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**Using the Potential
of Cooperatives
for Furthering
Perestroika**

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**USING THE POTENTIAL
OF COOPERATIVES
FOR FURTHERING
PERESTROIKA**

**Speech by General Secretary
of the CPSU Central Committee
Mikhail Gorbachev
at the 4th All-Union Congress
of Collective Farmers**

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I.

Dear comrades,

Allow me on behalf of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers, to extend warm and cordial greetings to you, delegates and guests of the 4th All-Union Congress of Collective Farmers.

Representatives of all generations of Soviet farmers are gathered in this hall today. Through you, comrades, we greet all the rural working people of our great Motherland.

Our country's achievements and triumphs are inseparable from the life of the Soviet countryside. The Motherland highly appreciates your noble labour, your efforts for the good of the people.

Our entire society is no doubt paying close attention to the proceedings of this congress. This is quite understandable, for the congress will deal with matters of vital importance for the country's life—cooperatives, collective farms, and the entire agricultural sector of our economy, a sector which forms one of the main pillars of the socialist society. And of course it will also deal with perestroika, whose significance for the nation is obvious to all of us.

Now that revolutionary changes are taking place in every sphere of our life and activity, we see well the enormity of problems and difficulties facing us in this crucial stage of the development of Soviet society. These problems and

difficulties demand in-depth theoretical thought and analysis, elaboration of a policy that is in tune with the times, and of course practical efforts to implement it.

And this is precisely what we have been doing. The 27th Party Congress, the Plenary Meetings of the Central Committee, the celebrations of the 70th anniversary of the October Revolution—they all represent stages in the understanding and development of perestroika. A major task of the current congress is to gain better insight into the potential of socialism and to put this potential to improving the life of the people and developing their abilities.

We have behind us three years of persistent work that involved a search for new approaches, the breaking of many established concepts and large-scale experiments and social discoveries. We are now increasingly seeing perestroika as a dynamic, developing but also contradictory process, with both objective and subjective factors and phenomena at work in it. Moreover, the role of the subjective factors and phenomena is steadily growing as the transformations embrace ever broader sections of the working people of our country. Herein, if you like, lies the dialectics of perestroika. It compels us more and more to build up and set in motion the human energy of renovation, to remain businesslike, not to give in to difficulties, and not to lose spirit and confidence. Only then will things get moving and will we achieve what we have conceived.

Perestroika is to become a real and effective force for moving society to a qualitatively new state, a force which gives full freedom to human initiative and activity. Everything we are doing today opens up a wide expanse for every person, making it possible for him to reveal all his talents, gifts and abilities, to show ingenuity and resourcefulness in a creative way.

The time of perestroika is a time when every person can take a worthy place in society, when he can show his mettle in every sphere of his life and work. That is why we are fully justified in describing the time of perestroika as an unusual

time. Perestroika will shape and cast the mould of our society for many decades to come; it will be the society of our children and grandchildren not only at the end of the 20th century, but also at the start of the 21st. Perestroika is a process of radical social change whereby a person's future lies in his own hands. We are directly responsible for the kind of future we will have and our own destinies.

So what has been achieved so far? How well are we implementing the Party's policy formulated at the April Plenary Meeting of the Central Committee and the 27th CPSU Congress? How have the country and people's lives changed?

A detailed analysis of the course of perestroika will be presented by the Central Committee at the forthcoming 19th All-Union Party Conference. But even now we can say that we have not worked these past three years for nothing.

I must say that the difficulties we encountered proved more numerous than we initially expected. Too many problems had piled up and for too long they had been neglected. To use a farming simile, our field has become rather overgrown with the weeds of red tape, mismanagement, social apathy and lack of responsibility. And we have to do more than just pull up the weeds. What we need to do is to recultivate our socialist field in a thorough and painstaking way so that it could grow the good seeds being planted by perestroika.

Our present difficulties require that we both deal with the huge amount of questions that have accumulated as regards our day-to-day life and simultaneously—on the basis of an all-round analysis of the situation—carry out a search for the most effective ways of improving things drastically in the long term.

And this is exactly what we are doing. We are beginning to accelerate the development of the material basis of our social sphere and have taken concrete decisions to restructure our education and health care systems. We have

begun resolving the most urgent problems, problems of top priority—the housing problem, the food problem, and the problem of providing population with goods and services.

At the same time, we have worked out and are consistently implementing a system of inter-related strategic measures aimed at qualitatively renovating every aspect of the life of our society. Work is well under way in the cardinal areas of scientific and technical progress, and the national economy is undergoing deep structural changes.

Radical economic reform—our principal lever for bringing about large-scale transformations—is becoming a part of our life.

The Party has set a firm course towards the full democratization of social and political life, regarding this as the central task of perestroika, the decisive condition for socialist renewal.

All in all, comrades, today not only do we have a programme for the profound qualitative transformations in every sphere of social life, but we have begun to effect these transformations on a wide scale.

The entry into force of the Law on the State Enterprise made work collectives more active. But as we expected, quite a number of complications and difficulties have arisen since the law went into effect. It is significant, however, that the working people themselves are dealing with them. The workers, farmers and intellectuals are becoming increasingly sure of their rights, demonstrating their concern for and paying attention to social affairs and production. This fills us with confidence and optimism.

We must go on mastering the new principles of economic management. Such principles also underlie the vital document—the draft of the Law on Cooperation in the USSR. The application of its ideas, comrades, will signify a new qualitative stage in the development not only of the cooperative movement, but also of the whole of Soviet society.

Admittedly, it will take time and energy to attain the

goals of perestroika. But at this point it would be quite appropriate to state that the Party and people have been able to reverse the main pre-crisis trends in society, have been able to set society on the path of deep-going revolutionary change. This is the principal political result of the past three years.

In making this conclusion, we are not fooling ourselves about the future difficulties, the contradictions of the process of perestroika or, for that matter, the opposition to it, nor are we trying to engage in wishful thinking. If I were asked to describe the current situation in our society, I wouldn't hesitate to say that the prevailing mood among the working people, the entire population of the country, is one of firm determination to continue on with perestroika, and to do this in a revolutionary way, without retreating from difficulties. And this is the answer to the main question of our life—whether we will be able to accomplish the major undertaking we have begun. The past three years give us the answer: yes, we will. The guarantee of that is the support of the people, and the rallying of the working people more and more around the aims and objectives of perestroika.

Of late, we have often turned to our history, to its heroic and tragic pages. They contain many important historical lessons, but there is one that stands out. All our successes and all of our most outstanding victories came about when full scope was given to the social creativity of the masses. And vice versa, our greatest setbacks occurred when the vital needs of the people were ignored, when the social initiative of the millions was forcibly put into the Procrustean bed of administrative directives, and surrounded with a palisade of official instructions and regulations.

The basic purpose of the fundamental innovations being introduced by perestroika—whether they involve the deepening of socialist democracy, the cost-based readjustment of the economy or the promotion of cooperative principles—is above all to unfetter human

efforts as much as possible, to elevate creative and skilful work, and to draw every citizen of the country into the running of society's affairs. This is the aim of the Party's policy and its organizational activities, of all the legislative acts of perestroika. This is also the aim of the draft of the Law on Cooperation, which you are to discuss at your congress.

II.

Comrades, the present generation of the Soviet people are faced with extremely important and very complex tasks. And the better we grasp their essence and the greater the scope of perestroika becomes, the more necessary it becomes to have a deep understanding of the experience of all generations of builders of socialism. We must analyze it not for the sake of repeating truths known to everybody, but in order to master the Marxist-Leninist methods and dialectics of revolutionary renovation, to apply them in a creative way for tackling the tasks of the day.

This makes it more incumbent to re-read Lenin as if we were reading him for the first time, to fathom his views on the ways of building a new society. This is precisely what we are doing as we return to one of the most brilliant discoveries of Lenin's—his teaching on socialist cooperatives.

