cities.

The second remark is about the role of territorial agencies in organising co-operative 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 co-operatives 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 and 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.

Organisational measures seem to be indispensable, too. We believe it is expedient to set up production management boards at the executive committees of soviets at regional and territorial levels to draw up plans for regional development and co-ordinate 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 management reorganisation

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

We must realise that the time when management consisted of orders, bans and calls, 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 organisation of work and forms of incentive, the system of employment, the situation in the consumer market, and 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 organisation of work is posed acutely. The current practices, as a rule, have long become outdated.

We need such labour organisation that would correspond to the present-day requirements of the scientific and technological progress, would encompass the best national and world experience and — particularly important — would suit the new conditions of economic management and principles of self-government.

After a series of experiments it has become clear to all of us that the new economic mechanism is best suited by the team contract and other effective forms of labour organisation and stimulation. It is only on their basis that full implementation of economic cost-accounting is possible and it can be applied to every collective and work place.

The system of pay and labour incentive must be arranged in a new way. The law on enterprise guarantees enterprises the right to raise wage rates and wages, and to establish extra-payments to them. The possibilities of effective stimulation are drastically expanded.

But it is particularly important that the actual pay of every worker be closely linked to his personal contribution to the end result, and that no limit be set on it. There is only one criterion of justice: whether or not it is earned.

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

The number of work places grew rapidly at the previous stages, in conditions of predominantly extensive development of production. To fill vacancies was the main problem then.

The situation is radically changing now. The scopes on which the excessive workforce will be trimmed will increase considerably in conditions of the speeding up of the scientific and technological progress.

The new economic mechanism will give incentives for this. The need in labour resources for the sphere of public services, culture, education, health services and recreation will increase at the same time.

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

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

I have already said that a large gap between monetary incomes and solvent demand of the population, on the one hand, and available commodities, on the other, has formed in the recent years.

The amount of money in circulation multiplied 3.1 times between 1971 and 1985, while the production of consumer goods doubled. We must consistently and firmly continue the line at subjugating the production of consumer goods to the population's demands in the framework of the economic management reform.

The work to stock warehouses is not only wasteful, it is absurd — whichever way you look at it. It is better to close down this kind of production. I think this question merits the closest attention.

And the point of the matter is not only that the demand of the population, able to pay, be met with available supply. Thought must apparently be given to drawing more fully 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 co-operative and individual housing construction. There has been no real advance in this. Quite the contrary, the share of co-operative housing construction has been falling markedly until recently. This is certainly not right.

Considerable funds could be borrowed from the population for setting up bases for rest and tourism and for building paid sports facilities on the local level. The population could invest funds on definite terms in the co-operatives that are being set up now in the public services and other areas.

And here we approach another matter. In order to overcome the deformation of demand it is necessary to double or treble the speed of the development of the entire sphere of paid services, to introduce additional stimuli and to provide more resources. Estimates indicate that by taking this road we can assure an annual increase of services at the rate of 15-20 percent.

All this and many other things would make it possible to quickly 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 on the issue.

The passivity of those managers who do not use the new opportunities for the solution of social tasks is particularly intolerable in the present situation.

The old habit of approaching the solution of social problems from the principle of using what is left, on the one hand, and the existing sponger's psychology, on the other, are, apparently, still manifested in this area. And both things should be discarded once and for all.

It is work collectives, and they alone, that can solve their social problems. And it is necessary to act in work collectives, in cities and districts, in regions and republics energetically, reasonably, with enterprise — as befits a master, in a word.

Restructuring of management: efficiently organised, with party and political backing

Comrades, a radical reform of the economic management is not a once-only act, but a process which will take a certain time to complete. And there must be no delays about this, for this might turn out to 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 its adjustment could be continued in future.

The political bureau deems it impermissible that a lack of reliable organisational backing, tardiness and lack of co-ordination should lead, as in the past, to delays and incomplete implementation of reform.

In this connection it is proposed that the plenum should endorse the *Principal guidelines for a radical reorganisation of economic management*, which contains both fundamental and concrete directives for establishing a new system of management, and that it should become a party directive for the entire subsequent work in this area.

