

RUSSIAN RECONNAISSANCE

FRED HARRISON visited MOSCOW to report on the 27th Congress of the Communist Party. Here he predicts an uncertain future for ideology.

THE SOVIET Union's dash to industrialise was based on the crude method of throwing at planners' targets all the labour, capital and land she could get. This extensive method of production suited the socialism of central planning.

Even agriculture had to conform. Stalin began the process by killing the kulaks – the hardy yeomen who made farming pay – because they preserved instincts like acquisitiveness, individual initiative and the desire for private property and profit. Productivity in the rural sector collapsed.

The system was rescued by the garden plot. These little patches – 3% of the arable land – supply 30% of the country's food. Their success indicted factory farming because they proved that individual effort on small, family sized plots generated high yields.

In the interstices of the planned economy, families made profits out of a free market in food. Their prices in the food halls were higher than those in the State shops, but the quality was better. The ideologues had to turn a blind eye to this hangover from capitalism, because hunger leads to counter-revolutionary tendencies.

Now, however, the ethos of the

Change of heart by classless society

THE 'GARDEN PLOTTERS' COME IN OUT OF COLD

garden plotter has received the stamp of approval from Mikhail Gorbachev, General Secretary of the Communist Party.

The change had to come. Russia is fast running out of new resources. That is why the Communist Party has decided that growth in incomes will be wholly derived from increased productivity.

GORBACHEV'S men know that to double income in 15 years they had to take account of "the human factor". But how could they motivate the factory worker?

They have arrested the tendency

towards equal wages, for they discovered that people who were paid bonuses met their contractual obligations. The quality of goods rose and were supplied on time. From now on, individual initiative will be rewarded on the basis of *konechni resultat* – payment by end results.

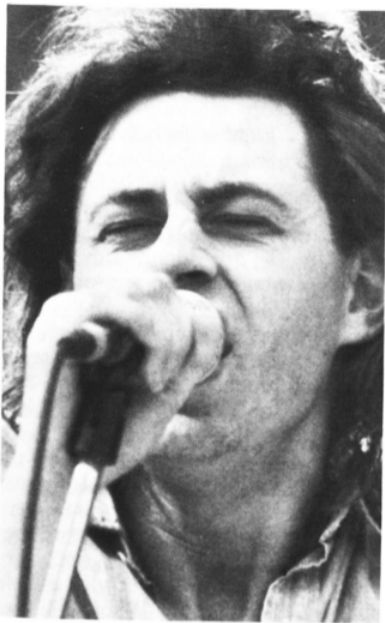
Moscow's ideologists insist that they are not contradicting their egalitarian philosophy. It remains to be seen what will happen to the classless society.

What about the enormous waste? Twenty per cent of food is lost through bad storage and distribution.

Moscow now admits that waste has had a crippling effect on the growth of the Soviet economy. The main problem is the absence of effective cost accounting.

In the West, free market costs and prices are reflected in profit and loss accounts. Socialist planning uses bureaucratic criteria to compute the value of an investment. The miscalculations have assumed mind-boggling proportions.

Take the problems in the construc-



● Bob Geldof

BOB'S RED AID BLUES

POP STAR Bob Geldof, organiser of Live Aid, the global TV concert that was part of his campaign to help drought-stricken refugees, says that Russia is reluctant to help Africa:

"Everyone knows that the Soviet Union is doing nothing. It is not good enough if all they are interested in is appropriating land in the name of pseudo-colonialism. If the Soviet Union cannot fend for itself in terms of its own agriculture, then there is no point in them sending agricultural advisers to Africa."

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● Abel Abanbegyan ... talk of an experiment

Waste where land is free

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tion industry. Prime Minister Nikolai Ryzkhov now identifies them as the most "acute" of the lot. There are 300,000 projects under construction, which Mr. Ryzkhov denounced as "an impermissible number".

Many buildings remain incomplete 20 years after being designed. In the last four years the overrun in costs totalled 11 billion roubles (1 rouble = £1) or 24% more than the initial estimates.

Why did so many of these projects get through the vetting system? Because the planners ignored the value of land. The result, according to Professor J. Wilczynski, an authority on East European economics, is that the profitability of the initial outlay of labour and capital appears to be very high.

That profitability, however, collapses into a dramatic loss of productivity

after additional investments of labour and capital as the enterprise tries to expand. So, instead, the planners endorse new construction – because the profits appear much better.

That perpetuates the vicious spiral of extensive investment and declining productivity which has ground down the economy.

Mr. Gorbachev's chief economic adviser, Abel Abanbegyan, does not hold out much hope for substantial change in the land market.

He told me: "As of today and the existing system of accounting, the price of land is not included in the overall system of pricing. Maybe an experiment will be conducted in the nearest future – for example, in Estonia – where a new system of taking

into account all the factors of production will be adopted with payments for all the resources utilised in production."

The waste will continue, which is not surprising because, according to Marxist theory, all value is the product of labour. Land is literally treated as free.

This does not augur well for the Communist Party's long-term grip on Russia, for consumer expectations are rising.

Gorbachev is gambling that his reforms will not undermine the party's long-term progress towards pure Communism. But already, in most of his satellite countries – from Cuba to Vietnam – the shift has started away from collectivisation and towards family farms. The private profit motive is now in the ascendent. People will be allowed to operate taxis, decorate people's apartments and service cars – and pocket the profits. Where will the process of change end?