

VICTOR PERLO

HOW THE SOVIET ECONOMY WORKS

An Interview with

A. I. MIKOYAN

First Deputy Prime Minister of the U.S.S.R.

PERLO: ". . . I have been most optimistic regarding prospects for (East-West) trade. I want your opinion as to whether I am in danger of going overboard on the subject."

MIKOYAN: "The longer U.S.-Soviet trade will be postponed, the less will be the possibilities, because the USSR is developing trade with West Germany, Japan, England, etc."

New York

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Dollars & Sense of Disarmament (with Carl Marzani)
The Empire of High Finance
The Income 'Revolution'
The Negro in Southern Agriculture
American Imperialism

INTRODUCTION

This booklet presents the text and background of an interview with Anastas I. Mikoyan, First Deputy Premier of the USSR, held in the Kremlin August 1, 1960.

I spent three months in the Soviet Union, at the invitation of the Institute of World Economics and International Relations in Moscow. As an economist, and author of various books that have been published in the Russian language, I was given excellent cooperation in the pursuit of my professional research in the U.S.S.R.

I was able to study in unusual detail key features of Soviet economic life and planning. I visited factories, farms, construction sites, and talked at all of these places with professional people, workers and farmers. I visited five major cities and various smaller places, talking with economic planners, professors, students, and "the man in the street." I also saw and enjoyed various cultural and recreational features of Soviet life.

I concentrated on seeking a rounded picture of the Soviet planning system, and in exploring the shortcomings of Soviet economic life which have been the subject of most criticism both in and out of the country.

Several long interviews with specialists of the State Planning Committee and its Economic Research Institute were buttressed by discussions with planners of Union Republics, Regional Economic Committees, city governments, factories and farms. Much was added by informal talks as well as organized discussions with workers and students, who are vitally interested participants in the economic process.

A week before leaving, I found that I still lacked clarity

on a number of vital questions. I could not resolve some conflicting evidence and opinions in the ordinary course of research.

I decided to seek help through an interview with Mr. Mikoyan. A veteran of 45 years in the Communist Party, and a member of its Central Committee since 1919, he specialized in questions of supply and trade during most of this period. Anastas Mikoyan was first named Minister of Trade in 1926, and retained similar titles thereafter except during the World War II and reconstruction periods, when he was on the top committees for these enormous ordeals. Since 1958 he has had the more general title of First Deputy Premier in the government of the USSR.

For a quarter of a century he has worked on problems of economic relations with the western countries, especially the United States. He spent two months in this country in 1936, and paid another major visit in 1959. On this occasion he made a favorable impression on the American press and many business and political leaders, as well as the general public which watched him on television.

Perhaps some readers will remember the incident when the plane carrying him home was forced back by engine failure over the Atlantic, and after some tense hours, landed in Newfoundland. Asked by correspondents if he was worried, Mikoyan said not for himself—he had lived a long and full life already. But he was concerned about young people on the flight, who still had their lives ahead of them.

I found this personal modesty a very real part of the man's character. He conveyed the impression of one human being conversing with another equally deserving of consideration, not of an official granting an audience to a visitor.

At the time, in mid-summer, several of the top Government leaders were not in Moscow, so the responsibilities of a First Deputy Premier were heavy indeed. At 6 P.M., after we had talked for one and one-half hours, he looked at his watch. The following conversation ensued:

Perlo: We have very little time left?

Mikoyan: We have already exceeded it.

Perlo: Should I skip some questions?

Mikoyan: No, but make them brief. Of course, it is mainly my fault for answering the questions at such length.

Perlo: I want to thank you for giving so much of your time.

Mikoyan: Do not thank me. You are giving your time, too.

Actually, we continued to talk for another hour. When it was time to go, Mr. Mikoyan said:

Mikoyan: Come back to see us again soon.

Perlo: First I have to go home and do some work.

Mikoyan: But you are working here. It is hard work to travel away from home for a long time. I was in the United States for two months in 1936, and I know it is hard work. That was my second university. I didn't go to the first—well, the revolution was my first university.

Actually, before the revolution he had graduated from the Armenian Theological Seminary in Tiflis (now Tbilisi), which, while not a university, was the only form of higher education available at that time to most young intellectuals of Transcaucasia.

In the exchange of pleasantries before we began our discussion, Mr. Mikoyan made some reference to his Armenian origin.

Perlo: Please do not think I am flattering you, but the best jazz band I heard in the Soviet Union, in Sochi, had five Armenians out of seven members.

Mikoyan: That reminds me of a story (vice-president) Nixon told me—"In California, the Armenians have the reputation of being the most successful business men. If you want your affairs handled best, get an Armenian to do it for you." Nixon thought he was flattering me,

but actually he was praising the Armenians for characteristics that the Soviet people do not like, and which are alien to the life of Soviet Armenia.

