



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

CHINA'S RURAL DEVELOPMENT MIRACLE

WITH INTERNATIONAL COMPARISONS

Papers presented at an
International Symposium
held at Beijing, China

25-29 October, 1987

Edited by
John W. Longworth

International Association of Agricultural Economists
in association with
Australian International Development Assistance Bureau
and published by
University of Queensland Press

PROBLEMS OF RURAL REFORM IN THE SOVIET UNION AND EASTERN EUROPE

Li Renfeng

*Institute of Soviet & East European Studies,
Chinese Academy of Social Sciences, Beijing, China*

THE ORIGINAL SOVIET MODEL

The rural management system developed in the USSR in the 1930s and adopted in East European countries in the early 1950s under Soviet influence is unique in human history. It implemented centrally planned management for agricultural production; it established production teams and groups in collective farms or rural cooperatives; it educated farmers on collectivism and socialism; it trained large numbers of personnel both in the field of management and technology; and the living standards of farmers were to be improved as production increased.

Unfortunately, this type of rural management system has some obvious defects which greatly hinder the development of rural productivity. The situation can be roughly summed up as follows:

First, socialist planned management is implemented in terms of absolutes. It became an objective law for the proletariat, after it seized power, to realize planned management of the whole national economy as a means of transferring basic productive resources to public ownership. Of course there is no doubt about the priority assigned to this goal. But how to work out and implement the national economic plan, and especially how to conduct agricultural production with planning became an important problem of theory and practice. The planned rural management in the USSR and East European countries has two main defects: (1) The plan includes everything no matter if it is important or not. In the Soviet Union, there are 200–300 planning indexes for collective and state farms, including planting area, structure of crops, total production output, product ratios, schedule for planting, seeds and variety of livestock, etc. In a word, all activities of rural cooperatives, from developing policy to work regulations, are transferred to grass roots units in the form of a plan. The same thing has also happened in East European countries; (2) The plan has been regarded as instructions. The regulations state that all planned indexes are compulsory and these plans must be implemented by each organization. Under this type of management system, enterprises have no rights to make choices, to say nothing of having the power for decision making.

Second, it ignored the important role of commodity markets. Marx and Engels assumed that commodity markets would disappear once all the means of production were socialized. It is clear that this assumption takes highly advanced social productivity as its precondition. Obviously countries which are taking the socialist road are not advanced enough economically to put this theory into practice. Lenin recognized the problem and introduced his 'new economic policy'. He clearly stated that we should put exchange of commodities into first place and considered that exchange is the nature and basis of socialism. Stalin neither correctly explained the theory of Marx and Engels nor implemented the principles of the 'new economic policy'. He considered that commodity production under socialism is a special kind of commodity production. He thought the law of value could only play a role in the field of circulation or as an adjustor. In order to belittle the role of the law of value, he even put forward a theory for replacing circulation of commodities by a barter system. He firmly opposed the idea that agricultural machinery was a kind of commodity and tried to implement the exchange of goods by insisting that tractor stations be paid in goods for services rendered. At the same time, he tried to spread the system of trade with exchange of goods in rural areas. Rural enterprises cannot become independent commodity producers under this theory. Stalin ignored the role of commodity markets and underestimated the significance of the law of value. This has not only hindered the development of Soviet rural economy, but also harmed rural development in East European countries. It has become one of the major defects of the rural management system in the USSR and Eastern Europe.

Third, the system ignored the welfare of farmers and disregarded the need to maintain equality in income distribution between rural and urban people. The USSR and Eastern Europe were building socialism under unfavourable international conditions. It may be understandable for them to carry out the policy of accumulating funds through agriculture as a special case. The main method was to force farmers to sell most of their products to the state at low prices (about 50% of production cost). The state then used this product to finance the development of industry. The policy has played a major role in developing industry in the USSR and in East European countries. But it did great harm to the initiative of farmers and was a major negative influence on rural development as a whole. At the same time, labour payments were made according to the 'working day system' throughout collective farms and cooperatives. The system has become the criterion for judging labour costs and income distribution. It should be said that the 'working day system' used to play an active role in rural reconstruction. But its defects are also obvious: (1) It is difficult to calculate the labour costs of an individual farmer. That is why it is popular for farmers to perform their duty in a perfunctory manner; (2) Taking the 'working day system' as the criterion of distribution does not encourage people to study technology and improve efficiency. So, while implementing the 'working day system' resulted in egalitarianism in distribution, it also became one of the vital weak points of the rural management system in the USSR and Eastern Europe.

