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POLICIES, PLANNING
AND MANAGEMENT
FOR AGRICULTURAL DEVELOPMENT

PAPERS AND REPORTS

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OF AGRICULTURAL ECONOMISTS

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III. SYNOPTIC VIEWS

A Synoptic View

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Since 30 minutes are available to summarize more than 50 hours of meetings, I must eliminate 99 per cent of what has been said! I will attempt to keep what appears most important *to me*. We often heard the words 'objective' and 'subjective' at this conference. I am not sure philosophers would agree with the way they were used. I will be 'subjective' but, I hope, honest. I will examine the problems from an economic angle but will endeavour not to stay away from the political aspects. As specialists in social sciences we cannot neglect this *political* point of view.

This XIVth International Conference of Agricultural Economists had an essential interest. It enabled us to obtain a less inadequate knowledge about the Soviet Union and its problems. However, in spite of some exceptions, the scientific quality of the papers and discussions during the sessions was, I think, lower than one could have hoped.

In the present synthesis, after having drawn some lessons from this contact which we had with the Soviet Union, I will attempt to highlight some of the scientific findings of this conference from the point of view of an observer coming from a developed country. Dr Sen will bring the point of view of a man from the 'Third World'. I will not discuss the problems of international trade.

I. Towards a better knowledge of the Soviet Union

We did not learn as much as we could have hoped about the Soviet economy. And what we learnt was mostly obtained by direct observation, in the discussion groups and through conversations in the corridors. In plenary sessions productivity was usually low.

It is true that too many participants came here without going through the effort of preparing their trip by a preliminary study of the basic principles of marxist economics and an analysis of the essential features of Soviet institutions. This is proof of improper economic management. One or two days of study of some basic documents would have greatly enhanced the usefulness of their 20 days in the Soviet Union.

However certain Soviet papers were discouragingly dogmatic and made excessive use of assertions. Thus on the first page of M. Rumyantsev's report is written: 'Once public ownership of the modern means of production

prevails in society, social production is necessarily subordinated to securing the welfare of all members of society . . .'. I am sorry, but that 'necessity' does not seem proved to me.

I nevertheless fully recognise how difficult it is to explain clearly to a western economist, usually not well prepared and maybe not favourably inclined, the fundamentals of Soviet political economy. Marxist terminology is complex and a number of concepts and criteria are very hard to match with the terms used in neo classical theory.

In addition, I think the Soviet papers had an excessive tendency to hide a number of serious problems pertaining to the building of socialism—or to suppose they were solved. For instance, it is worrying to note, that in M. Lukinov's interesting paper on prices, the important meat subsidies which now exist are not mentioned. In fact, we know that this problem is now of considerable magnitude for the Soviet economy and presents a great theoretical importance as it reveals the existence of tensions between groups of farm producers using production techniques of greatly different levels of sophistication.

May I suggest that our Soviet colleagues should get rid of a certain inferiority complex they have no reason to have and should not hesitate to recognise frankly, as Fidel Castro recently said to Rene Dumont: 'Revolution, you know, it is difficult'.

Happily many of us were able to gather some very interesting information outside the conference meetings, particularly through individual conversations and during the farm visits (unfortunately we were in too large groups and no satisfactory documents were distributed).

In this respect I must warn our colleagues coming from outside the Soviet Union about how dangerous it is to judge this country superficially by what they are seeing now. We saw some lush pastures. Let us not forget that, in October already, the terrible Russian winter will start and it will last eight months. One must not under estimate the handicap brought about by these harsh conditions with regard to farm production, to full employment of manpower, and for many forms of human activities.

It also seems to me essential—and I am speaking here mostly for the younger members of the conference—never to forget the millions of people killed and the appalling extent of the destruction the last war caused throughout vast expanses of this country. We cannot forget, we must never forget the terrible sufferings of the Soviet people at that time, the extraordinary courage it showed, the heavy burden of reconstruction it later had to bear.

II. *Planning and management problems in developed capitalist countries*

At the *micro economic level* several papers (for instance by M. Reisch, Glenn Johnson, Eisgruber and White and the contributed papers) show the progress of our science with regard to optimizing micro level decisions.

Several inadequately explored areas remain and provide work opportunities for young members.

Psycho-sociological analysis concerning the decision processes within the

firm must be improved—at least when firms become large and do not consist merely of an entrepreneur who is also a worker.

The work of the behaviourist school of Cyert and March has been mentioned as well as several others. Maybe agricultural economists do not use it enough.

Simulation methods, which are more and more used, allow very rich analysis and the report by Dr Upchurch shows what cybernetics can bring us. It is urgent, however, to pursue a theoretical effort which would provide for a better justification of the types of models chosen. Several elements must be included in the theory of the firm: risk and uncertainty; power relations within the decision making groups; the problems of investments including capital gains and relations with bankers; the influences of vertical intergration . . . And this list is not complete.

One must also convince the decision centre that the models suggested are usable and fit their problems.

If I listened well, there was very little reference to the special planning problems of large multinational firms. Their decisions, taken by a board meeting in a distant foreign country, can affect the welfare of a large number of farmers and run counter to the planning decisions of the country concerned.

Certain criticism has been raised about the objective functions used in micro economic studies. Certain computations fail to take into account the social welfare effects of decisions. Firm profit maximization does not make allowance for certain costs the community has to bear. In capitalist countries, more refined econometric models and, above all, complex institutional measures will have to be provided for to ensure consistency between the goals of the firms and those of society.

