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GROUP I

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Planning of Socialist Agriculture in the U.S.S.R. under Economic Reform

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THE economic reform carried out currently in the U.S.S.R. implies the more effective practical utilization of all the economic laws of socialism.

It is creating especially favourable conditions for rationally combining the economic independence of enterprises with the leading role of centralized national planning of the whole public economy. The planned economic development, the planned management of national economy, and the decisive role of centralized planning refer to the chief advantages of the socialist system. The creation in the U.S.S.R. of the theory of national economic planning and its practical implementation contributed greatly to the world science of agricultural economy.

The first single plan of public economy which was development, known in the history of our country as 'G.O.E.L.R.O. Plan' (the State plan for electrification of Russia) was elaborated on Lenin's initiative as early as in 1920. More than 200 prominent scientists of that time took part in drawing up that plan. Since then the perspective general plans of national economic development have been regularly elaborated. They determine the radical and principal directions of development of the socialist economy, science, and culture. On the base of these perspective plans, five-year plans have usually been set up and sanctioned and in some cases three-year or seven-year plans of the national economy development are provided. On the basis of the five-year plans the yearly plans of the national economic development are worked out.

The elaboration of the five-year and yearly plans imply the broad participation of all the working masses in the U.S.S.R. The working out of the plans starts at industrial enterprises, on collective and state farms, where such plans are discussed at the meetings of workers and peasants. The proposals of the industrial and agricultural enterprises are summarized, co-ordinated, amended, and finally united into the single plan of the national economic development. Scientists, research and design

institutes, social organizations are involved in this work on a large scale. It is a matter of principle and of paramount importance that the perspective and yearly plans for the national economic development are set up and their co-ordination sanctioned in each of the fifteen sovereign republics forming a part of the Soviet Union. Thus the single plan for national economic development reflects the proper correlation of interests of an individual republic with the interests of productive forces common for all the soviet collaboration of nations.

The centralized planning, functioning on the base of state property in the means of production, accounts for the high rates of growth of the Soviet economy. The annual average increase of production for the last sixteen years (1951-66) was: 10.5 per cent in industry and 4.4 per cent in agriculture. In 1966 the gross output in agriculture increased 10 per cent compared with 1965.

The forms and the methods of the national economic planning are not fixed once and for ever. In any given period they are conditioned by a great many factors, first of all by the level of productive forces developed by the advance of science and technology. From the experience of the national economy in the U.S.S.R. we know the various forms and methods of management in the national economy on the whole in planning, and the material incentives in particular. Until recently we have been solving in our country the problem of creating the heavy industry first of all without outside assistance at the expense of internal resources only (particularly at the expense of redistribution of a major part of the national income). The effort was strenuous enough.

Currently favourable conditions exist for the national income created in agriculture to be transferred to a greater extent to the development of this branch and there is the possibility for the more effective use of economic means in the management of agriculture. The economic reforms being realized now in the Soviet Union reflect the new course in management of national economy, agriculture included.

What is briefly the essence of measures realised in the agricultural branch under economic reform since March 1965?

First of all they mean: (a) raising the scientific level of agricultural production planning considering the demands of objective economic laws of socialism; (b) combining effectively the centralized planned management with the broad local initiative; (c) establishing a set of measures to extend economic initiative and independence of collective and state farms, to extend productive links between the state farms and collective farms, to strengthen the democratic bases of management of the collective and state farms; (d) setting up sound, firm, plans for state purchases of agricultural products for a number of years ahead; (e) extensively and systematically utilizing the economic management in agricultural enterprises; enhancing the impact of price, profit, and net returns. The Soviet Government has established new higher prices for agricultural products sold by collective and state farms to the state; the highest price is set for production sold over plan; (f) regularly increasing the capital

investments in agriculture and improving the system of its financing; (g) improving the system of material incentives in agriculture. For instance, raising the wage standards of collective farms to the level of state farm workers, introducing guaranteed payments to collective farmers. On the scale of the whole agricultural sector one of the major principles of the socialist law of distribution has now been carried out, i.e. 'equal pay for equal labour'. At the same time a serious effort has been made to narrow the gap in wages between collective farms and state industrial enterprises.