MODIFYING THE ORIGINAL SYSTEM

The USSR and Eastern Europe started reforms from the middle of the 1950s, with the aim of overcoming the defects mentioned above in the rural management system.

1. The reforms reduced compulsory planned indexes and enlarged the power of decision making by enterprises. In 1955, the Soviet Union started to reform the planned rural management system. These reforms abolished the complicated systems of index planning. The state just set a selling index for rural enterprises and all other plans would be made by enterprises. Then, East European countries followed the format and did the same thing. This has ended the strict control of rural enterprise by the state, enlarged business power and strengthened the vigour of the rural enterprises.
2. The reforms have abolished the 'compulsory selling system' and raised purchasing prices of rural produce. The Soviet Union and East European countries began to abolish the 'compulsory selling system' from 1957 one after the other and greatly raised purchasing prices of rural produce at the same time. In 1957, the purchasing price of rural produce in the USSR was 1.6 times higher than in 1952. East European countries took similar measures. Since then, raising the purchasing price of rural produce has become one of the major means of mobilizing the productive enthusiasm of farmers.
3. The reforms have reorganized machinery and tractor stations and commercialized rural productive materials. The Soviet Union and East European countries began to establish machinery and tractor stations in the early 1950s in order to manage and use agricultural machinery in a concentrated way. They gained a large quantity of rural produce at a low price through exchange of goods. This kind of system has resulted in an erratic system which greatly hindered agricultural development. Since 1957, the USSR and East European countries have reformed the system of machinery and tractor stations. They were sold to collective farms and cooperatives. The reform not only strengthened the rural enterprises' sense of being their own masters and improved efficiency of utilization of machinery, but what is most important it broke through the taboo of traditional theory that productive materials can never be regarded as commodities and cannot enter into the field of circulation. This has had a far-reaching influence on the development of the commodity economy under socialism.
4. The reforms have shaken off the model of rural collectivization and pursued a new way for cooperatives. From the end of the 1940s to early 1950s, East European countries organized rural cooperatives mainly by copying the way of rural collectivization in the USSR. But the result was not good as the soviet model itself had quite a few defects. Yugoslavia first abandoned the way of rural collectivization at the beginning of the 1950s and began to practice various types of farmers' cooperatives. In Poland, the majority of rural collectives had been disbanded by 1956. People had to try new ways of rural cooperatives. Hungary, in response to the 1956 incident, started rural cooperatives for the second time from 1956 to 1960.

The East European countries have made important progress in the theory of rural cooperatives. Yugoslavia, Poland, GDR and Czechoslovakia have retained private ownership of land for farmers in rural cooperatives. They considered that rural cooperatives could be realized without transforming ownership of land.

BENEFITS OF REFORM

The reforms of the rural management system initiated in the 1950s have played a great role in raising farmers' initiatives for production. The USSR and East European countries have achieved attractive results in agricultural production for the last three decades.

Table 1
Agricultural Output in the USSR and East European Countries

	Year	USSR	Bulgaria	Hungary	GDR	Poland	Romania	Czecho- slovakia
Grain (1,000 ton)	1950	8,120	-	561	534	1,160	515	474
	1960	12,550	497	712	638	1,430	983	546
	1970	18,680	691	750	646	1,540	1,063	720
	1980	18,030	770	1,417	970	1,850	2,030	1,085
	1985	19,167	546	1,503	1,174	2,418	2,334	1,198
Meat (1,000 ton)	1950	490	19.9	83.9	62.5	132.3	64.4	79.6
	1960	870	30.7	107.0	136.3	175.6	96.9	93.0
	1970	1,227.8	47.6	135.7	134.8	218.2	139.3	109.8
	1980	1,507.3	78.1	156.6	189.9	314.1	176.9	149.9
	1985	1,713.1	84.3	176.0	107.7	278.1	-154.7	
Dairy (1,000 ton)	1950	3,530	64	118	287	780	229	317
	1960	6,170	108	157	573	1,210	324	371
	1970	8,301	163	173	687	1,499	391	498
	1980	9,089	222	256	730	1,650	548	597
	1985	9,861	254	273	791	1,645	594	694
Egg (100 million)	1950	117	5.9	10	12.1	34	11	11.1
	1960	274	12.1	18.5	35.1	56	23	22.7
	1970	401.5	15.8	32.8	44.4	69.4	31.9	37.3
	1980	668.8	20.1	43.9	55.1	89.0	64.4	49.0
	1985	773.0	27.4	42.3	56.0	86.4	78.6	55.0