I had submitted my questions only a few days earlier. Despite the short notice, he agreed to see me the day before I left the Soviet Union. He answered most of my questions fully, and in such a way as to resolve problems that were previously unclear to me. Moreover, he apparently had studied the questions, and knew what he wanted to say about them.

Seeing that the discussion of the first two questions had been very full, and fearing that there would not be time for all of them, I started to skip the third question, which was not so important to me as some of the others. But Mr. Mikoyan caught me up on the suggestion:

Mikoyan: Do you mean to skip it just for the present, or for good? Because I want to answer it.

So I withdrew my proposal, and we went ahead with all the questions in the original order.

In answering my questions, the Soviet leader assumed a certain background knowledge on my part. Doubtless many readers also know much of the history and general structure of Soviet economy. But to eliminate possible confusion, I shall present a minimum of the specific background of each question; as well as a brief general survey of the history and structure of the Soviet planning system.

Present at the interview were A. A. Arzumanyan, director of the Institute of World Economics and International Relations, and Boris Krylov, an official of the State Committee for Cultural Relations with Foreign Countries. The excellent translation was done by the economist, V. D. Kazakevich, who was for many years a resident of the United States.

There was no stenographic text of the interview. However, I did take complete notes, which are close to being word for word. Mikoyan authorized complete publication,

except for one mention of an administrative action that had not yet been taken.

The interview is presented in full. However, I have taken the liberty of changing the order of questions and of dividing some questions and answers into parts so as to obtain a more coherent and systematic presentation.

This interview should be of particular interest to Americans on several accounts:

It is the most authoritative interview concerning Soviet planning and economic questions obtained by an American since that country's decentralization and reorganization of planning.

It explains fundamental features of economic policy and methods which represent the new roads Soviet economy is treading.

It provides answers to certain socio-economic questions about Soviet life which have preoccupied many American commentators.

It brings out the all-around interest of Soviet leaders in the positive aspects of American industry and agriculture, and underlines those areas in which the productive structures of the two countries are drawing together or may complement each other.

I. ECONOMIC PLANNING

The history of economic planning, properly speaking, starts with the first Soviet 5-Year Plan in 1928. There have been altogether six five-year plans, and the present 7-year plan, and single year plans within them.

Socialist economic planning, as it has evolved in the USSR, has a distinct meaning. After it achieved substantial successes, the idea of planning became popular in the capitalist lands also. We have in America a National Planning Association, and in New York a Regional Plan Association. Corporations now generally establish investment plans; and some make more elaborate plans covering the production of goods, and their distribution among various markets, budgets of income and outgo, etc.

These are not plans in the same sense as socialist planning, because they have enormous "open ends," where the planner does not exercise control, but merely estimates what will happen. In the last analysis, a corporation plan requires the sale of goods, but the market demand is mightily influenced by factors wholly outside the control of a single corporation's executives. This is just one of many such "open ends."

The objective of corporate planning is to maximize profits. This conflicts with the plans of rival corporations to maximize their profits, with the endeavors of employees to obtain higher wages and farmers to obtain higher prices. And the ultimate level of productive activity is determined less by corporate plans than by market forces which fluctuate in ways that are usually **not** predicted accurately.

Thus we find that the actual production of autos by

General Motors varies widely from its "plan" for the year.

A Soviet economic plan covers almost all areas of economic life—all kinds of production, all geographic sections of the country, all factors of production. It embraces—and balances—raw materials and finished goods, new investment funds and machinery; workers and jobs; costs and prices; the value of consumers goods and the amount of wages and farm income paid out to buy them; the volume of transactions and the amount of money in circulation.

The plan is real, because all of the relevant factors are controlled by the planners. It is more than a prediction. It is a set of economic operating instructions.

The planning process has improved greatly since it started. It has become more complex, more all-embracing, more exact. The first Five-Year Plan was overfulfilled in general—but with wide irregularities between various major items. The present seven-year plan is being fulfilled or modestly overfulfilled in most respects, and the planned balances are being closely adhered to.

The object of planning is not the special interest of a particular individual or group, but the general advance of well-being and economic strength all along the line. This object is in harmony with the process of rapidly raising production. It avoids any basic contradictions, such as the periodic market gluts and overproduction of capitalism. It eliminates the labor-employer battle which makes really full employment intolerable to the private corporation.

That's why it works—in theory. In practice, of course, there are many difficulties, miscalculations, and failures of people to perform as expected. But these are difficulties preventing 100% accuracy, not contradictions preventing the general fulfillment of the plan.