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

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 concrete decisions on major matters of the restructuring of management is proposed to be adopted before the end of this year so as to bring centralised 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 and fisheries industries and all types of transport. The transitions to new conditions of economic management must be completed in 1989.

The restructuring of the most important functions of the economic management will be effected parallel with this before the end of the five-year plan period: of planning, pricing, finances and crediting, material and technical supply. Stable economic norms of long-term 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 organised in such a way as to ensure the adoption of the five-year plan before the beginning of the five-year period itself.

Comrades, the organisational aspect of the planned transformations should include a vast programme of legislative activity, the formalising of the legal mechanism of the economic reform.

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 legal principle that everything is permitted which is not banned by law should be applied wider.

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 strict juridical framework.

A system should also be created for promptly informing work collectives of laws and decrees of the government. People should know laws which regulate their life and activity. The tasks of legal control by the Procuracy over the observance of laws by all organisations and officials increase immeasurably in this connection. The role of state arbitrage in the regulation of economic activity should be seriously enhanced.

I would like to emphasise particularly the need for maximum openness about the entire process of working out and making decisions on matters of the social and economic life, of regular and widely covered accountability of representatives of the economic bodies.

Publications of drafts and decrees and wide 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, whose draft will be submitted to the coming session of the USSR Supreme Soviet.

There is a major acute problem, about radical restructuring of our statistics. A sharp turn toward qualitative indexes, wider information on matters of regional and social development and various selective surveys are needed in this area.

No serious socio-economic analysis and, consequently, competent approach to problems is possible without this. It is also necessary to broaden the margins for publishing materials on economic and social statistics.

Comrades, now it is especially necessary to increase party influence along all directions of our work, to achieve skillful guidance of social processes and the working out of new creative approaches.

From the central committee to the primary party organisation, 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 exactly because during the transition period we will have to solve simultaneously a number of major and complex tasks of our economic development, carry out the structural readjustment of the national economy, implement measures to accelerate scientific and technological progress and radical reform of management and deepen its democratic principles.

One should also remember that, in the course of a certain period of time necessary for a com-

(Continued on Page 244)

Mikhail Gorbachev receives Javier Perez de Cuellar

ON June 29 Mikhail Gorbachev met Javier Perez de Cuellar in the Kremlin.

Welcoming the United Nations Secretary-General, Gorbachev expressed the Soviet Union's invariable respect for the work of the UN. The organisation had done much in the past and its role would be growing. Speculations that the UN was declining and losing face were totally unacceptable.

The world situation had changed over the past forty years. More than a hundred new nations have entered the international scene. The world was saturated with interests, and it was the task of tasks to find a balance between them.

The UN, possessing immense experience, both successful and otherwise, was the most suitable body for that. Without achieving a balance of diverse interests there would be no stability in international relations, Mikhail Gorbachev said.

The new situation was knocking at the UN doors. The organisation, naturally, was looking for a qualitatively new role to play, difficult as it was, Gorbachev said.

The time had gone when peace could be established by subordinating it to the interests of one or several powers. At present, even if something happened to a small nation, all were reacting. Nothing could any longer be accomplished without reorganising the right of all to choice, to sovereignty, to independent use of their resources and participation in international affairs.

This conclusion was organically included in a concept which the CPSU and the Soviet leadership had thoroughly thought out and were seeking to translate into policy for two years now, the Soviet leader said.

"Not everything has been accomplished. But we see that it is evoking growing understanding and response in the world. We are convinced that we have adopted a correct path which we are going to consistently follow."

Agreeing with his interlocutor's idea that the duties of the leaders of major countries included generating a new atmosphere in the world, Gorbachev recalled the concept of general security advanced by the 27th Congress of the CPSU, which comprised not only a military-political aspect but also economic, humanitarian and ecological ones.

He also recalled the January 15, 1986,

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blueprint for a nuclear-free world, which had been the result of an in-depth analysis of being constantly under the threat of catastrophe and tired of confrontation and needed a point of support for its hope for a way out of the dangerous situation.