Lenin's propositions on the socialist nature of the cooperative movement following the triumph of the socialist revolution were the product of much thought and a deep-going analysis of the experience of the early post-revolutionary years. In his famous article "On Cooperation" Lenin convincingly showed that when state power is in the hands of the working people, when the socialist state is the owner of the land and the basic means of production, and when it directs the work of cooperatives, the growth of cooperatives in these conditions is identical with the growth of socialism. This is the cardinal conclusion Lenin reached.

Another profound idea of Lenin's is that under

socialism the cooperative principles of economic organization provide an effective way of balancing the interests of all participants in social production and are a happy form of combining cost-based production activities with the people's self-management.

This is why Lenin so insistently called for close contacts between state-run and cooperative enterprises, for their joint participation in solving production and social problems and in altering the entire way of life in the country. Pointing out a rich variety of forms of cooperative activity, he called for the fullest possible participation, on a strictly voluntary basis, of the working population of the country in cooperatives.

Lenin understood clearly that democracy and the self-supporting basis of the cooperative organization of production, its autonomy and flexibility open up wide scope for people's creative abilities and initiative. And that, comrades, is exactly what we need so much today when we are tackling the tasks of the cardinal reorganization of our society.

Lenin's teaching on cooperation began to yield tangible results as soon as it started to be implemented. The successes of the cooperative movement were closely linked to the application of the basic principles of the New Economic Policy and helped to consolidate the alliance between the working class and the peasantry.

But Lenin's innovative ideas on cooperation were heavily watered down subsequently. All their rich content was reduced to the "cooperative plan", according to which cooperatives could exist mainly in the countryside and virtually in just one form—that of agricultural artels. Under such an arrangement the collective farms were left with the role of a minor partner of the state-run sector.

I have already had occasion to speak of the gross distortions of Lenin's teaching on cooperation during collectivization in the late 20s and early 30s. Arbitrary measures were also taken against the cooperatives in later

years when producers' cooperatives were abolished without any grounds whatsoever, when administrative methods were used to turn collective farms into state farms, and when other forms of cooperative activity were banned or restricted.

In addition, the cooperatives were turned into state-run agencies of a kind. As many of you know from your own experience, the principles of voluntary membership, self-management and cost accounting, as well as other principles governing the activities of collective farms and cooperatives in general, were grossly flouted. The results of that are still being painfully felt, breeding a passive attitude to social affairs, and affecting not only the economic but also the political and ideological aspects of socialism's development.

And still, comrades, as we turn to our past, we have every reason to say that the cooperatives, though their path was thorny, made no small contribution to the development and consolidation of our country.

The cooperative movement here has deep roots. The socialist revolution, which opened up broad possibilities for the creativity of the masses, imparted new energy to this movement. It was felt in every sphere and every area of socialist construction—in industry, in the various businesses, in trade, in the reorganization of the way of life in the countryside, and in the economic links between the town and the countryside.

The cooperative movement is known to have reached its peak in the 20s. Many of its forms in production and trade, in supplies and marketing, in financing and crediting, in the daily services and other fields developed rapidly thanks to the consistent application of Lenin's ideas expressed in the decisions of Party congresses and conferences.

The Party and the Soviet state rendered the cooperatives constant organizational, political and financial support, pursued a flexible financial and taxation policy, and adopted the necessary measures to strengthen democratic

principles and expand the economic and social base of the cooperative movement. All this yielded good results initially, and speeded up the social and economic transformations.

It was precisely the cooperative movement that largely helped to overcome the famine and dislocation that followed the Civil War; it facilitated the efforts to improve the financial and monetary system, to cultivate among the working people a proprietary attitude to production and the country, and to make people more active in the building of a new way of life.

By the late 20s, about one-third of all the peasant households was involved in some form of agricultural cooperation. Dozens of types of cooperatives established from below came into existence in the country, as well as unions and associations of such cooperatives which supplied agricultural produce to the markets, manufactured simple machines and equipment, and building materials, mined ore, produced metals, repaired equipment and household utensils, and made clothes and footwear—in short, performed services badly needed by society.

We must also appreciate the role of the cooperatives of those days in supplying the population with goods and services. According to statistics on cooperatives of that time, consumers' cooperatives handled the sales of up to 50-70 per cent of the basic consumer goods put out by state industry. They conducted their trade not only in the countryside but also in the towns. By the mid-20s the cooperatives were procuring about 35 per cent of all the grain and flax produced in the country, some 40 per cent of the wool, 80 per cent of the cotton, and 90 per cent of the sugar beet. The cooperatives also played a large role in providing peasants with machines, farm implements and seeds.

Unfortunately, all this did not go on for very long. As a non-equivalent exchange began developing between the state sector and the cooperatives, as command-style

methods of management came to be used more and more, and as the democratic principles of society's life started losing ground, the very idea of cooperation began to be frowned upon, the role of cooperatives was belittled and the diversity of their forms began to shrink. Based as they were on self-payment and self-management, the cooperatives could not exist without cost accounting and broad democracy. They began phasing out, and the sphere of their operation became smaller and smaller.

The collective farms have also gone through many complex historical changes and difficulties, and there were even some dramatic moments which did harm to the agricultural sector. Examples here are the repeated amalgamations and fragmentations of farms, mass-scale conversion of collective farms into state farms, and the appointment of poorly trained personnel, sometimes, as executives at them.

Numerous campaigns initiated from above also did serious harm to the economic position of the collective farms. The mania for everything huge in production, all sorts of reorganizations, and limitations and bans on personal plots and on the development of cottage industries caused a lot of damage.

The consequences of this kind of attitude to collective farms and to cooperatives in general are well known. We still feel them. We should include among them the slow progress in the solution of the food problem, the shortages in and narrow choice of many consumer goods, and the limited range of daily services. As a result of these things, we have untapped labour reserves and losses in material resources. Finally, they have led to a serious weakening of the major social factors of development.

We must admit today, comrades, that this policy as regards the cooperatives has been erroneous. As a result of departing from the Leninist principles of the cooperative movement, the country and its economy have suffered substantial setbacks in political, moral and social terms.

It was stressed at the 27th CPSU Congress that cooperatives in this country have far from exhausted all their potentialities. The Congress was in favour of complete clarity on this matter. Our further analysis showed that cooperatives can and must play an important role in the life of contemporary society.

The cooperative movement must be revived in all its diversity. But this revival must naturally be in line with the new conditions and new requirements. We must re-establish cooperatives, but not in the old and sometimes very simple forms; we must create modern cooperatives, highly cultivated, and widely integrated both within their structure and with state enterprises and organizations. We need highly effective cooperatives, well equipped technically, and able to produce goods and services of the highest quality and to compete with our own and foreign enterprises.

What is our purpose in opening up broad opportunities before the cooperative movement now? Our goals are clear and definite—to meet the requirements of Soviet people better, to search for additional material resources, and to find more incentives for boosting the entire economy and, not the least important, for boosting farm production, the processing of its output, and improving the life of rural dwellers.

Cooperatives, by promoting a caring attitude, initiative and enterprise, can be very helpful in solving the food problem, in increasing the output of high-quality consumer commodities, in expanding the services sphere, and in improving the people's conditions for work, everyday life, rest and leisure. You know, comrades, how fast the demand for consumer goods and services is changing today, how we need a continual renewal of commodity assortment. This requires of producers a flexible response, an individual approach, and a better understanding of local conditions. And these are precisely the properties possessed by cooperatives.

Wide application of cooperative forms is very important

for the optimum combination of large, medium-sized and small enterprises. Everyone is aware of the difficulties in placing with big-time industry orders for short runs of products, for many types of equipment and instruments. Economic managers know well the difficulties involved in finding a contractor for small-scale design, building or repair projects. The ordeals of rationalizers in having their suggestions introduced, the problems connected with artistic designing, providing scientific and technical advice, etc., are only too well known. Large enterprises often find this sort of work unprofitable. As a result, production efficiency drops, and time and money are wasted. Many of these things could be done by small cooperative organizations capable of reasonably supplementing large-scale social production.

Another aspect of the question—the solution of social issues—is also of no small importance. Since they organize production in many fields requiring various skill levels, cooperatives make it possible to increase the employment of all sections of the population, including in small towns, settlements and villages. By working in cooperatives families can add to their incomes, while the activity of cooperatives replenishes the resources of local budgets for the development of the social infrastructure.