To summarize, effective planning must harmonize all major economic elements and must include control over them. What kind of control? Within the American corporate set-up there is the absolute centralized power of the Board of Directors over certain economic factors alongside of a lack

of substantial influence over other important factors. Many Americans have been told, and believe, that the centralized control exercised by the government in Moscow over the entire Soviet economy is also complete and arbitrary. But that opinion is inaccurate. From the early beginning, the idea in the Soviet Union was to involve the masses of the public in the planning process, and to enlist their participation—indeed their enthusiasm and drive—in the carrying out of the plan.

Everything is added up in the center, economic arrangements are enforced from the center, balances are established and checks made from the center. But the tens of millions of participants in the periphery develop the details which are used in the center; negotiate with the center in the balancing of the plan; accept their respective parts of it which they have done much to assign to themselves; and strive to carry it out because they want to and are convinced they should, rather than because they are ordered to.

This is the method of democratic centralism as developed by the Communists. During the war and immediate post-war years, the democratic part of the formula was pushed into the background. Extreme centralism, necessary in a bitter and tense military conflict, was continued too long and too much for the maximum advantage. Meanwhile changing conditions made a new kind of decentralization technically necessary.

When Soviet industry was still little developed, and the number of major enterprises fairly small, it was possible to keep track of things from Moscow. Also it was necessary because lesser centers lacked people with the technical skills for scientific economic planning.

But today there are tens of thousands of major enterprises, and hundreds of new ones are added each year. It is impossible for any single group in one center to keep track of all the details of all these enterprises. Moreover, the Soviet Union now has a very large corps of scientifically

trained people. So decentralization is both necessary and technically possible.

Decentralization

This was the first theme Mikoyan touched on in answer to my opening question:

Q. Please give me your assessment of the changes in the methods of planning now underway.

A. Since 1953 there has been a basic change in the method of planning. Previously, there were excessive details, worked out centrally, for each locality. Even the details of sowing for the collective farms and of cattle-raising for each farm were spelled out. Now only the leading amounts are specified centrally, leaving the details to the local organs. Of course, the leading figures influence what the local organs do.

One can summarize the process under the caption of decentralization, or democratic centralism—the liquidation of bureaucratic faults and the return to democratic centralism as in the first ten to fifteen years of Soviet power, the return to the teachings of Lenin.

A word at this point about the planning organs to which Mr. Mikoyan referred. The central planning body since the 1920's has been the State Planning Committee, a body of leading industrial executives, engineers, and economists, buttressed by a staff of industrial specialists running into the thousands and a special economic research institute. Structurally, it has certain resemblances to our wartime War Production Board, but functionally its operations are more comprehensive and its power more decisive. This committee is usually referred to as the Gosplan, based on the first syllables of its Russian title. Since that term has become common in American references also, we will use it in this booklet.

The decentralization referred to achieved decisive organ-

izational form in 1957. Previously the center of power in both the short-range planning and administration of industry had been in the hands of a score of ministries in Moscow, each responsible for a major industry.

Now these ministries were abolished, and most of their personnel sent to work in particular enterprises or in local organs of planning and administration. Nationally, the role of the Gosplan was greatly increased. And much greater responsibilities were placed on the regional Gosplans of the 15 Union Republics of the USSR and on District Economic Councils created in 104 economic districts of the country, many of which correspond with the existing administrative districts called oblasts.

Finally, the role of each enterprise, and the workers within that enterprise, was greatly increased. Mikoyan, continuing his answer, explained essential features of the division of labor:

A. The plans are discussed in each area, enterprise, etc. Their plans, born at the point of production, come to the center. When we add them up we get disproportions. Each detail is right, but the sum has faults. For example, one Union Republic has a process that can be accomplished only if raw materials are supplied by another. The center must coordinate.

This is an example of the balance method of planning, of which Mr. Mikoyan had more to say later.

Details of the System

Seeking further details, I asked:

Q. I am especially interested in the distribution of functions in the planning process, and in the role of various new organs which have been established.

A. The work of the Gosplan and of the District Economic Councils revolves around four central themes:
1. Current planning—annual and quarterly.

2. Perspective or long-range plans of 5, 7, or 20 years.
3. Balance problems.
4. The administration of industry.

Now the Gosplan has functions 1 and 3, current planning and balance problems. Up to 1957 job 3 was in the hands of the Central Ministries. Now, in addition to the central responsibility of Gosplan, much of the work on job 3 has been transferred to the Union Republics. They have also taken over from the former ministries job 4, the administration of industry.

Now the scheme on the level of the Union Republic is as follows:

The Gosplan of the Union Republic handles jobs (1) and (2), both current and perspective planning, while the District Economic Councils handle both (3) and (4), balance problems and administration. In the three large republics, the Russian Federation, Ukraine, and Kazakhstan, there is a variation. In these there have recently been organized general, republic-wide economic councils which have authority and responsibility for jobs (3) and (4), supervising the local district economics councils in that respect.