"In that programme we have defined the perspective. It specifies both the long-term aim and the phases to be covered on the way to it as well as the middle-term and immediate goals. We have developed our specific initiatives accordingly, inviting everyone to co-operation," Gorbachev said.

"We have suggested serious compromises and given our partners quite a few changes. This only serves to bear out that we are not playing politics and are not acting vigorously to catch somebody's fancy or make a propaganda gain, but are faithful to our peaceful line and realise that time may not be marked any longer and that somebody must set an example by action," Gorbachev continued.

"We also realise that the clearer the outlines of possible agreements, for example those on medium-range missiles and chemical weapons, the greater resistance from militarist groups. But it is politicians' business to break it down. As for the economic aspect and the interests of nations, it is not only feasible but wholesome to get rid of dictates by the military element in industry," he said.

The interlocutors agreed that science was now entering politics not only through military technology but also through social thinking by concerned scientists. It makes a vast potential for peace and the more competent part of world opinion. It is at the disposal of mankind and hence of the United Nations.

Gorbachev expressed gratitude to the UN Secretary-General for his support for the Soviet moratorium on nuclear testing and reaffirmed that the USSR was prepared to resume the moratorium if it was joined by the United States.

He also reminded Perez de Cuellar of the "Group of Six's" initiative and of the fact that the Soviet Union agreed to challenge inspections and was prepared even right now to send its representatives to full-scale talks on a ban on testing, during which it would be possible to deal also with the issue of ratifying the 1974 and 1976 treaties and take account of American Congress's ideas about reducing the yields and numbers of explosions.

Mikhail Gorbachev explained the "key provisions" which had been discussed during George Shultz's visit to Moscow, pointing out that keeping arms out of space remained the Soviet Union's *sine qua non* condition. The United Nations is called upon to play its role in this area as well, since outer space is mankind's common property and caring for it is a direct duty of the world organisation.

The problem of disarmament and development was discussed in detail. The position definitely taken by the Non-Aligned Movement has become an important factor in the field. The Soviet Union is preparing new proposals on this problem which affects practically the whole world. What is needed is above-board and judicious co-operation rather than shirking the substance of the matter in a bid to preserve the mechanism of non-equivalent exchanges and exploitation. To put off a solution means to make mankind face a very serious danger: a combustible material of great power comparable with the nuclear threat is fast being accumulated.

Perez de Cuellar expressed profound concern over the developments in the Persian Gulf, told

the Soviet side about the intentions of the Security Council, his personal efforts, and appealed for co-operation of the Soviet Union and the United States in the face of the threat of the war's expansion.

Mikhail Gorbachev confirmed the Soviet Union's interest that the conflict should not spread and that the long-drawn-out, pointless Iran-Iraq war should finally be stopped. He told the United Nations Secretary-General about the efforts taken by the Soviet Government. "We shall be acting with a sense of responsibility," he said. "Let us consider what we can do in the existing situation and what can be done by the Security Council."

When the Middle East crisis was discussed, the sides analysed problems and obstacles to the only possible mode of settlement, through an international conference with the participation of the permanent members of the Security Council and all the parties immediately concerned. A great degree of closeness of the approaches to the nature and tasks of the conference were noted. The entire process of settlement and its concluding stage should have a constructive nature, Mikhail Gorbachev said. Recrimination would be of no avail. Equitable solutions to all questions, with taking into account the interests of both the Arab and Israel and, certainly, guarantees were needed.

The Afghan problem was touched upon. The efforts of the personal envoy of the United Nations Secretary-General were commended. The interlocutors noted that the process of the settlement in both its internal and external aspects had started. Mikhail Gorbachev expressed the hope that it could yield a result not in the remote future but in the near future. "Our only wish is that Afghanistan should be a neutral and independent state friendly to the USSR and not a base for hostile activity threatening the security of neighbours," he said.

Mikhail Gorbachev and Javier Perez de Cuellar expressed satisfaction with the friendly conversation which reaffirmed the existence of vast opportunities for interaction between the USSR and the United Nations Organisation, the community of concern about peace and a profound realisation of the responsibility for safeguarding it.