Lastly, cooperatives can draw into production and the services sphere people who for one reason or another cannot work at state-run enterprises and organizations. These are above all pensioners, disabled people, housewives, and students.

Today we need cooperatives in all the variety of their forms, including the establishment of new cooperatives in all spheres of production and the services, the revival and deepening of the democratic cooperative principles of the collective farms and organizations of consumers' cooperatives, the development of cooperation at the level of primary work collectives on collective farms and at state enterprises, and contractual relations among enterprises.

Such a ramified cooperative network can serve as a basis for the practical implementation of the concept of public ownership, which is so rich in content.

Generally speaking, comrades, there are many spheres where it is not so much the scale of an enterprise that matters as the ability to readjust itself quickly, to make a flexible response to changing demand, to make fuller use of local conditions, as well as the individual skill and enterprising spirit of workers.

By putting the task of the broad development of cooperatives on the practical plane, we give our reply to all those who are wary of or militantly opposed to the Party's course aimed at the expansion of the cooperative movement. And this is our reply also to those who feel nervous and uncomfortable, claiming that cooperation is not a socialist form of management, but a return to private enterprise.

I can tell these comrades that such doubts and claims have been voiced before. These were the sort of arguments that were used to stifle the cooperatives, and fairly successfully. No, cooperatives—a mass social movement of the working people in a society freed from exploitation and class antagonism—are by their nature fully in line with the goals of socialism, with its labour and collectivist aims.

This explains why cooperatives are opening up new possibilities in the acceleration of our country's social and economic development. Perestroika has awakened public interest in cooperatives. What is more, it is creating the necessary prerequisites for a qualitatively new stage in the cooperative movement, for its extensive penetration into various fields of economic and social life.

Perestroika has above all generated and continues to generate a favourable social climate, giving free rein to the initiative and creativity of millions of people. This is of fundamental importance, for no cooperatives can be established from "above". Only initiative and creative work from "below" can produce, instead of weak and formal

cooperatives, living and full-blooded ones and give them a truly mass character.

The development of the cooperative movement is, on the one hand, a tangible result of the democratization of society, one of its numerous forms, and, on the other, it is one of the more important levers for broadening the democratic process as a whole, for the struggle against administrative methods and bureaucracy. Indeed, comrades, openness, the elective system, open book-keeping and the participation of the working people in production management are things without which cooperatives simply cannot exist. Only if the cooperative is a self-managed organization can it really become an effective form of economic management.

There is a direct and organic connection between the development of the cooperative movement and the radical economic reform. The new economic mechanism, established by the Law on the State Enterprise (Amalgamation), has provided cooperatives with a truly golden key to the organization of their activities. The necessary conditions are today being created in practice for equivalent exchange and effective cooperation between state and cooperative enterprises.

In discussing the prospects for the development of the cooperative movement, we are taking recent experience into account as well. Over one year alone almost 14,000 cooperatives have been set up and began functioning in this country in consumer goods production and the processing of secondary raw materials, in trade, in public catering and in the consumer services. More than 150,000 people are now engaged in cooperative activities in the country. Many of the new cooperatives are functioning effectively and are gaining popularity with the population. The range of goods made by the cooperatives is growing rapidly. There is increasing demand for the consumer, repair and building services they offer.

Of late, cooperative forms have also begun to be applied

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within the structure of state enterprises, mainly in low-profitable or loss-making sectors. And it should be said that the effect has been impressive. By eliminating mismanagement, by cutting down on staff, by streamlining work and by using material assets, these sectors are rather rapidly increasing their profitability.

But on the whole the cooperatives are only just beginning to gather momentum. Their output as yet accounts for only a small fraction of the overall volume of production, marketing of goods and provision of services. Large industrial plants are moving slowly and in general don't want to set up their own cooperatives.

Moreover, the cooperative movement is developing very unevenly in various regions of the country. The Moscow Region is serious about organizing and developing various forms of cooperation. Trading, medical, supply and marketing, as well as recreation and other cooperatives have been set up. Today the Moscow Region has 1,137 functioning collectives which means each district has about 27 cooperatives. The process of establishing cooperatives is also active in the Baltic republics, in the Krasnodar and Stavropol Territories, and in the Saratov, Ivano-Frankovsk and other regions.

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But there are also examples of a different kind. In the Central Asian republics, in Kazakhstan and in Azerbaijan, the volume of consumer services rendered by cooperatives per inhabitant is almost one-twentieth of that in Estonia, for example. You can count on your two hands the cooperatives producing consumer goods in the Arkhangelsk, Tambov and Tula Regions and in some other places. These regions, in addition to failing to provide normal working conditions for cooperatives, often put up all sorts of obstacles to cooperatives and introduce illegal bans and restrictions. The information the population gets about their work is inadequate and often one-sided.

Nor can we close our eyes to certain negative phenomena that are actually retarding the development of

cooperatives and undermining trust in them. Sometimes, self-seekers and occasionally ordinary thieves worm their way into this sphere. Their speculative tendencies discredit the idea of cooperatives. Facts are on record showing that some cooperatives, taking advantage of their small number, boost their profits by jacking up prices. This justifiably evokes the indignation of the working people.

Of course, whenever necessary the law should be applied. But administrative measures alone will not solve the problem. The basic answer here is an increase in the number of cooperatives and healthy competition, and state enterprises must also become actively involved in this competition. This, in turn, will have a favourable effect on the market of goods and services, and on the level of prices.

It should be admitted, however, that lack of adequate legislation is a serious impediment to the development of cooperatives. There are separate normative acts in existence regulating the cooperative movement that sometimes contradict each other. What is more, many of them not only fail to support cooperatives, but even slow down their growth. In view of this, it was found necessary to work out a uniform all-Union legislative act—the Law on Cooperation in the USSR, which will drastically enlarge the sphere and scope of the cooperative movement.

The purpose of this Law is to ensure the consolidation and development of cooperative-collective farm ownership, to create a legal mechanism protecting cooperative democracy, to formulate economic, organizational and legal principles of the operation of all types of cooperative enterprises and organizations, to regulate their rights and duties and contacts with state and economic bodies.

Approved by the Politburo of the Central Committee, the draft of such a law has been submitted for nationwide discussion. Reading it, you can see that it is an innovative document, a document born of perestroika; it can give a

decisive boost to all economic practices, infuse a new spirit into the social development of our society.

In making an all-round assessment of this document, it should be noted that the draft Law is called upon to tally, so to speak, Lenin's ideas on cooperation with our time, to link them closely with the concept of perestroika, with the experience of the major changes now taking place in our society. The draft is closely connected with the provisions of the Law on the State Enterprise and other normative acts of the economic reform and together with them considerably extends the legal basis of the present-day economic mechanism.

On a number of questions the draft Law introduces new and radical improvements in this mechanism, which should have an impact on the entire economy. The basis, or one might say, the core, of the new document is recognition of the cooperative sector as an equal component part of the single national-economic complex of the country. The basic Leninist principle of cooperation has thereby been restored.

Accordingly, the sphere of cooperatives' activity has been extended, and the unnecessary restrictions that have operated until now have been removed. The right to join a cooperative is granted to all citizens of the country. Cooperative members are entitled to all the social amenities provided for factory and office workers. Another important point is that the principles of cost-accounting and self-management are being further developed in the work of cooperatives. This applies to planning, pricing, disposal of resources, and labour remuneration.

I would also like to emphasize that there is a number of entirely new provisions directly relating to collective farms. It appeared fully justified to lift all restrictions on their auxiliary businesses. From now on, collective farms will be able to rent out part of the land assigned to them and part of their fixed assets both to other enterprises and to individual citizens, to set up all kinds of agricultural cooperatives, and

to conduct foreign economic operations. At the same time, there is a provision for the possible liquidation of cooperatives whose performance is poor and for stripping them of the right to use the land assigned to them.