Doubtless details of this fairly new division of labor will be amended further following more experience with its operation. Obviously, when responsibility is divided so many ways, there is plenty of room for jealousy and bureaucratic squabbles. In talking with heads of each of the different types of planning organizations, located in various parts of the Soviet Union, I found a surprising absence of any symptoms of this kind of friction. Instead, the universally expressed attitude was one of mutual respect for and cooperation with the other participants in the planning process. Of course, there is a natural tendency to cover up squabbles and make favorable impressions on a foreign guest. Discounting this, I still felt that the expressed attitude was sincere, and represented that which prevailed.

After all, the job of planning a socialist economy is enormously complex, and any reasonable participant in it would welcome having limits on his personal responsibility and being able to work cooperatively with those whose tasks mesh with his own.

Mr. Mikoyan went on to explain in more detail what is meant by "balance problems." I have read economic treatises by Soviet planners on the "balance method" as a technique. Mr. Mikoyan explained it as a living process:

A. Balance problems mean the coordination of plans with the economic activities of various enterprises. This really means aid to fulfill the plan, to liquidate difficulties, and to organize division of labor, specialization, etc.

This process is full of contradictions and clashes of interest. For example, an enterprise does not want to transfer to a new line of output; it is comfortable in the old. The Director says OK, but look at all the difficulties; it will take two or three years to make the switch. We must try to persuade him to speed up the process. We argue, dissect the question from all sides, enter into its essence. Finally there is agreement. Also there are repercussions on other enterprises, the need for fuel, raw materials, etc. All this is absolutely necessary in order to get technical progress.

On this theme of technical progress, more later. Aside from the four-way division of labor, Mikoyan stressed the importance of the central planning bodies in determining new investments which are so decisive in establishing the character and degree of economic growth:

A. The role of the center is to direct new production to where less investment is required, not too much investment; to choose between spots for mineral development on the basis of costs of output, transport costs, and other economic factors. This is not a strictly

peaceful process. Each struggles for his particular plans and plant—inside the All-Union Gosplan and the Gosplans of the Union Republics, until a decision is reached. Most issues can be smoothed out by argument and figures, but sometimes the Government must make the decision.

Next Mikoyan discussed the extremely interesting question of planning flexibility.

A. The plan is much more elastic today. Formerly one could not change the plan during the year. Now District Economic Councils and Union Republics may change the plan during the year. In some cases they must notify the center of the change. In other cases when it affects other areas, they must get the permission of the center.

If the plan is underfulfilled because of bad work, no changes are permitted. But if the plan is underfulfilled for lack of products that did not grow and for which one cannot get substitutes, one must change the plan. Or, if supply exceeds demand, one must change the plan . . . of course, one can also lower the price or raise exports, or curtail production, or some combination of these.

An example is bicycles. We decided to make 3½ million bicycles per year. Previously there were long waiting lines for bicycles. Soon there was an oversupply. We lowered the price, with some success, but still there were too many. So we cut production to 2 million bicycles per year, improved the quality, and advertised—although weakly.

This example of the bicycles exemplified a vital change in the economic situation of the Soviet Union. Until fairly recently, while production of almost all commodities was growing, there was not enough of anything to meet the demand. It was, in a sense, a shortage economy, and the problem of planning was to make the maximum use of

materials and finished goods which were not sufficient to meet all demands.

Already by 1960, however, according to information given me by the Gosplan people, there were 1,000 commodities or varieties of commodities with production ceilings on them because the level of output had already reached the level of demand.

The appearance of ample supplies in many lines has enabled industries to build up more adequate reserve stocks, avoiding periodic shortages, and permitting a faster rate of economic growth. At the same time, it has put to a new practical test the full employment policy and practice of socialism. And socialism has passed that test. Thanks to socialist planning and the continuous rapid growth in overall demand, every worker released from production of surplus bicycles or any other commodity has been immediately and without any loss of pay rate transferred to other work in the same factory or town, or, when necessary, because of the closing down of an inefficient mine, has been given ample choice of other locations for work.

Mention of advertising led Mr. Mikoyan to the first of several references showing the very great Soviet interest in American technical and engineering progress, even to a limited extent in the area of advertising which has been subject to much Soviet criticism:

A. Soviet advertising will grow, but not like American advertising. Only that which is useful for consumption, health, living standards, cultural and moral levels will be used. We must develop advertising. We will try to take over some of the techniques of American advertising, but insist on a different content.

Twenty Year Plan

I then asked Mr. Mikoyan about the 20-Year Plan. I first heard of it in Tashkent. Subsequently, in several cities I visited, officials mentioned that they were working on it.

I later learned that in Rumania and Czechoslovakia experts are also working on a 15-20 Year Plan which presumably will tie in with the Soviet 20-Year Plan. Isolated rough preliminary figures have been published. For example, in 1960 the USSR produced 292 billion kilowatt hours of electricity, the United States around 850 million kilowatt hours. By 1980, say the Soviet planners, they will produce 2,300 billion kilowatt hours, 2.7 times as much as we do now, and about as much as American utility experts expect the United States will produce then.