Table 1 demonstrates that rural production has increased in the USSR and East European countries over the past 30 years or so. Romania has made the largest gains in terms of grain output and is followed by Hungary. Hungary has made significant achievements in developing rural production. Grain output per capita for a year has exceeded 1,000 kg since the 1970s and reached 1,500 kg in 1984 which ranked first in Eastern Europe and fourth or fifth in the world. The rapid increase in grain output has laid a solid base for developing animal

husbandry in Hungary. In 1985, meat output per capita was 165 kg and 397 eggs per capita. In the 1960s, Hungary was a grain importer. But it has become an exporter since the 1970s. Rural produce and food products made up one-fourth of total Hungarian exports in 1985. Bulgaria has also achieved inspiring results in developing agriculture. Bulgaria is the most important grain exporter in Eastern Europe.

As production has expanded so has the living standard of farmers improved. In 1960 in Hungary, the real income of farmers was 15% lower than that of workers. But now it has exceeded the average income of workers. From 1970 to 1985, the average wage of workers rose by 55.8% in the USSR, but incomes have increased by 80% for farmers. In Bulgaria from 1970 to 1985, the average wage of workers was raised by 78%, while farmers' incomes increased by 85%. In Czechoslovakia, the average income of farmers has exceeded that of workers since 1983. In Poland, there are 25% rich farmers, whose income is about 20% higher than that of workers. The number of private cars which have been bought by farmers in recent years exceeds the total number which had been bought throughout the 1970s.

As the rural economy developed, the quality of farmers in the USSR and East European countries has also obviously improved. For instance in the USSR, farmer specialists who received high and middle education have increased from 400,000 in 1960 to 2,130,000 in 1985, a fivefold increase. In the GDR, 90.8% of farmers have received professional education and 9.1% are graduates of high and special learning institutions. Farmers who received high level education in Hungary in 1959 were only 1,000 and now there are 20,000. Two-thirds of the leaders of rural cooperatives are young people under the age of 40. This is a potentially favourable element for further development in the USSR and East European countries.

AGRICULTURE STILL THE WEAK SECTOR — NEED FOR FURTHER REFORM

In spite of the progress that these countries have achieved, agriculture is still the weak point in the national economy of the USSR and Eastern Europe. For instance, each year the USSR has to import 30–40 million tons of grain, 800–900 thousand tons of meat and meat products, 400–500 million eggs. Food and raw materials for making food have made up 20% of total exports. GDR has to import 3 million tons of grain and 100,000 tons of meat per year. Czechoslovakia still needs to import one million tons of grain per year at present. Poland has to import 2–3 million tons of grain and 100,000 tons of meat each year which has increased its foreign debt.

The relatively backward rural production in the USSR and East European countries is closely related to the management system at present. The collective approach to business should be further reformed. In countries like the USSR, GDR, Bulgaria, Romania and Czechoslovakia, the collective business management system was established at the time of collectivization. It had a strong technical and material basis, manifesting some superiority in the case of large scale production. But there are still several problems which need to be solved: (1) How to make the rural enterprises become truly independent commodity producers? (2) How to enable the farmers to be the true owners of land and hence active

producers? (3) How to bring the initiative of rural managers into full play and how to supervise them? (4) How to combine working reward with final working results? (5) How to incorporate sideline occupations? etc.

The rural reform in Hungary has already made dramatic achievements in this respect which has broadened the minds of people. It has the following features: (1) The state approach to managing the rural economy has changed from an administration approach to an economic approach. In concrete terms, the state informs rural enterprises about next year's plan for production by the end of a year, in line with the need for development of the national economy. It then ensures the fulfilment of the plan through means of price, compensation, credit and taxes. This has not only manifested the macro guidance to rural development given by the state, but also inspired the farmer's working initiatives. (2) The state has encouraged various types of 'small production' units to complement the large scale production units. The amount of labour engaged in 'small production' is 10% more than the amount of labour engaging in collective farming. The output value of 'small production' is now one-third of total rural output value and 50% of net rural output value. The rational combination of large and small scale farming and the mutually promoted good relations between them is one of the major features of Hungarian agriculture. (3) A democratic management system has been gradually established. The National Council of Rural Cooperatives is the institution representing the interests of farmers in the whole country. Committees and Ministries of the government must consult with the National Council when they make decisions concerning the interests of farmers. Farmers have become the real 'masters of the land'. This is another major factor contributing to the recent success of Hungarian agriculture.