It should be noted that cooperative forms are also being improved in many socialist countries. A great deal of their experience is interesting and worth studying. I think we should make a careful study of this experience, broaden mutually advantageous cooperation, and make active use of all that is useful.

Comrades, speaking of cooperatives, I would like to stress that the development of the cooperative movement is a direct continuation of the Party's strategic course aimed at broadening democracy and at improving our national economy; it is an organic component of the economic and social transformations being effected in the country.

Admittedly, in the cooperative movement, as in any new undertaking, we may come across rather large difficulties and complex problems. I do not doubt that we will overcome them if we attack them in an energetic and persistent way. The important thing now is to effect a change in public opinion, among all the cadres, in favour of the new form of economic management. We must resolutely break down outdated stereotypes of thinking and acting and change the attitude to cooperatives as something secondary and of little import.

Cooperatives, as any other form of economic management, must not lie outside the sphere of state influence. There are reliable economic instruments for guaranteeing this—taxation, the credit policy, the system of contracts with cooperatives, and the possibility of influencing their activity through state-placed orders. And, of course, all existing legislation applies fully to cooperatives—whether it is labour protection, work safety, social security, or environmental conservation.

The problem of the strict observance of the law is now exceptionally topical. Unless the law is observed, neither the

democratic process nor the economic reform will make headway. It should be frankly admitted that a slighting attitude to the rights of work collectives has become, one might say, the flesh and blood of many executives of various ranks. They are accustomed to acting like the "big boss", bearing no responsibility either morally, or especially, materially for the negative effects of their decisions.

Many instances of violations of the Law on the State Enterprise, which only recently went into effect, have also been reported in the recent period. In this connection the Politburo of the Central Committee issued a stern warning to top executives of ministries and departments that such practices are inadmissible.

Observance of legality in the economy, just as in other spheres of public life, is an indispensable requirement of perestroika. All state and economic bodies, all public organizations, and executives at all levels must act only within the limits of the Law.

As regards cooperatives, comrades, administrative methods are against their very nature. Commanding them about, issuing peremptory instructions, and introducing ill-considered bans can only dry up and over-organize the business, ultimately compromising or even destroying it altogether.

Relations between the state and the cooperatives on the basis of the Law on Cooperation will be conducted mainly through local Soviets of People's Deputies. As you may recall, the taxes cooperatives and their members pay will go into local budgets and supplement Soviets' resources to speed up the economic and social development of the given region. In that way, local Soviets have an incentive to support cooperatives and at the same time they have an economic lever for influencing their activities.

It is necessary to be more bold in promoting close and mutually advantageous economic relations between state enterprises and cooperatives. It is not impossible that mixed

enterprises—state-cooperative or cooperative-state—will arise.

Naturally, these relations will be effective only if the principle of equality and competitiveness of partners is consistently observed.

Surely, cooperatives have their limits. Viewing cooperative property as having an equal status with state property, at the same time we fully confirm the leading role of state property of the whole people. This stems from the very nature of such property and the place it actually holds in the country's economy.

Of course, we cannot expect that with the adoption of the Law cooperatives will begin to develop extensively all on their own, spontaneously tearing down all barriers in their way. What we need here is for Party and local government organs to pay close attention, to lend their support and assistance, for never before has the task of developing the cooperative movement been raised on such a broad scale and in such a wide diversity of forms. This is why, comrades, the Party's approach to this particular matter must be to demand that more confidence and more help be given to cooperatives.

We must make cooperatives a permanent part of the arsenal of the powerful means of socialist construction. They must assume that worthy place in our society which is theirs by right.

III.

Comrades, we must pay special attention to the development of cooperatives in the countryside where the bulk of the country's cooperative enterprises and organisations are operating today.

The potentialities of cooperatives and the demand for them there are especially high at both collective and state farms and in all spheres, from production and technical services to the distribution, marketing and processing of produce and the provision of services to the population. This stems from the specific features of agricultural

production, its geographical dispersion and the prevalent lifestyles in the countryside. The need for the development of cooperatives there has sharply grown and the opportunities for this have improved, especially with the development of new economic relations, such as financial accountability and production on a contractual basis.

The collective farms with their vast production, economic and labour potential play an important role in supplying the country's needs for foodstuffs and raw materials. They supply almost 50 per cent of the produce in the socialized sector of agriculture. The use by collective farms of their new rights envisaged by the new Law on Co-operation will undoubtedly give a strong impetus to their development and considerably broaden the sphere of their activity. Beside crop and livestock growing, collective farms will now be able to process their produce, manufacture consumer goods, engage in marketing and provide services for other manufacturers and individual citizens. This will enable collective farms to make more effective use of land and other resources and raise farmers' profits and earnings. But the main thing is that this will help strengthen the country's economy and create new sources for improving the living standards of the Soviet people as a whole.

We are especially counting on cooperatives as a means of creating favourable conditions for an early solution to the urgent and top-priority task of bringing about a dramatic improvement in the food supply situation in the country. Large-scale measures introduced over the past few years to boost production in the agrarian sector and related industries and improve their management have allowed us to make headway in the production and processing of farm produce. The provision of the population with food has improved as a result.

When addressing the February Plenary Meeting of the Central Committee I cited some figures, and now I want to cite some new ones. During the past two years gross

agricultural output in the country has gone up by nine per cent. Compared with the previous five-year period, average annual grain production has increased by 30 million tons, the production of meat by 2.1 million tons and milk by 8.2 million tons. The food industry is increasing its output. As a result, last year the per capita consumption of bread reached 131 kilograms, of meat—63 kilograms, of dairy products—343 kilograms, of eggs—270, and of sugar—46 kilograms. The distribution of other foodstuffs has improved as well. So the provision of the people with basic foodstuffs is changing for the better.

So things have started looking up. This is encouraging, but not enough. This particularly applies to livestock products and fruits and vegetables. During the remaining three years of the five-year period we must increase the average annual production of meat by 2.5 million tons, ensure an increase of more than 20 per cent in the output of vegetables and almost double the output of fruit. We must also boost the production of milk and some other products.

The grain problem remains unresolved. Even in the main grain-growing areas many farms, districts and even regions consume more grain than they sell to the state. It's not surprising that requests keep coming in for allocations of fodder grain out of state funds. True, all the necessary material and moral means should be employed to rationalize the use of grain, but it is impossible to make the country self-sufficient in fodder and reduce imports without increasing grain production. We must grasp the simple fact that grain must be grown, not begged for.

By the end of the five-year period we should increase grain production by at least 50 per cent. This is necessary for reaching a new annual level of 260-280 million tons in the next five-year period. As you know, sheer output is no longer enough for us. We must increase the production of valuable varieties of grain—hard and strong wheat, millet and buckwheat and high-protein food and fodder grain.

The main burden of this work will fall on farms situated in the main grain-growing areas, but nevertheless good organization is required, as well as efficient economic and technological support, concentration of resources and effective labour incentives.

As regards livestock products, conditions have been created for improving local supplies of meat, milk and other produce. Many regions, territories and republics have increased milk and meat production, allowing them to make the requisite supplies to central funds and, at the same time, considerably improve local supply.

But the old, parasitical habits die hard. Some people continue to count on help from the centre and fail to ensure a steady growth of their own resources. That is why the Central Committee and the government keep receiving letters complaining about shortages of livestock products in many regions, especially the small towns of those regions. Moldavia, for example, has serious problems with livestock production. Last year meat production declined there, and this of course had an impact on the consumption of meat in the republic. In the Krasnoyarsk Territory, the Voroshilovgrad, Irkutsk and Odessa regions, the republics of Central Asia and the Buryat Autonomous Republic the consumption of livestock products is growing faster than their production. Let's call these things by their proper names: the situation reflects the level of management and organization in the regions, the slow pace of restructuring there and the gap between declarations and practical actions.

What do we need most now? First of all, we must understand the new production and economic relations. We are opening up broad opportunities for cooperatives. This is undoubtedly the beginning of a new stage in the development of agrarian relations in this country. Guided by the principles formulated in the Law on Cooperation, we should remove all the obstacles that have been created artificially, exploit the potentialities of the collective and

state farms and enable farmers to work to the best of their abilities.