Q. What is the significance of the 20-Year Plan that is now being worked on?

A. The 20-Year Plan will be the skeleton of a new Party program. It will be ready in 1961. Certain figures are already in existence, but they are the raw materials for the plan. The scope is already set out in one of Premier Khrushchev's reports—that we expect to double American production by 1980.

He meant to double the amount Soviet leaders estimate the United States will produce in 1980. This means at least to triple present American production and to multiply their own industrial production more than five times from the 1960 level.

Now it has been confirmed publicly that the draft of this 20-Year Plan will be completed and unveiled at the Communist Party Congress to be held in October 1961, at which the new party program will also be submitted for discussion and prospective adoption.

Mr. Khrushchev has announced that the plan and the program will be geared to the full-scale building of a Communist society. By this is meant the arrival at the stage where there is such a sufficiency of goods and such a development in human beings, that the slogan "from each according to his ability, to each according to his needs," can become operative.

To reach such advanced levels, the Twenty-Year Plan

will involve far-reaching changes in the structure and methods of production arising from the fullest planned application of the scientific-technical revolution to Soviet economic life. My next question dealt with this crucial problem:

Q. Has there been an increase in the role of the scientific bodies in the planning process? It seemed to me from reading the decisions of the July 1960 Plenary meeting of the Central Committee of the Communist Party, that new committees with a scientific orientation were given very prominent responsibilities in planning, sometimes ahead of the Gosplan. However, the Gosplan people I discussed it with denied that any functions had been taken from them.

A. We have been searching and groping for the solution to the problem of putting technical progress in the forefront of planning. And we finally have the solution! That is, the State Scientific-Economic Council, the organ for long-term perspective thinking and planning. The term scientific is not in its official title, but it is unofficially referred to in that way. Indicative of its composition and emphasis is the fact that the President of the Academy of Sciences is a member. The Gosplan has handed over long-term perspective planning to this new body and concentrates on short-term planning.

This, by the way, supplies the answer to those observant readers who wondered why no locus of responsibility was mentioned before for job 2, the job of long-term planning, in Mr. Mikoyan's description of the division of planning work on a national level.

In my opinion, this new body described by Mr. Mikoyan, and the other actions that have gone along with its establishment, are perhaps the most important of all the changes in Soviet planning methods.

Science has come to the fore in other ways also. As previously mentioned, the central ministries of different indus-

tries were abolished in 1957 to do away with an over-powerful, over-centralized bureaucracy which was hampering the full development of productive forces. However, the most important of these ministries were not scrapped outright. They were replaced with corresponding technical committees which act as coordinators, clearing houses and stimulators for the application of the most advanced techniques and methods in all the plants of the given industry.

Similarly, the communist labor brigades which are becoming prevalent in the factories of the Soviet Union, center around themes related to science. One is the development of new and improved production methods, applying the latest in science by the workers themselves. Another, is the study of science and engineering by the workers to prepare themselves for advanced participation in the expected upcoming era of all-around automation and complex mechanization of production.

The Merging of Socialist Property Forms

Before the collectivization of agriculture, farming was a serious "open end" in the Soviet planning system. Quite aside from natural uncertainties, one could only predict, but certainly not control, the production and marketing activities of tens of millions of individual peasants.

After collectivization in the early 1930's agriculture could be brought into the planning framework, but with far less precision than industry. Uncertainties remained because a substantial part of the collective farmers' efforts continued to be devoted to their private plots and livestock (until quite recently the majority of all livestock was privately owned). Another difficulty was the lack of experience and technical skill of many collective farm chairmen.

Alongside the collective farms was a growing network of state farms in which personnel worked for wages as in industry. These could be included in planning much better. In recent years state farms have been especially successful. They have accounted for a rising percentage of farm output,

and their working personnel have enjoyed considerable gains in earnings, so that in many areas they are clearly better off than collective farmers.

Besides the collective farms which still predominate in agriculture, a small amount of handicraft-type production and some retail trade is owned and operated by cooperatives. In Soviet terminology, state and cooperative enterprises are referred to as the two forms of socialist property.

Soviet theorists have long considered it logical that in the transition to Communist society these two forms of property must merge, while differing considerably concerning the time and method of that merger. Certainly, this will make possible a decisive advance in the precision of planning which becomes more and more important as the economy becomes more complex and more subject to the influence of the exact sciences.

My visits to collective and state farms, and conversations with leaders in research in agricultural economics, led me to a rather startling hypothesis which I put to Mr. Mikoyan:

Q. From observations on some agricultural enterprises, and from discussions, I have the tentative opinion that some time between 1965 and 1970 the essential differences between the two forms of socialist property will be eliminated in most of the USSR. Please tell me your opinion about this.