In spite of all these points, it seems that considerable progress has been made in the micro economic field. It is encouraging to witness the excellent contacts which exist between the young econometricians of various countries. It is a pity they do not always manage to explain their work to their colleagues who are not as well trained in mathematics and that they often forget to specify and discuss the basic hypothesis upon which their models rest.

With regard to *regional planning* we benefitted from M. Waardenburg's excellent introductory synthesis.

Here also the mathematical apparatus and the conceptual framework may be ahead of institutional realities. In a country like France, we theoretically have regions. But they have very little ability to take decisions and—for lack of fiscal resources or of an autonomous banking system—are still less able to implement them. Under those conditions, the region is a mere message centre conveying national decisions; it is not a really active institution able to make real choices. In other words, we have interregional models not interregional planning.

At this conference, there were few discussions with regard to *national planning* of decisions concerning agriculture and their insertion in a global economic policy. There was an interesting report on monetary policy. I think

there is still room for global studies showing the role which agriculture can still play in the development of already advanced countries.

This will again, similarly with regard to micro economics raise the problem of consistency between the various goals which society and the firms among it choose for themselves. As Dr Dams aptly said after M. Myrdal's important paper: 'planning, as an instrument of allocating the resources, can only be seen in relation to systems of values'. The determination of this system is essentially a political task thence *the plan is a political instrument*. This eminent role of political choices will appear still more clearly when we analyse [as we will now endeavour to do] planning and management in centrally planned economies.

III *Planning and management problems in centrally planned economies*

This is an extremely complex problem and, in the allotted time, I will only be able to present a few disconnected remarks.

A first general characteristic seems to be the contrast—not to say the contradiction—between *noteworthy progress in management techniques and inadequate development of the theories* concerning the evolution of society. A paper like Dr Kravchenko's shows that Soviet econometricians are at the level of their 'capitalist' colleagues with regard to the building of micro economic models. Theoretical advances, however, seem scarce, although certain economists would obviously be able to make them.

In this respect, I was cruel enough to make an analysis of the theoretical content of the papers presented by our Soviet colleagues at the conferences in Mysore (1958), Cuernavaca (1961) and Lyon (1964). There are quite a few differences with regard to concrete proposals concerning the development of Soviet agriculture. At times the emphasis is on price increases, at other moments on the virgin lands, later material stimulants and intensification are the key words. But all those varied concrete proposals rest on the same theoretical basis: democratic centralism the law of value, assertions concerning the absence of antagonistic contradictions.

A massive effort of diversified and free intellectual creation seems absolutely necessary to enable this indispensable renewal of theories.

At the production unit level, that is in *the kolkhozes and sovkhoses* a large number of favourable conditions exist which should allow the qualitative level of management to exceed, to some extent, that found in capitalist countries: the structures are ample, the burden of land ownership is assumed by society as a whole, penetration of scientific progress should be easy.

However, it does not appear that the modern economic instruments which could help decision making are already in broad use for planning and managing of the kolkhozes and sovkhoses. We are not sufficiently well informed to analyse all the causes of this lag.

There must be, in those large units, tremendous sociological problems. How can one imagine that passing, in less than two generations, from a system of small peasant farms to a regime of very large collective and state farms will not cause grave psychological and sociological stresses?

However *nothing* was told to us on that matter although it probably would

explain some difficulties with work incentives and worker conscience. In any case, the assertion, by Minister Matskevich, that socialisation in the countryside had enabled the emergence of a new man would, in our opinion, deserve to be proved by scientific arguments based on concrete observations.

We recognise however the tremendous efforts made in the countryside, facilitated particularly by the regrouping in large kolkhozes and sovkhazes, with regard to education and culture. Karl Marx's remarks on the 'idiotic countryside' are probably becoming less and less warranted.

At a more general level of analysis. I would like to suggest the hypothesis that the Soviet Union has not yet—as we were told—reached the stage of socialism. Rather it is still at the more complex stage of the building of socialism. At this stage, contradictions and even antagonistic contradictions still exist. Using the powerful tools of marxist analysis it should be easy to see that social groups and conflicting interests still exist in Soviet society.

Thence prices do not yet reflect the social value of the necessary labor included in the product. A proof of that lies, in my opinion, in the fact that, without any major change in production techniques, the purchase prices of agricultural commodities were recently, in the course of a very few years, subjected to increases which multiplied them several fold.

With regard to the role of the agricultural sector in economic development, I regret that no solid analysis was given to us showing how necessary it was, both for political and economic reasons, in order to accelerate the rate of investments (reproduction) and to allow for industrial growth, to set up kolkhozes and sovkhazes and maintain farm prices at very low levels. I think that, as economists, we would have recognised that growth cannot take place without the peasant class being thus strongly pressed.

One last point. Are we or not witnessing a *convergence*, growing similarities between the Soviet economy and advanced capitalist economies. I think, as I said earlier, that the answer is yes with regard to econometric methods. It appears to me that, on the sociological level and with regard to the division of society in groups, a modernised marxist analysis would also provide a rather affirmative answer. Under present methods of decision making and taking into account this democratic centralism we heard so much about, it seems to me that the two types of societies are still diverging in a significant way. Maybe the pressure of the intellectuals will, even in those matters, lead to a convergence.

In any case, it is of the utmost importance, for the peace of the world, that the two groups of countries I talked about should understand each other better, and that, as far as we are concerned, agricultural economists of those countries should understand each other better. This leads us to hope that, in future conferences we may have many opportunities for discussing these rather *fundamental problems* I tried to raise in this attempt to build a synthesis.