To make the best use of the potential of cooperatives and new methods of management, businesses and organizations in the countryside should switch over completely to cost-accounting and become self-financing. As you know, this is not our first attempt to tackle this problem, but in the past we failed to take a comprehensive approach to the matter—we set out to deal with one problem while ignoring another and in the end all our efforts were in vain.

Building on the large-scale experiments that have been conducted lately and using the experience accumulated over time, in the beginning of this year more than 60 per cent of all farms adopted new methods of management. Those farms include all the collective and state farms and other agro-industrial enterprises and organizations in the Russian Federation, Byelorussia, the Baltic republics and a number of regions in the Ukraine, Kazakhstan, Uzbekistan and Kirghizia. New methods of management are to be introduced everywhere in the next year.

We are carrying out a radical overhaul. The objective is to revive and encourage the best features of the traditional peasant character, make collective and state farms really independent, stimulate their interest and make them more accountable for the results of their work. In carrying out all these measures, we must make sure that people are free to choose the forms of cooperation and promote production on a contractual basis.

An analysis of the development of contract-farming shows that this form of production is effective in social and economic terms and morally rewarding. Contract-farming demonstrates the advantages of production methods based on financial accountability and self-management, stimulates initiative and social activity and puts an end to the practice of levelling wages regardless of input.

The new methods of organizing and stimulating work

will make it possible to increase our food reserves. It is a fact that many teams, small groups and family businesses working on a contractual basis have managed to double and even treble labour productivity and sharply raise output in just a couple of years.

I have already spoken about the work of the Kozhukhov brothers in the Novosibirsk Region. Their three-member labour-intensive team produced 620 tons of grain per member in 1985, 880 tons in 1986 and 1,042 tons in 1987. Increasing grain yields by five centners per hectare a year, they have brought grain yields up to almost 33 centners.

More than 800 similar teams worked in Siberia last year. They cultivated nearly one million hectares of arable land and produced almost four times as much per worker as the region's collective and state farms did on the average. I repeat: four times as much. The figure speaks for itself.

I should say that contract work pays off faster and reaps bigger profits in all republics and regions regardless of the natural conditions. Take, for example, the Zhdanov Collective Farm in the Kletsky district of the Minsk Region. All its teams have been working on the team-contract basis since 1983. Over the past five years the productivity of grain, potato and root crops there has doubled. In 1987 crop yields reached 44 centners of grain, 269 centners of potatoes and 580 centners of root crops per hectare. Labour productivity has increased by 52 per cent and profitability has gone up from two to 44 per cent. The farm has made 1.5 million roubles in profit. And all this has been achieved in a very short period of time.

Or take the example of the Kirov Collective Farm in the Shurchinsky district of the Surkhandaryinskaya Region in Uzbekistan. Working on the basis of cost-accounting and the team contract, a team of cotton-growers led by Gukhta Eshimov gathered 44 centners of cotton from each hectare of the 76-hectare tract of land it cultivated, while the planned target was 34 centners per hectare. The value of the gross product produced by the team was 976,000 roubles.

Take, for example, the Kapsukas Collective Farm in the Kapsukas District of Lithuania. For several years now all the farmers there have been working on the basis of team contract and cost-accounting. A team of seven grain-growers cultivates 855 hectares of land there, which works out to 122 hectares per team member. In 1987 they gathered 51.2 centners of grain per hectare, an increase of 12.2 centners over 1986. At the same time, the cost of production has decreased. The farm makes at least 1.4 million roubles a year in net profit.

Yet another example. At the Lenin Collective Farm in the Byelovodsky district of the Voroshilovgrad Region, Anna Pelekh's family of three has signed a contract for keeping 64 milch cows. The cows are kept in a converted shed and are of the same breeds as the cows at other farms. Nevertheless, in 1987 the family produced 3,968 kilograms of milk per cow, while the average at the farm was 2,421 kilograms.

But the curious thing is that the heads of the Ukrainian Agroindustrial Committee claim that the reserves for growth in the republic have been used up. No, this isn't close to the truth. Give people the right conditions, and they'll find a way to increase production.

Compare, comrades: in A.I. Pelekh's team gross output averaged 20,500 roubles per team member, whereas for the whole farm it was just 13,900 roubles. The family team member made an average of 262 roubles a month, while the average monthly pay on the farm in general was 184 roubles. By the way, with such milk yields this level of pay is well justified. I say this because there are also times when people get paid up to 600 roubles a month for pitiful yields of 2,200 to 2,500 kilograms. In the family team of A.I. Pelekh the growth of labour productivity stays ahead of pay growth. All the performance figures there, and good figures too, speak for themselves.

It is very important that the contract system, and especially family and lease contracts, spread around the

regions of the Non-Black Soil Zone. At the Plenary Meeting of the CPSU Central Committee last June I presented some data on the experience gained in introducing lease contracts at farms in the Pytalovo district of the Pskov Region. In conditions typical of many regions of that zone with their small-field pattern, small communities, small populations and almost total lack of good roads, the family and small-group lease contract has proved capable of ensuring substantial growth of production and labour productivity. Of the twelve farms in that district five have already switched over to such forms of work organization. Today, other farms are following their example.

At that Plenary Meeting of the CPSU Central Committee we mentioned the name of Anatoly Volochenski, a machine operator from the Artemovski State Farm and a Party member. Volochenski took 20 young oxen for fattening, and a tractor and harvester which, after they had been cast aside as worthless he had fixed himself. The farm management assigned him 40 hectares of land. Despite the rainy autumn, he brought in 70 tons of good hay, grew 10 tons of grain and is now getting an average daily gain in weight of 0.8 kilograms, entirely with his own feed and fodder. This is twice the average figure for the farm as a whole. Moreover, he has sold to the state some 3,000 litres of milk from his own cow. And I don't think that his family is without milk, butter and curds either. Volochenski is assisted in his work by his wife who is a farm accountant, his 15-year-old son, a high school student who has grown into a top-grade tractor operator, and his 12-year-old daughter. Speaking of his motives for switching over to lease terms, Volochenski emphasized the possibility of free and independent decision-making and of working and acting depending on the conditions, without having anyone order him about or interfere in his work. That is the answer, comrades. And, please, note that there was no talk of profit or income, but just of a man finally seeing his potential as a farmer materialized.

At the Rodina Collective Farm in the same district, two machine operators, V.N. Vredov and B.T. Buksh, set up lease contract teams of 6 and 5 members, respectively, and in the same weather conditions and on the same land harvested 24 and 28 centners of grain per hectare, whereas in the other fields of the farm, where the traditional organizational methods of work were used, production averaged just 14 centners per hectare. The yearly output of the lease contract teams added up to 23,000 roubles per member or five times the average figure for the farm. At the same collective farm film projectionist V.I. Maksimov and his wife took in five cows and are now building a cowshed for ten cows. They are already getting 12 kilograms of milk per cow every day, while at the cooperative's dairy farms the respective figure is just 5 kilograms. Overall, they have already set up 150 lease and more than 600 family contract teams in the Pskov Region.

But, as I have already said, everything is not going so smoothly. Far from all specialists are eager to get really involved in contract work, while some of them, according to cooperative members, are of simply no help because of their sheer incompetence and indifferent attitude.

And this is not the only thing that holds back the proliferation of the lease and family contract arrangements. The aforementioned Maksimovs are envied and even resented by many people because of their high production figures and subsequently high earnings. All sorts of pretexts are being thought up to curb initiative. For example, the sanitation inspector of their district insists that such a farm will pollute the village. See, comrades, how the mentality of some executives has changed and become deformed: according to their logic, honest farm work pollutes the village! The next thing they'll be saying is that collective and state farms, busy doing their own work, are polluting the country. I would say that this kind of reasoning doesn't make any sense. Or, say, local firemen claim that such a farm does not "fit into" the system of fire-prevention

requirements. This is truly amazing, comrades. All this should give you an idea about the mentality of many of our local managers. In other words, we need support for this great and extremely important cause.