A. I agree. If not fully, it will be approaching this point.

So far as I know, this was the first statement for publication by any Soviet leader pointing towards such an early perspective for the drawing together of state and collective farming. But this is foreshadowed by a number of trends in collective farms. In many of them farmers are shifting to a scheme whereby they receive most of their income in the form of monthly wage advances. This, together with the establishment of substantial insurance reserves by the farmers, provides these collective farms with a stability of income, regardless of weather vagaries, never known in

private farming or in the earlier stages of collective farming. Moreover, this is happening among the more efficient farmers who enjoy the highest incomes. At the same time, in a number of areas where collective farms are small and less prosperous, they are merging into powerful, high wage-paying state farms.

All this is happening without special fanfare, without goals to merge a certain number of farms each year, and without undue pressure from the center or local officials. But it is developing a force and momentum which arises from the self-interest of the farmers themselves, and which impressed this observer sufficiently to lead to the above quoted question.

In January, 1961, Premier Khrushchev made this perspective a matter of basic policy when he said:

Our Party has worked out ways of elevating collective-farm and cooperative property to the level of public property and outlined the prospects of their merger into single Communist property.

II. SHORTCOMINGS

I did not need to ask this very busy man to spend time telling me about the successes of Soviet economy. I knew about them, had written about them, and saw them with my own eyes. Overall, Soviet economy has been the most successful in the history of mankind. It has accomplished an economic growth several times faster than that of any previous social system. It has enabled the general population to achieve improved material and cultural standards more rapidly and universally than in any previous epoch.

I concentrated, instead, on asking questions about difficult problems and shortcomings in execution which Soviet leaders had encountered in guiding their country's economic life. Over the years, all too many American specialists on Soviet affairs have concentrated their attention on difficulties and shortcomings to such an extent as to grotesquely distort the overall picture. That was never difficult to do. The Communist method of criticism and self-criticism ensures the appearance of a vast volume of material exposing weaknesses and discussing methods of overcoming them.

By selective culling of the Soviet press, hostile commentators can easily, and often do, convey to their readers an impression of general failure and imminent breakdown. To many people prominent in American politics and business, this became a form of self-delusion, rudely shattered in recent years by the dramatic revelation of certain Soviet accomplishments. But much of that delusion remains and I must, in all honesty, warn my readers against drawing such a one-sided view from my discussion of Soviet economic weaknesses.

At the same time, Americans have a legitimate interest in knowing the real facts about supposed shortcomings in Soviet economic life which have appeared so much in our press. For example, shortcomings in Soviet agriculture were a major point of American comment early in 1961. I hope that the discussion in this and the following chapter will prove helpful in appraising such questions.

I will call attention to one general feature of Mikoyan's approach to all of these questions—none of them are causes of gloom. Instead he sees the positive side of all of them. With a social system—socialism—and a politico-economic approach which he regards as scientific, he is convinced that all of these obstacles can be overcome. Thereby each shortcoming becomes a reserve for progress. Its elimination automatically brings about an advance in the total economic situation. Mikoyan in this interview, and Soviet leaders generally, frequently use the term "reserve" in this sense.

And it is only fair to say that Mr. Mikoyan has ample grounds for his confidence in the history of unbelievable obstacles overcome, and giant forward strides made in the process. His answer to the first question in this category reflects that confidence:

No Dead Ends in the U.S.S.R.

Q. Please tell me your opinions about the main weaknesses and shortcomings of the economic development and planning of the USSR, by which I mean problems that are not only as yet unsolved, but for which the main lines of the solution are not yet in sight.

A. There are no such problems. All problems can be solved. Only different periods of time and different amounts of effort are required. Some require deeper calculation, but there are no dead ends.

On reviewing this answer, I think there was a slight misunderstanding. Mr. Mikoyan was answering a question

about problems that could not be solved; whereas the question dealt with problems not yet solved in principle.

Nevertheless the answer is of considerable interest. It reflects that fundamental confidence in the ability of scientifically guided human beings ultimately to solve all problems and overcome all obstacles.

Mikoyan went on to give an example of an earlier problem that had been solved, frankly admitting a mistake of Soviet authorities in the process:

A. Once we concentrated on coal because we thought there was not enough oil and gas. But now gas and oil are discovered almost daily so there is no point in concentrating on coal. In chemistry, we relied on coal and water. Now there is the question of petrochemical development. One can say that here we made a subjective error from not knowing or understanding the problem. Now we understand it better. Now we must catch up. We are building very large pipe lines for gas and oil, like the 2,000 km. pipe line from the Caucasus to Leningrad, one from the Carpathians to the Baltic Republics, and one from Bashkiria to Berlin, Budapest, and Bratislava.