Eduard Shevardnadze took part in the conversation. □

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Nikolai Ryzhkov's report to session of the USSR Supreme Soviet

NIKOLAI RYZHKOV, Chairman of the USSR Council of Ministers, noted the great importance of the economic transformations taking place in the USSR. He delivered a report on the reorganisation of the management of the national economy at the session of the USSR Supreme Soviet in the Kremlin on June 29.

Analysing the causes of phenomena of stagnation in the Soviet economy, he said that the system of management that existed did not take into account the growing role of the social factors, did not allow for linking together the processes of the development of production and social development.

Nikolai Ryzhkov described the Draft Law on the State Enterprise (Amalgamation) as the basis for restructuring the management. It is to be endorsed by the deputies. The central idea of the draft law which was for the first time worked out in the USSR is that the national economic mechanism should create such production and social conditions for the activity of work collectives, such stimuli for development as would urge the enterprises to fulfil their main task: to meet to the utmost the requirements of the national economy and the population for the necessary products, manufacturing them with the least outlays.

The development of production and social development will from now on be in direct and even strict dependence on the end results of the activity, on the funds earned by the work collective. The new economic category, the cost-accounting contract, is introduced in practice, Nikolai Ryzhkov said. It will become the main source for the pay for work and material incentive, the fund of development of the enterprise, science and technology and the social development fund.

Cost-accounting presupposes radical changes in the nature of planning the activity of the enterprise, Ryzhkov said. The enterprise will be independently drawing up and endorsing five-year plans of its economic and social development. A state order will from now on be placed with the enterprises that will not be exhausting their production programme, but will be comprising the manufacture of the most important types of products. The remaining part will be formulated independently on the basis of direct economic ties with customers.

The draft law relieves the enterprise of centrally regulated planning of economic and technological development. At the same time it bolsters up the demand for switching to a regime with two shifts, or to a regime with three or four shifts, wherever unique and costly equipment is used, and wherever it is necessary and advantageous for enterprises.

A profound restructuring of the foreign economic activity of the state is ahead, he went on. Whereas it was the prerogative of central agencies in the past, this area now includes the enterprises, the system of stimuli that are of interest to collectives and that determine the measures of responsibility for the development of ties with foreign partners has been worked out.

Broad co-operation of production with foreign firms, setting up of international associations and organisations, of joint ventures has been outlined. The priority in foreign economic relations must certainly be given to the CMEA member countries.

He noted that the biggest and principled importance of the law lies in the fact that all transformations in the activity of enterprises are linked inseparably with broad development of the democratisation, rest on the principles of socialist self-government. Vigorous participation of collectives is envisaged in decision-making, election of leaders from a team leader to the general director. Undivided authority in the management of enterprises is preserved and strengthened on a democratic basis. The councils of work collectives will be set up at enterprises. They will be expressing their will, and their interests.

Nikolai Ryzhkov dwelt in detail on larger production structures, that will appear in the Soviet economy — state production amalgamations. Aside from factories and plants they might include research institutions, transport organisations, marketing firms, and so on.

At the same time, in order to upgrade branch management, the abolishing of the links that have not justified themselves — all-union production amalgamations — has been started in the USSR. Nikolai Ryzhkov dwelt on the need to alter the activity of union ministries. The main trend is that the role of the ministries be organically linked with the widening of the rights of the enterprises. The ministries must be wholly relying on the instruments of economic influence in relations with them.

Nikolai Ryzhkov set out the principles of territorial management in new conditions of economic management, dwelt in detail on the coming restructuring of central economic bodies. Fundamental changes are, specifically, envisaged in the planning of the economic and social development of union and autonomous republics, territories and regions of the USSR. These plans must have a comprehensive nature, must comprise all amalgamations situated on a given territory, regardless of their departmental subjugation. The local budget is to be formed in a new way. All the enterprises of the region will now be contributing to it a certain part of their profits for the use of manpower and natural resources.

Nikolai Ryzhkov emphasised that a concept of the country's economic and social development for a 15-year period becomes the economic and political platform of long-term development of the national economy in new conditions. The guidelines for the USSR's development for 15 years will be drawn up on it basis.