And yet, the above examples and ones like them point to a broad movement for getting rid of all those decades-old misconceptions which turned public property into no one's and undermined the democratic principles of labour activity.

The fact that people have started returning to the villages also speaks of the big impact of the new form of farm management and the vast reserves inherent in the cooperative movement. They are moving into abandoned houses and bringing abandoned land back to life.

My conclusions, comrades, are as follows. The new progressive forms of work organization and incentives must be viewed in terms of their long-term prospects, and the problems raised by the new contract practice must be tackled in a bolder fashion.

Yes, our collective and state farms remain the backbone of farming production, and we will not succumb to the highly questionable and, even more importantly, ungrounded appeals to reconsider altogether the future of collective and state farms. The only way to look at their future is from the viewpoint of the greatest possible disclosure of their potential. That's our answer! That's the answer of the Central Committee and of the government. We must release the potential inherent in these forms of farm management, and do that by taking advantage of the opportunities offered by cooperatives. We are moving toward a not-so-distant time when collective and state farms will become essentially cooperatives: associations of self-supporting contract teams operating on the basis of contracts with the collective farm board and state farm management, which have land as well as fixed and circulating assets at their disposal and using the most

advanced technological systems and scientific farming techniques.

On the whole, we must admit that the internal structure of collective and state farms that has taken shape over the years does not meet the current needs of farm management, does not fit in with consistent cooperation, and, most importantly, does not make people personally responsible for the use of land and other assets or the practice of indiscriminate wage levelling. These shortcomings are considerably redressed when lease contracts and small-group contract forms of production organization are used.

The creation of a new form of production organization necessitates changes in the structure of collective and state farms. In effect, as I have already said, they are turning into cooperatives of independent primary work collectives. This has become possible thanks to the Law on Cooperation.

Every primary work collective is granted complete independence and is guided by the principle of cost-accounting. It can even have its own account with a branch of the Agricultural Bank. Models of such collective and state farms have already been set up and are beginning to operate.

Let's look at the example of the Krutishinski State Farm in the Cherepanovo district of the Novosibirsk Region. At that farm, which has almost 12,000 hectares of farmland, including a little less than 10,000 hectares of ploughland, 33 primary cooperatives have been set up; 21 of them are engaged in production and 12 are engaged in the services. Each cooperative consists of 3 to 5 members. Four such cooperative units have decided to engage in grain production, four others—in forage production and six—in milk production. There is also a cooperative which breeds fur animals. After the transition to this system the number of employed has decreased by almost a quarter. Seventy-four people are no longer needed for farming production; 39 of them have taken on construction jobs and

35 have joined a production cooperative which works on a contract basis with the Berdsk radio works. Under the old structure the farm's managerial staff consisted of 47 people. Today, the staff has been reduced to seven people. Such collectives are fully independent in making the decisions required by a contract, sell products at fixed prices and use the proceeds from sales to meet their production and social requirements.

New forms of collective and family contracts are emerging all the time. Every such form reflects specific sectoral and regional features and distinctions, the level of development attained by a particular farm and simply local ways and traditions.

By its nature, the contract is a democratic development which does not tolerate arbitrariness or fixed patterns. It doesn't do any good to try and keep up with the latest fashions by imposing the same organizational forms everywhere. Indeed, why change the established forms of work organization in a collective or state farm, disband the self-supporting teams which have proved their usefulness and are producing a high effect, and artificially introduce some other form? The same should be said about concrete forms of pay, distribution and sales of end products. The guidelines here are the same for everyone—the Law on Cooperation and the collective farm statute.

Perestroika has given rise to diverse forms of inter-farm cooperation and many innovative methods and approaches. In the past, priority was given to cooperation which extended only to inter-farm links in agriculture, and mostly in a horizontal direction. Today, the priority is becoming a kind of cooperation that embraces the whole cycle: production, processing, sales, technological services and scientific back-up. As a result, efforts are being united both horizontally and vertically.

These principles were obviously underestimated or simply ignored before. Many inter-farm enterprises built with the funds of collective and state farms broke away and

started operating separately from their original founders. This was the case with the Kolkhozstroy rural construction association, and as a result the very idea of cooperative undertakings was distorted and even discredited. Participation of collective and state farms and other enterprises in agroindustrial formations opens up an opportunity for making better and more rational use of scientific and technological achievements and helps minimize unnecessary expenses and losses, create additional incentives for people and successfully tackle social problems.

This is confirmed by the working experience of such agricultural complexes as "Kuban" in the Krasnodar Territory and "Ramenskoye" in the Moscow Region, agrobusiness firms such as "Adaži" in Latvia and agroindustrial associations like "Novomoskovskoye" in the Tula Region.

The "Novomoskovskoye" association, for example, has been formed on the principles of cooperation by collective and state farms, processing, construction, transport and other enterprises and organizations. The central unit there is the Lenin Collective Farm whose chairman V.A. Starodubtsev is also chairman of the association council. In one year alone, the production of milk at all the association's farms went up by 11 per cent, while that of meat increased by 9 per cent. The average annual milk yield per cow grew by 224 kilograms to reach 3,742 kilograms, and grain production averaged 38.2 centners per hectare, which is an increase of more than a ton over the average annual productivity rate registered in the previous five-year development period. But then this is not the only point. There was also a decrease in production costs and losses, a rise in the quality of output and labour productivity, and an increase in the people's concern about things and activity. The managerial staff of the association has been reduced by 518 or by 40 per cent. The interdepartmental barriers have been removed and misunderstanding eliminated. The

apparatus of the district agroindustrial association which used to stand above the collective and state farms has now become a working organ of the new association. This is how things should be handled. In the meantime, we have district, regional and many republican organs which continue to stick to the old machinery of the district agroindustrial associations in order to coerce, command and continue issuing orders about when and how things should be done: when to sow, plough and so on. They just cannot reorganize. This is what I would describe as the critical line of perestroika.

It is very good that other parts of our country are also acquiring positive experience. Take the Karymsky district of the Chita Region, for example. They have set up an integrated association there out of six collective farms, a state farm, a forestry, a dairy farm, construction, transport and other organizations, including consumer cooperatives and a division of the Agricultural Bank. All in all, it comprises 300 primary work collectives paying their own way and having their own accounts with a division of the Agricultural Bank. It is a group of cooperatives organized on the basis of both public and cooperative ownership.

In the work of these and other similar groups in the countryside we can see another very important development. The association is ruled by a council headed by the most competent manager of one of the member-units. The small managerial staff is fully accountable to the council. This is very important for nipping bureaucracy in the bud and for setting the stage for the creative work of the farms and other economic entities and of their internal self-supporting contract units. In agriculture this is more essential now than ever before for it deals with nature, land and local peculiarities. Can we really tolerate that bureaucratic system of management of such a crucial sector of our economy any longer?

But I would like to say one more kind word in support of the course of action taken by people in the Tula region.

Drawing on the experience of the "Novomoskovskoye" association, they decided to realize the idea at the regional level. Now a regional cooperative amalgamation is being formed there. It will comprise branch cooperative alliances (associations) producing, processing and marketing meat, milk, vegetables, fruits and sugar. It will also provide material and technical services, and build housing and roads.

Thus, the reorganized structure of the agroindustrial complex has been conceived as a single multi-tier cooperative starting with the family and proceeding up in the following order: small-group, group, team, lease, and contract collectives, a collective or state farm as a cooperative of primary cooperatives, a district amalgamation, an agrobusiness firm or an integrated agrobusiness enterprise, and the regional agroindustrial amalgamation. Let's wish the people in the Tula region every success—they are evidently on the right road.

But I would like to warn comrades against an oversimplified approach to the reorganization of the economic mechanism and structure of the country's agroindustrial complex. I believe that in doing that job thoroughly and comprehensively we should, nonetheless, refrain from putting forward the motto: "It's only the pace of change that matters!" This is an exceptionally important and challenging undertaking that will have an impact on the structure of agroindustrial production and on the interests of millions of working people of the countryside and for that matter the interests of the entire country. That is why high responsibility and competence are needed here and, I would say, caution is not out of place too. We must not allow stereotyped or hasty approaches as was the case in the past. However, all that does not mean that we should put up with those who are trying to slow down, explaining that by the difficulties involved in the new undertaking. The main prerequisite here is the wish of people to form and join cooperatives and to do so on a voluntary basis.