The number of planned targets set for the state farms by the controlling authorities has been sharply curtailed, as for industrial enterprises working on a new basis. Only the following planned targets are now set for the collective farms: the volume of state purchases of the most important kinds of products in physical terms, the general wage fund, the total sum of profit, and the charge for the agricultural production funds. The way of financing capital investments has been radically changed. The source of the assets assigned for the purpose is the profit made by collective farms and state credit when necessary. Capital investments in major construction, irrigation, and some other projects are made from the centralized state funds.

Material incentive funds are being established with the aim of extending economic initiative and stimulating the workers. Such factors as labour productively, production costs, number of workers, and others are being set by the state farms themselves and used by the planning bodies as estimation material while planning.

Now the level of profitability has become the main criterion, determining the economic activities of state and collective farms. One more method of economic regulation of the agricultural production is on trial now, i.e. the direct bank financing of collective farms. Credits are granted to compensate for the seasonal lack of many assets, the cash part of collective farmers payment included. Such a measure, as proved by experiment, provides the opportunity to satisfy more fully and in a more timely way the needs of collective farms in respect of borrowed assets and for the acceleration of turnover of internal assets and credits.

The stress on the use of economic methods in national economy management—'does not change the single state economic plan and does not extend beyond its frames, yet changes the approach to its realization'.¹

The results of the agricultural progress for the last two years fully confirm the new methods of national economy management to be relevant and efficient. The gross agricultural output in 1966 increased 12 per cent compared with 1964. In the year of 1966 the crop yield was the highest. In the last year 171.2 million tons of crop were produced or 1.8 times more than in 1940 and 10.8 million tons of meat or 2.3 times more. For the state farm sector on the whole the year of 1966 was profitable. The collective farms' income in 1966 increased 30 per cent compared with 1964. The collective-farms labour payment for the recent two years increased by 37 per cent.

¹ V. I. Lenin, the 5th ed., vol. liv, p. 101.

When dealing with the problems of the planned regulation of agricultural production it should be remembered that the need for such regulation is the result to a great extent of the progress of scientific and technological revolution in the modern economy.

Under conditions of rapid development of productive forces the large-scale production in industry cannot stand small-scale production in agriculture as a partner. That has been increasingly recognized by the science of economics in the Western countries of Europe and America. The economists of those countries are coming to recognize the inevitability and necessity of the transfer to the large-scale production. But integration of agricultural enterprises is being carried out now by concentration of land owning and annual mass ruining of hundreds of thousands of small and middle sized farmers. This transfer, in practice, is reflected in the process of the creation of large capitalist production and the ruins of small farms.

The amalgamation of the small enterprises by the large ones is rather a painful process. In capitalist countries it has been going on already for a rather prolonged period and there is no hope of it diminishing. On the contrary, the agricultural forecasts for some capitalist countries point to its strengthening in the near future. At the same time the necessity is often considered in these countries for the creation of large-scale production by means of production co-operatives. Great experience has been accumulated in the Soviet Union over many years on the production co-operatives in agriculture. This positive experience has lately attracted the close attention of economists in many countries. Thus the solution of the agrarian problem in the U.S.S.R. as indicated in Lenin's works has proved to be basically right.

The productive co-operation of the small peasantry is the only one true way for the creation of large agricultural production under scientific and technological revolution. Large-scale production is known to be more effective than small-scale. Yet there is a fundamental, radical, difference between large production under socialism and under capitalism. And this difference lies in the public property and in the possibility of planned management of socialist national economy. The rebuilding of the small peasant agriculture has been realized in the Soviet Union for some decades already. During this period our collective and state farms learned much in the way of improving their economy. The Soviet rule, the fiftieth anniversary of which will be celebrated this year, has always been and is paying great attention to the development of agriculture.

The establishment of the large agricultural enterprises in our country was followed by the yearly advance in their technological equipment. The state economic policy in farming is directed to its successful intensification. The main trends of it are: the rational allocation of agricultural branches by natural and economic zones; further extension of specialization and concentration of collective and state farm production; implementation of complex mechanization in agriculture and cattle-breeding; extensive chemicalization of agriculture; rapid advance in irrigation and

drainage; implementation of scientific methods in farming and labour organization; utilization of scientific achievements and advanced methods in agriculture.