The process of the working out of five-year plans alters qualitatively. The CPSU Central Committee and the Council of Ministers deemed it necessary in new conditions to give up endorsing annual plans starting with 1991.

Touching upon the questions of enterprises running at a loss, Nikolai Ryzhkov said that if the efforts to improve their work turn out to be futile in new conditions they will have to be eliminated. All the working people must, naturally, be provided with jobs, he emphasised.

Nikolai Ryzhkov said that the question of the reorganisation of the banking system is ripe, too. In this connection he said that the proposals for setting up six independent banks have already been prepared. This will make it possible to enhance the role of the State Bank of the USSR as the emission and payments centre and the organiser of the monetary system.

The system of state statistics needs to be improved too, Nikolai Ryzhkov said. A proposal has already been drafted to transform the Central Statistical Board of the USSR into the State Statistical Committee of the USSR.

Nikolai Ryzhkov said that it is a task of huge importance to turn the programme of revolutionary restructuring of the national economic management, endorsed by the June plenary meeting of the CPSU Central Committee, into a really operating system as soon as possible. □

Soviet Parliament adopts law on the State Enterprise

FOLLOWING deliberations on the report delivered by the head of the Soviet Government, the USSR Supreme Soviet (Parliament), which is in session in the Moscow Kremlin, today adopted the law on the State Enterprise.

The document introduces fundamental changes to the established practice of the functioning of the Soviet industrial plants, factories, and the entire economic system of the country.

The co-sponsors of the novelties recorded in the law are scientists, Party and industrial workers, engineers, and industrial managers: the countrywide discussion of the draft law continued for almost six months. More than 140,000 amendments, more precise definitions, and observations came in. As a result, substantial

changes were introduced to the final edition of the law.

The fundamental novelties which the newly-adopted law brings into life are aimed at extending the rights of enterprises and at developing self-management.

The law introduces definiteness and stability to their relationships with the state. The future of factories or amalgamations will no longer depend entirely on instructions coming in from ministries and departments. The factories become economically independent production units.

Under the new law, the operation of the enterprise is based on a state plan but is maintained on the principles of complete cost accounting: self-repayment and self-financing. This means that the work collective, headed by managers elected by it, independently tackle all matters pertaining to production and social development.

The enterprise will make definite deductions from its incomes to the state revenue, and will also pay to it for the use of fixed assets (all means of production in the USSR, including the land on which the factory stands, its buildings, and so on belong to the state).

The income, which is derived through cost accounting and which remains after the payments, is spent by the enterprise independently: by a decision of the work collective.

This income is not subject to withdrawal to the state budget, as has been the case so far. But instead, the state bears no responsibility for the unprofitability of individual enterprises either.

These are the most general provisions of the newly-adopted law the essence of which is greater independence, greater scope for people's initiative, and, ultimately, more socialism. □

(Moscow, June 30, TASS)

Draft law to protect citizens' rights

AN important step in the development of democracy, this is how the Draft Law "On the Procedure for Citizens Resorting to Court Action in Cases of Violations of Their Rights by Officials" was described by Georgi Razumovsky, Secretary of the CPSU Central Committee and a Deputy to the USSR Supreme Soviet, when he presented this Draft Law to the Soviet Parliament.

He said that though measures to consolidate legality have been taken of late, "serious deviations from legal standards still occur, including in resolving matters affecting vital interests of people". Manifestations of bureaucratism, red tape and a callous attitude to people have not yet been overcome. The Draft Law is aimed at combating those negative phenomena.

Setting out the main provisions of the Draft Law, Georgi Razumovsky said that recourse to court action might be made to complain against actions taken by officials in their own name or on behalf of the bodies they represent. It is stipulated that taking a complaint against a citizens' rights violation by an official to court should be preceded by its examination by a higher official or agency. In other words, a recourse to court action might be made only if the complaint has not been positively resolved by a

higher official or agency. This procedure is instituted to ensure that blunders be promptly remedied, without the matters being brought to court.