In recent years, the USSR and East European countries have initiated further reform of their rural management system. The State-owned farms and collectives in the USSR have each shared about half of total rural production. At present, the USSR is implementing a 'Law for State-owned Enterprises' among state-owned farms. It will enlarge democratic principles and develop self-determination by using the means of economic accounting and a self-financed system. In this way they try to manage enterprises by economic means. At the same time, the collective responsibility system and family responsibility system have been introduced in order to raise working initiatives. According to statistics, half the farmers responsible for 75% of cultivated land and 60% of livestock in the USSR, have responded. There are about one million farmers who have contracted with collective and state farms. Bulgaria has pushed forward the new system of independent economic accounting and assigned the sole responsibility for profits and losses to each enterprise. It has given up the idea that agricultural enterprises had to be large in size and collective in nature. Bulgaria has established 3,150 production teams of a new type. At the same time, it has changed the function of the town council from an executive unit to that of a self-managed community. The food products will be self supplied by each township instead of distributed from the state.

Other countries, like GDR and Czechoslovakia, have also pursued new ways of improving rural management. It needs time and effort to set up an effective new system and there are quite a few difficulties in doing so. But the whole process of rural reform is inevitable.

The problems of rural cooperatives are still waiting to be solved. Yugoslavia and Poland have acquired some experience with rural cooperatives after they gave up the Soviet rural model. For example, Yugoslavia has established rural cooperatives of various types: cooperations between individual farmers, cooperations between social-owned economic organizations and cooperation between these organizations and individual farmers, etc. About 80% of farmers have taken part in the three cooperations mentioned above. This has effectively promoted the development of rural production. In Poland, in addition to developing state farms and cooperatives, great attention has been given to the role of 'agricultural groups' which have a history of a hundred years. This kind of 'agricultural group' can talk with certain institutions including the government on behalf of farmers; on the other hand, it can serve farmers with rural machinery, transportation, construction materials and items for daily use. The groups now have over two million members (there are four million labourers and 2,900,000 families in the countryside). The groups have more than 3,000 service centres and are playing an active role in rural development.

However, there are several other problems that Yugoslavia and Poland are facing. Individual farmers still dominate the countryside. The land holdings are scattered and much of the land is privately owned. The efficiency of these farmers is quite low and has become an obstacle to the process of rural modernization.

In Yugoslavia, individual farmers account for 83% of the arable land, 85% of livestock, 95% of tractors and 95% of labour force. Under the condition of private ownership and shared inheritance of children for land, the land is more scattered than before. The figure of families who owned two hectares of land has increased from 37.5% in 1949 to 48.3% in 1981. Although 80% of farmers have taken part in various cooperations, there are obvious shortcomings such as: (a) cooperation is too relaxed and not stable; (b) cooperation is usually short term; and (c) cooperation often involves only one project. This situation has greatly hindered the development of productivity.

In Poland, individual farmers account for 75% of farm land and the rural labour force. The trend of land scattering is still developing. There are 60% of farmers whose lands are smaller than five hectares.

Yugoslavia and Poland have been pursuing new approaches to the reform of rural productive relationships. Yugoslavia has introduced several measures to prevent land from becoming more fragmented. (1) It has regulated that each family can only have one inheritor for land. (2) It has raised the limitation on owning land so that now each family can have 10 hectares of land and families are encouraged to develop as a large specialized family. (3) It has adjusted and merged smaller plots. All these initiatives have achieved good results.

Apart from organizing rural cooperatives, Poland is also now promoting various specialized families. It has issued three criteria for specialized families. (1) Diversified business should be changed to specialized business. (2) Specialized commodity production should be encouraged to a certain degree. (3) Specialized families should contract with purchasing departments in the long term. There are about 30,000 specialized families throughout the country at present. According to the statistics, all specialized families have received better economic benefits. They either produce a large quantity of products for the state or receive high income themselves.

CONCLUSIONS

In reviewing the history of reform in the USSR and East European countries, one can conclude that reform of the general economic system began with rural reform. The development of rural reform has created a material base for general economic reform and supplied more rural produce to the state thus improving people's living standards and helping to maintain political stability. It has also presented some experiences with reform and strengthened the people's consciousness about change and promoted further development of a general reform movement.

Building a new countryside with socialism has been a great pioneering effort in the USSR and East European countries. In the process of realizing this historical task, people have made mistakes and learnt important lessons from them. But new things always have great vitality. The new countryside is marching on with self-improvement. The new trend towards reform which is emerging at present will certainly promote further development of rural reconstruction, thus providing people with more practical experience and treasures of theory.