The annual capital investment in agriculture made by the state and collective farms totalled 1.2 milliard roubles in 1946-50 and 8.6 milliards in 1961-5. During the current five years (1966-70) the capital investments will amount to 71 milliard roubles, which means 14.2 milliards annually. The state alone will allocate 41 milliard and the collective farms themselves will spend on development of their economy 30 milliard roubles. The growth of investments results in active necessity for their efficient usage and scientifically based allocation in each particular case. Hence the need arises to further improve the national methods of economic planning and management of agriculture.

The economic reform carried out in the U.S.S.R. confronts the science with many new problems. Students of economics devote their efforts on the further elaboration of the theory of the national economic planned management based on profound investigation and use of the economic laws of socialism. The science is confronted with the necessity to solve as fast as possible one of the most serious problems of further extension of production concentration and specialization while combining centralized planning with broad local initiative to achieve output of specific quality and quantity required for the state, with minimum costs.

Among major problems that the Soviet agricultural economists are to solve the following are worth mentioning. Firstly, scientifically grounded allocation, specialization and concentration of production by natural and economic zones, the creation of practical and highly efficient systems of farming. Secondly, development of production specialization within farms. Thirdly, elaboration and implementation of scientific bases for organizing production and labour on farms. Fourthly, the study of rural sociological problems, of change trends in professional skills and social patterns of the rural population. Investigation of these problems together with the improvement of forms and methods of planned management of agriculture will contribute to raising the rate of growth of agricultural production in the U.S.S.R.

GROUP I. REPORT

THE discussion centred around the following issues: (i) the basic economic policy framework, (ii) the importance of household plots, (iii) the use of modern economic concepts in planning, (iv) the meaning of the term 'objective economic laws'.

Dr. Vorobiev developed the basic policy aspect further. Policy in the U.S.S.R. was based on a system of centralized planning which allowed scope for local initiative. The system was built up from the local level in that State and Collective farms each had a basic contract with the Government, and their advice and preferences were taken into account. The

collective farms were provided with a five-year guarantee of the amounts of commodities to be purchased by the State. Any production surplus to this could be sold to a market of the collective's choice and in some cases these extra supplies were realizing more than the State contract price. There was thus scope for local initiative within the central planning framework.

The State adopted a system of differential prices between different areas. One objective of this was to try to reduce income disparities between areas. A 1966 law guaranteed collective farmers a minimum wage equivalent to that being paid on State farms for the same job. High-cost areas may receive higher prices, as also would areas where the production of a particular commodity was considered to need encouragement. Within the broad price zones, local authorities had power to change prices, within limits, to meet special local cost conditions.

In discussion it was noted that in Yugoslavia reforms had led to decentralized planning, within a market economy, and Bićanić was working on a theory of polycentric planning.

Regarding household plots, an Hungarian study had shown that in socialist economies they were becoming of increasing importance, particularly in livestock and vegetable production. In the U.S.S.R., household plots were limited to a maximum of $\frac{1}{2}$ hectare. The land was usually devoted to vegetables and fruits, and these plots in the aggregate contributed very little to the total supply of most major agricultural products.

Modern economic theories were used in the U.S.S.R., where they were realistic. The marginal value theory was considered, but in the U.S.S.R. was not regarded as an absolute theory, although some marginal considerations were employed. Mathematical methods were used, but with limited resources available priority had to be given to methods which were of immediate practical value. A Russian book on mathematical methods of planning was produced in 1949 and there had been more recent papers on the same theme.

The basis of price fixing was by reference to the average costs of production, and also the highest costs of production, with special consideration being given to the needs of low-income farmers. The U.S.S.R. recognized the need for more studies of costs of production and studies of suitable incentives for farmers. Each state and collective farm had its agricultural economist.

There was some doubt as to the meaning of the term 'objective' economic laws. The U.S.S.R. view was that objective laws represented and reflected the balance of the subjective views of each specific group in society. Each group in society had specific goals, but some of these would inevitably be in conflict with the general aim of society. The politician and the economist therefore understand the general trend of society and must objectively devise economic laws consistent with this trend. These were not fatalistic laws—their development was the resultant of differing economic and social forces.

Among those taking part in the discussion, in addition to the opening speaker were: D. T. Healey *Australia*, N. Westermarck *Finland*, R. Bićanić *Yugoslavia*, G. Weinschenck *Germany*, R. N. Kaushik *India*, V. Tikhonov *U.S.S.R.*, W. R. Otrera *Argentine*, R. Spier *Australia*, R. C. Manning *Australia*, B. Peart *U.K.*