"Questions of the reconstruction of the activity of the state apparatus in the spirit of unswerving observance of the requirements of laws, the ability of every official to tackle in a responsible way, in the atmosphere of openness the questions in his competence are posed with particular acuteness in this connection," Georgi Razumovsky went on. The Draft Law envisages setting a ten-day limit within which the court should examine a complaint. "The rights of a citizen should be restored as soon as possible," Razumovsky said, explaining why the standing commissions of the Parliament rejected the proposal to extend the limit on examining a complaint to one month.

The principle of openness of judicial proceedings is ensured in full measure during the examination of complaints against the actions of officials. The complaint is examined with the participation of the citizen who took his complaint to court and of the official whose actions are complained against.

"The entire procedure of examining a complaint envisaged in the Draft Law stems from principles of socialist democratism, is aimed at protecting the rights of Soviet people," Razumovsky said. The Draft Law "expands the legal basis for the further strengthening of legality and legal order, for enhancing guarantees of citizens' rights".

The new law, Razumovsky continued, "will be helping assert the principles of social justice more vigorously, promote real participation of citizens in managing state affairs, the strengthening of state discipline, instilling in officials a clear realisation that they are called upon to protect social interests, the interests of the people, and hence, the rights and freedoms of every Soviet citizen".

The law is proposed to be brought into effect as of January 1, 1988. □

(Moscow, June 30, TASS)

Further reports of the proceedings of the session of the USSR Supreme Soviet will appear in the next issue.

(Continued from Page 239)

reorganisation of economic management. It is precisely by that time that a reform of planning, price formation, and of financial and lending mechanism will be finalised, and that the transition to wholesale trade in capital goods will be completed, in the main. 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 already with due consideration for the present time, the new notions and the deeper understanding of the processes taking place in the economy. In this connection there is the need for one of the plenary meetings of the Central Committee to discuss the political concept of the 13th five-year plan and its strategic aim.

We adopted the decision to convene the regular, 19th Party Conference. This will be a major political event in the life of the Party and the country. For us, communists, it will become in effect a political exam in the main subject of our life — the reorganisation.

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 worthily and bring to the conference good practical experience, real results and to draw lessons for the future.

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

You are soon leaving for home to republics, territories, regions, cities and districts, and to enterprises, and the members of the Central Committee, all participants in the plenum will be confronted with practical tasks of immense significance stemming from the decisions that have been adopted.

The directives, ideas of the plenum should be, first of all, brought home to the communists, to the broadest sections of the population. It is very important that we skilfully link the long-term tasks set by the plenum with the solution of day-to-day tasks, above all those advanced in the Politburo's report at this plenary meeting.

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

Let me wish you, comrades, fruitful work in fulfilling the decisions adopted by the Central Committee plenum. □

MIKHAIL GORBACHEV'S REPORT TO PLENARY MEETING

(Continued from Page 241)

prehensive solution of these tasks, both the new and the old methods of management will be used concurrently.

This puts forward problems, unusual by their character and complexity, for party organisations to tackle. They are called upon to 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 on transforming the economic mechanism, carried out at all levels of the national economy, must be in the focus of constant and unflinching attention of party organisations and committees. They ought to impart a political, national meaning to the effort to overhaul economic management.

The role and responsibility of party organisa-

tions at enterprises and amalgamations are particularly great. They are undergoing a test for political maturity and spiritedness.

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 at work collectives.

We are sure that all party organisations, all communists and personnel will take up the handling of outstanding economic problems with redoubled energy, fully mindful of the fact that restructuring of our economy is the decisive, major condition for our advancement along the road of increasing the well-being of the Soviet people and all-round progress of our socialist homeland.

Comrades, such are the ideas and principles underlying the planned overhaul of the system for managing our economy — the most thoroughgoing and sweeping reform of this kind over the years of building socialism.

We are duty-bound to buckle 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 our 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 projecting 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 be able to respond to it in the same way as they have done 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 faced the tasks of a historical choice. That will be the case this time, too. □

(Moscow, June 25, TASS)

Mikhail Gorbachev

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