This shifting of the fuel balance from coal to gas and oil is one of several major structural shifts in Soviet industry which are taking place today. They are vital parts of the application of the scientific-technical revolution to Soviet economy. And they are quite essential for the realization of the Soviet goal of overtaking the United States economically.

During the decade 1940-1950, while Soviet industry was concentrating on surviving the Nazis' wartime blows and then on reconstruction, American industry was not only growing, but undergoing the most rapid technological transformation in its history. Thus, while Soviet industry had restored the prewar percentage of American production by

1950 or shortly thereafter, it was considerably farther behind the United States technically than in 1940.

Since then, and especially since 1955, Soviet industry has also been advancing technically and structurally at an accelerating pace, gaining on the United States in this respect as well as quantitatively.

It appears now that such shifts as Mr. Mikoyan described are taking place with great speed in the Soviet Union. Others are all-around electrification, development of plastics and light metals, and application of automation and computer techniques to industrial production and control.

For the long run, most significant of all is the extremely rapid rise in the number and quality of trained scientific-technical personnel, and the lead which the USSR has established over all other countries in the extent of scientific-engineering education.

If present trends continue, the USSR will catch up to and surpass the United States in industrial technique, engineering and structure as well as in the crude quantity of production within the foreseeable future.

Raw Materials

During 1957, reports of the United Nations and economic reports of Soviet leaders stressed difficulties with raw materials. The fabrication of goods tended to expand more easily than the supply of raw materials. There is a simple economic reason for the difficulty. It requires more investment of capital to produce a dollar's worth of raw material in a mine or power station than it does to add a dollar to its value through fabrication in a factory.

This difference applies both to capitalism and to socialism, but its effect in an advanced capitalist country is screened by cyclical movements and chronic overcapacity. In a socialist country, where production generally increases several times more rapidly than under capitalism, the problem becomes quite acute, and must be handled by accurate economic planning and plan execution.

Beginning in 1958, reports showed a great improvement in Soviet raw material supply. Naturally, I was interested in confirming this. In none of the factories I visited did I find any holdups in activity due to material or fuel shortage. In the Likhachov truck factory in Moscow, I was given a detailed picture of a successful inventory control system. Still, in statements of other officials and in some observations, I found conflicting evidence which I tried to resolve in the next question:

Q. Responsible officials and some factory directors have told me that adequate reserves of raw materials have been established in both industry and agriculture and that shortages of raw materials are no longer interfering with production. At the Metallist Turbine Plant in Leningrad, I noticed from the chart on the wall an uneven rhythm, with lower output in the first ten days of each month than later in the month. The engineer attributed it to last-minute deliveries of components by suppliers, which held up production for the first few days of the following month.

Please give me your opinion as to the stage of development of this raw material situation.

A. There are elements of truth in both kinds of statement. As a rule the supply of raw materials does not limit production, but there are many exceptions. If you take ores and textile materials, you have oversupply in some places and shortages in others. You cannot economically move ores far, so it is difficult to liquidate a deficit. But textiles are easy to move and transport.

Agriculture

The most critical questions of raw material supply center around agricultural products, and Mr. Mikoyan devoted much more time to discussing this:

Q. The report of the Central Statistical Board on production in the first half of 1960 emphasized the impact

of feed shortages in preventing a rise in milk production. This is a particular case on which I would appreciate your comments.

A. The feed problem as a whole is solved, but in the first half of 1960 there was a shortage of fresh food for cattle. Here are the reasons:

1. Climatic conditions this year.
2. A late spring, so that the insurance funds of feed grains proved inadequate in some places.
3. The plan for increasing the number of cattle was overfulfilled, creating a shortage of fodder, of hay and silage. Some areas have great reserves, but one cannot transport hay and silage great distances. Grain can be transported, so we use some state reserves, paid for with money loaned to the farms.
4. Finally, in some areas we worked poorly. Some party leaders will have to look for other jobs after the next conferences. There will always be such. On the whole the cadres are good, better than ever before. So logically you cannot use that as a reason for doing poorly this year in comparison with last year.

The main conference took place five months later, in the January, 1961, plenary meeting of the Communist Party Central Committee. This meeting concentrated on farm questions, and was attended by a thousand persons. Besides party officials, farm leaders and outstanding farm workers from all parts of the country attended.

Details of this conference were published in the Soviet press, as fully as Congressional proceedings in Washington are printed in the Congressional Record.

The discussion concentrated on thoroughly analyzing the reasons for failures in some areas, while finding out just what had been done to achieve success in other places. Concrete plans for 1961 were worked out as the main practical objective of the conference. Premier Khrushchev acted as leader of this discussion because he is eminently qualified on the subject. He does an incredible amount of work

visiting farms in all parts of the country, studying the results of agricultural research institutes, and discussing experiences with farmers. He shows an ability to remember and synthesize this vast body of collective experience which would be remarkable if it was the Premier's only activity.