Incoming information shows that working people in rural areas throughout the countryside are very willing to form team collectives. This is the essential characteristic trait of the current situation. This is how I would put it: both objective and subjective conditions are ripe for the transition to new methods of management throughout the country. This is the conclusion we have made in the Politburo. Do you agree with it, comrades? The people now favour such an approach. This seems to be the right political conclusion from which we should proceed in our practical work and be strictly guided by the Leninist principles of socialist cooperation.

Comrades, though cooperative activity is developing in the countryside personal small holdings do not lose their importance. Not at all. We value their current contribution to the buildup of the food resources. But it could have been more tangible. The past distortions in that sphere led to a situation whereby many peasants curtailed production on their personal plots. At present one-third of the families living on collective and state farms have no livestock on their small holdings, more than one-half of the families do not keep cows and do not rear pigs. State and collective farm resources bear the entire load of meeting their requirements.

Comrades, conditions promoting production on personal small holdings should be created by all means. It is important that people be helped to cultivate their kitchen-gardens and buy livestock and poultry. They should be allocated grassy areas and pasture land, and rendered assistance in marketing produce. The need for such an approach has been acknowledged. Quite a bit of experience in developing joint production and in integrating personal small holdings of the population with social production has been accumulated in the Baltic Republics, Byelorussia, some regions of the Russian Federation and in other areas of the country. Rural dwellers willingly agree to that.

Since long ago people in many areas have been skillfully growing fruit, berries, onions, cucumbers, herbs, and other crops. For instance, in the Ternopol region collective and state farms began supplying the population with planting material, plastic covering, fertilizers, containers, as well as building facilities for processing produce and providing transport. And here is the result. Personal small holdings in the Kremenets and Zaleshchitsk districts of the region produced and sold 2,100 tons of strawberries to collective and state farms and consumer cooperative societies, that is, more than the collective and state farms of the whole of the Ukraine. In addition to that they marketed a considerable amount of tomatoes and other produce. The benefit was mutual—collective and state farms received more than 8 million roubles in profit, and the additional income of the people in the duration of one season made up 2,000 to 4,000 roubles per family.

Little time has passed since we have embarked on the development of collective fruit and vegetable growing. The working people met the decisions on those matters with intense approval. Literally over a period of two to three years once-idle unsuitable land was turned into orchards and kitchen-gardens complete with convenient facilities where families could both work usefully and rest comfortably. After all kinds of restrictions on fruit-growing plots were lifted last September the number of such plots has increased by 400,000 and over the past two years their number has been growing by one million annually! The work that was started should be carried out consistently. It is not only of major economic importance. It also has social and moral significance.

Comrades, wide-scale cooperative activity makes it possible to substantially improve the efficiency of both agriculture and other branches of the agroindustrial complex. We are making a great effort to improve processing, storage and marketing of produce. But there have been no radical changes in this area. The

above-mentioned areas remain weak links in the food-producing cycle. The process of restructuring here is painful and proceeds at a slow pace. Losses of produce, especially potatoes, vegetables, meat and milk, are enormous. Their curtailment could produce a substantial increase in the amount of foodstuffs. This is our main untapped reserve.

First of all we must retool and modernize all branches of the processing industry. In keeping with the recently endorsed programme, 77 billion roubles are to be spent for these purposes in the coming eight years—up to the end of 1995. The high production, research and development potential of both the civil engineering industry and of defence-related branches of industry are now involved in that effort. We hope that the USSR State Committee for Agriculture and Related Industries, ministries, and local Soviets will work consistently to fulfill that programme.

Yet another direction is the wide-scale use of cooperative methods and the establishment of relatively small facilities and enterprises by means of which collective and state farms and consumer cooperative organizations can directly process produce and deliver it to the consumers. The experience of hundreds of farms in many republics, territories and regions—farms that started the processing of vegetables, fruit, berries and other produce—shows that it is the correct road to the buildup of food resources. With profit-and-loss accounting and cooperative forms this promising approach should spread. Our machine manufacturers should assist it by speeding up the development and production of the necessary machines and equipment.

Comrades, in making wide-scale efforts to develop cooperative activity in the countryside and improve the functioning of the entire agroindustrial complex, we proceed from the premise that the implementation of these measures will ensure better utilisation of its potential.

For many years now labour productivity in agriculture

has been growing slowly, production costs do not go down and yield from capital investments has been declining. Some experts, heads of farms and departments, as well as a number of scientists are inclined to regard this almost as a general law: as time goes by, they say, the transition of quantitative changes into qualitative changes will take place and boost production.

Such reassuring conclusions are clearly groundless. They cost our society dearly. The assets created by now can and should produce a tangible payback today.

Emphasizing that, comrades, we do not think that all the requirements of collective and state farms for machines and mechanisms have already been met by any means. No, we still have a long way to go. We are well aware of that. Relevant decisions were made on that score and are being implemented. However, at the same time it is becoming obvious that as soon as a farm switches to profit-and-loss accounting or a small collective signs a contract their requirements for equipment drop by at least 33 per cent and even 50 per cent. Comrades from the Kuban integrated agrobusiness enterprise can confirm that. Over two years their purchases of agricultural machinery dropped by roughly one-third. Why? Because the new approach makes one think and use all the resources thriftily. Hence, the matter is not only that more equipment is needed. The problem of using the potential already created in the countryside has come to the fore now.

What is, in our opinion, the way to solve that problem? As is known, the Politburo decided to discuss all issues of the modern-day agrarian policy at one of the future Plenary Meetings of the Central Committee. We are working in this direction. Analysis shows that its guidelines are in the mainstream of the current ideology of economic changes.

First, we should irreversibly switch all elements of the agroindustrial complex to profit-and-loss accounting, self-repayment, self-financing and economic methods of management. We should learn to take stock of the resources

and use them efficiently. Any income should be earned. The main instruments to be used for this are the contract and cooperative methods. It is important to apply in-depth cooperative and integration arrangements across the board—from the field to the shop counter.

Second. It is essential to change priorities in channelling state investment in the agroindustrial complex. The production and social infrastructure, not production itself, should increasingly become the leading user of funds at the current phase. Many countries assumed the course toward “investing in order to eliminate losses” decades ago. It is believed there that it is economically more profitable to spend on building up the resources of the final product. Priorities in spending should be allocated to roads and transport, storage facilities and packaging, processing and distribution, and to the rationalization of consumption. We simply cannot lose if we invest in housing, social and cultural establishments and in training and upgrading skills.

The renewal of the mode of life in the countryside is also linked with the provision of consumer services which meet the requirements of the rural population. All of you are well aware how much effort a rural dweller has to make to get building materials, build or refurbish his house, fix the fence, get and bring home fodder or fuel, plough or cultivate his kitchen-garden. There is a lot of household equipment in the countryside and virtually no one to service it. There are very limited possibilities for having one's footwear fixed or clothing made. The elderly and partially disabled people have an especially hard time. These are not trifles, comrades. The matter at hand is an issue of importance for the entire state. About 100 million people live in the countryside now. As a rule, earnings are decent and people have money. A person is willing and able to pay for consumer services, but the trouble is that there is seldom any person or establishment supplying them.

As far as organizational forms for the development of

consumer services are concerned, they can be most diverse. It is primarily collective and state farms, other enterprises and organizations based in the countryside that should organize such services. This is where various consumer service cooperatives can display their entrepreneurial flair. There is an immense sphere for their activity here. Especially as the switch to work on a contract basis releases people from jobs and they can be employed in that sphere.

The time is ripe for tackling many other issues of a social character, specifically, the provision of old age pensions to collective farmers. As you know, in previous years certain steps were taken to close the gap between the levels of pensions received by collective farmers, on the one hand, and workers and employees, on the other. However, a substantial difference still exists. A new law on old age pensions is being drafted and it takes due account of the need for a just solution to that problem.

