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INCENTIVE PLANS TESTED IN SOVIET; Scholar Tells of Attempt to Increase Productivity

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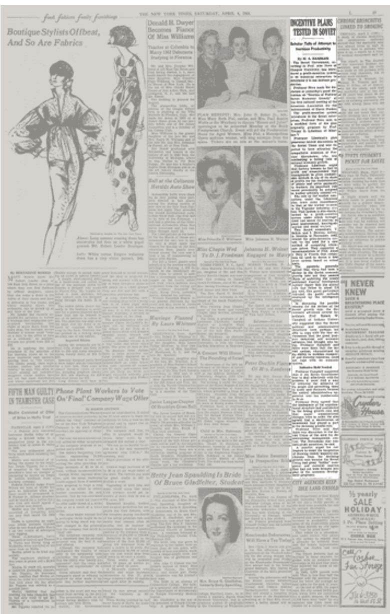

The Soviet Government, according to Prof. Alec Nove of Glasgow University, has introduced a profit-incentive system in 80 industrial enterprises to determine if it can increase production.

Professor Nove made the disclosure at yesterday's panel discussion on “Sources of Postwar Soviet Economic Growth” at the first national meeting of the American Association for the Advancement of Slavic Studies.

The profit-incentive system introduced in the Soviet enterprises, Professor Nove said, is a modified form of the plan originally proposed by Prof. Yevsey G. Liberman of Kharkov.

Professor Liberman's plan generated heated discussions in the Soviet Union and was reported to have attracted the sympathetic attention of Premier Khrushchev, who was combatting a falling rate of national economic growth.

Professor Liberman urged that factory bonuses be tied to profit and recommmended that management be given considerable latitude in use of its share of profits for the modernization of plants and extra payments to workers. An important role would presumably be assigned to worker advisory committees.

The role of the worker committees under the Liberman plan bears some resemblance to that of the worker councils in the Yugoslav industrial system. That system is also characterized by a profit-incentive system under which management can invest its bonuses in plant improvement, housing, education and social welfare.

Two Soviet economists, V. Belkin and I. Birman, writing in Izvestia in November, 1962, related the price-inventive system to the need for a new method of computing wholesale prices. They supported a recommendation of Prof. Aksel I. Berg in Pravda that computers be used to devise a new price system based on actual costs.

The panelists generally agreed that there had been a decline in the Soviet economic growth rate but they seemed chary of endorsing the widely publicized Central Intelligence Agency report that the annual rate had fallen to about 2.5 percent. One panel participant ridiculed the public methods employed by the intelligence agency.

In discussing the possible reasons for the decline of the Soviet growth rate, the discussants advanced several hypotheses. Prof. Robert W. Campbell of Indiana University suggested that the Soviet political and administrative structures were perhaps not able to cope with the new environment that the great postwar industrial and economic advances had brought into being. Professor Campbell said there were hints that the Soviet system, characterized by its ability to mobilize manpower and material resources, could not cope with its economic system.

Professor Campbell suggested that if the Soviet Government was to deal effectively with the problem it must find a way of releasing the initiative of its people and permitting them to make spot decisions because the central administrative apparatus was too cumbersome to do so.

Professor Nove agreed that the inadequacy of the organizational structure had contributed to the falling growth rate and that major organizational changes were in order. He also agreed that a deceleration of investment had played a part in the declining growth rate.

Professor Nove said that there was discussion in the Soviet Union of the need for decentralizing management control. The discussions also concern profit incentives, he said.

A panelist urged his colleagues to resist the temptation of drawing unduly negative conclusions from the declining growth rate because the Soviet Union had great “hidden” manpower and material reserves that had not been brought into play in the economic development programs.