I would like to draw your attention, in particular, to the problems involved in the transformation of the Russian Non-Black Soil Zone, a vast region of tremendous political, economic and cultural importance in the life of the country. As you know, in the past few years we have been doing much to revive village life in the Non-Black Soil Zone. As a result, certain positive changes are taking shape there. The construction of housing, health care centres, children's facilities and social amenities has been expanded. Agricultural production has been stabilized. The region is reaching its targets for grain and livestock products. However, a radical turn for the better is not yet evident.

In February this year the Politburo of the Central Committee carefully studied the progress made in carrying out earlier decisions on the Non-Black Soil Zone. Union and Republican ministries and departments were criticized for their slowness in dealing with the Zone's production and social issues. The Central Committee and the government have charged the ministries, departments and scientific institutions concerned to prepare a comprehensive social

and economic programme for the Russian Federation's Non-Black Soil Zone for 1988-95. Road building will be given special attention. In the next eight years we will build or modernize 170-200,000 km of public and farm roads there.

Comrades, the problems of the Russian Non-Black Soil Zone worry all Soviet people. And not only because this is the heart of Russia. We should not forget that in the years of dramatic trials people living there shared, like befits brothers, everything they had with other regions of the country and contributed greatly to the economic and cultural advance of many of our Republics.

Comrades, we must also see the prospects of consumer cooperatives in a new way. They have built up fairly large economic potentialities. Consumer cooperatives are part and parcel of our national economic complex and a major economic link between town and country. They unite around 60 million villagers, catering for over 40 per cent of the population of the country. Taken nationally, consumer cooperatives account for more than a quarter of retail trade, almost half of the state stocks of potatoes, a third of state purchases of other vegetables and a third of bread production.

However, these major potentialities are used well below capacity. Centrosoyuz and its organizations have discarded such basic cooperative principles as self-management, initiative and enterprise. We must say loud and clear that the cooperative system has become bureaucratic. In most regions, village consumer cooperatives have been abolished. Cooperators have no influence on their organizations. Consumer cooperatives are doing less than they could to settle rural social and economic issues and resolve the food problem. For instance, to sell things they have grown to cooperatives, people have themselves to deliver the produce to purveying centres which are few and far between.

Is it not a paradox that rural cooperatives, which owe their existence to the community initiative of villagers, have

turned away from their creators? It is outrageous that cooperative officials behave like big shots, expecting people to seek their attention and please them. It should be the other way round. We must reverse this practice. Villagers are to be real co-owners of their consumer cooperatives. People who have forgotten this and think only of catering to their superiors should be banned from consumer cooperatives. It is not accidental, comrades, that people complain about serious difficulties in selling produce and the refusal to buy their goods. In many regions, rural trade is badly organized and even essentials are not always on sale.

A radical reform of the system of consumer cooperatives is long overdue. We must restore them on a genuinely cooperative, democratic basis. The Law on Cooperation gives us a solid legal foundation for the reform. We should use major new possibilities and opportunities to boost consumer cooperatives.

A few words about the tasks of our agricultural science, comrades. The administrative system shunned science, underestimating or even ignoring it. This state of affairs is being radically changed as no decision is now conceivable without scientific backing. Intensification increasingly turns the production sector to science and cooperative arrangements assume ever new forms. Along with needs, our possibilities have grown too. Our agrobusiness complex runs a ramified network of research institutions.

However, agrarian science, especially its economic segment, is seriously lagging behind what is actually needed. This is true of basic and applied research alike. Science is facing the dual task of boosting the theoretical aspect of research and forging a strong contact with the production sector. We urgently need a modern theory of cooperation and effective methods to combat such ills as egalitarian wages and the lack of personal responsibility for the means of production. Also high on the agenda are the correlation between the public and self-oriented, small- and large-scale

segments of production, and questions of intensification and ecology, technology and economics. We should be more vigorous in developing the mechanism needed to harmonize the interests of parties to cooperation schemes and reconcile the contradictions between the economic and social objectives of science and between the efforts to make science more humane and economical, etc.

Last July the CPSU Central Committee and the government passed a decision to further agricultural science. However, the measures outlined in the decision are still taking too long to materialize. We must be quicker in organizing research centres, amassing resources in priority areas, encouraging talented young researchers, and transferring research establishments to profit-and-loss accounting and self-financing. All of us must earn wages, not simply collect them.

Comrades, your Congress will discuss a draft Law on Cooperation in the USSR and a Model Statute of the Collective Farm. We must see that these documents conform with perestroika and promote our cooperatives. A lot of ideas have been advanced on how to improve the activities of collective farms. I think the Congress too will hear many constructive suggestions on this score. Ivan Ivanovich Kukhar, who chairs the National Council of Collective Farms, will deal with proposed changes in the collective farm statute in detail. I will therefore call your attention only to a few questions.

Let us begin with collective farm democracy. By promoting it, we further perestroika in general. We must see the further democratization of collective farm practices from this angle.

I am saying this because commands and outside influences have infringed upon the basic principles of collective farm democracy. As has been said here, the most important thing, collective farmers' co-owner attitudes and their concern for a common cause, has been eroded. Is it not evidenced by public indifference to meetings that discuss

collective farm matters and elect chairmen? A third of collective farms do not honour statutory regulations on the frequency of meetings. The heads of collective farms, too, forget that they are accountable to the grass roots and ignore their opinions.

This is anything but a collective farm, comrades. The managers who think they have made their personnel happy may run into problems. Inversely, our cooperative record shows that grass-root initiative helped good managers towards major targets in developing collective farms and handling social and economic matters. Those managers who have lost contact with the people at the grass roots are unlikely to increase our food stocks. The grass roots will support and even forgive a manager who cares for a common cause and his personnel and does everything for his collective or state farm to advance. In short, administrative agencies should use work-related leverage, rather than commands, to influence production and purchases. Therefore, the government order for produce will be placed on a contractual basis to encourage collective farms to have stronger links with consumer cooperatives and with the market, and to expand direct ties with industry. This will be in keeping with their democratic character, cooperative principles and performance-linked management structure.

Comrades, the Law on Cooperation and the Model Statute of Collective Farms are designed to make a legal foundation for guaranteeing the autonomy of collective farms. However, the legal acts are only the foundation of guarantees, not the guarantees themselves. Excessive administrative zeal and petty regimentation with regard to collective farms became possible not because we did not have legal acts upholding their autonomy. We did have such acts. However, they were often violated. Experience shows it is not enough to have good laws and regulations. We must learn to observe them. This is, comrades, the most important thing now and not only with respect to

production and collective farm democracy. This is vital for the country as a whole.

Comrades, in conclusion I would like to stress once again that ours is a significant and responsible time. We have begun the gigantic undertaking of perestroika and developing cooperatives, which is inseparable from the overall job of modernizing our socialism across the board. However important, this effort is not an end in itself. Its supreme objective is to benefit the individual and improve life materially and spiritually, i.e. better working conditions, food, daily routines, leisure and culture, indeed everything that makes people's life full, joyful and rewarding.

We see democratization and glasnost, the economic reform, massive public creativity and every constructive initiative as ways of boosting the boundless potentialities of our individual-oriented humane system.

We are reassessing many things and rejecting what impedes and impoverishes our advance. However, we are not scrapping socialism, its ideals or principles. We are parting with things that corrode them. We know that the principles of socialism have an appeal only in their pure and unblemished form. We must not forget this. That is why we must resolutely combat bureaucratic practices, command management, social apathy, sponging, everything that hinders our progress. We must encourage initiative, innovation and unorthodox approaches.

We can and must revive socialism as Lenin saw it, as the most humane and just society. We will firmly follow the revolutionary principles of perestroika, which call for more glasnost, more democracy and more socialism.

Herein, comrades, lies the tremendous potentiality of the course which the Party and the people will pursue even more vigorously.

Михаил Сергеевич Горбачев

ПОТЕНЦИАЛ КООПЕРАЦИИ—ДЕЛУ ПЕРЕСТРОЙКИ

на английском языке

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