Reports in the American press gave a tendentious presentation of this, picturing Khrushchev as the "big boss" arbitrarily laying down the law and flying into a rage at failures. The accounts in the New York Times, apparently derived from the Soviet-published texts, used narrowly selected extracts so as to create an impression of universal failure, venality and villainy by farm leaders everywhere, and vindictiveness by Khrushchev in dealing with the situation.

In fact, most speakers at the conference were well received, greeted with applause for their accomplishments and their creative suggestions. A few reporters who tried to cover up shortcomings with generalities were scolded, but not in insulting terms. Some farm area party leaders who, through apparent negligence, had failed to prevent serious crop or animal losses in their districts, were transferred from their jobs and replaced with men having better technical training, and a better chance to win the confidence of the rural population in the area. Those dismissed were not "purged," but given other jobs, although sometimes at a lower rank.

Mr. Mikoyan commented on the turnover in leading personnel as follows:

A. An American said that sometimes the director of an enterprise in the USSR knows his business better than the owner of a business in America. In America he knows what he must know. Here he must know more than he must know.

We are struggling all the time to renew cadres with young and able people. The Party is busy with that.

As I interpret Mr. Mikoyan's remark, it is not sufficient for a Soviet director to know how to run his plant efficiently and with satisfactory production results. He must also have a broad political-economic scope, considering interests over and above those of his enterprise and always ready to try new and improved methods of doing things.

Mikoyan put the feed difficulties in perspective:

A. To return to the food supply, on the whole the harvest is good. There is some spottiness, but in the main areas there is a good harvest.

And the statistics bore this out. The grain crop, while below the all-time record of 1958, was 6% higher than the good crop of 1959. Production of animal products equalled the record 1959 level, and sales to the state—which determines the readily available low-cost public supply—of meat increased 5%, of dairy products 6%, and of eggs 15%.

Since the number of head of livestock, especially socially owned livestock, increased substantially, and stocks of silage and fodder increased sharply, prospects are that production of animal products can increase substantially again, as they did for most of the years since 1953.

Some of the comments in the American press suggested that the Soviet population has been reduced to eating bread and potatoes. I myself was in the Soviet Union at the spring period when food difficulties were most pronounced, and could see how well the Soviet people were eating, including the plentiful volume of dairy products being consumed. Moreover, statistics for the first half year showed a sharp rise in retail sales of meat and milk, despite the temporary stagnation of milk production. So I asked for an explanation:

Q. I saw from the first half-year economic report that there was a very large increase in retail sales of dairy products, and wondered how that was possible with no

increase in milk production during the first half of the year.

A. State reserves were thrown into the market. During the second half of this year we will largely, but not wholly, refill the state milk reserves.

It is amazing how publicists in this country, grasping at a straw of Soviet self-criticism, are able to invent a farm "crisis" in the Soviet Union. All that happened is that farm production failed to meet the planned goals of increase for 1960, and that Soviet government and farm leaders are determined to make it up by an extra increase in 1961.

Despite our higher overall farm production, the Soviet agricultural situation compares favorably with ours in many other ways. Here we have strenuous government efforts to curtail farm production and reduce the mountainous stockpile of surpluses, declining farm incomes, government efforts to raise farm prices and hence food prices to the population, tens of millions who are undernourished, and many millions who are subsisting on an unhealthy survival diet of the most unappetizing of the food surpluses.

Capitalism seems to have put our agriculture into a real crisis for which none of its leaders can even promise a solution. Socialism seems to create a situation where people can work together to cure difficulties.

Black Markets

At the end of the interview Mr. Mikoyan asked me some questions, one of which belongs in this chapter:

Mikoyan: What single thing about the Soviet economy impressed you most unfavorably?

Perlo: I found most disagreeable the black market operators who loiter in front of hotels and offer tourists 40 rubles to the dollar. I imagine the amount of money they steal from the state is not serious. But they do much damage to the prestige of the Soviet Union. Here is a strong, powerful, country, but some of its citizens

treat its currency as disrespectfully as if they were in some weak, dependent country.

Mikoyan: We hate it. They are a handful, scum on the surface of our society. They represent nothing, no trend among our people. But harsh measures will not do. We cannot "crack down." We have our legal standards. But we must not ignore this. We must find ways of dealing with the question effectively, and according to law. One must take better measures.

Later in 1960, Soviet press reports told of arrests of alleged black-market ringleaders. Time will tell whether these measures have really been successful. The lateness of the hour prevented my exploring the economic roots of the black market with Mr. Mikoyan. It is widely believed that black market foreign currencies are sold by the dealers to Soviet citizens who wish to buy foreign merchandise when abroad, in excess of the foreign currency officially allotted to them. If so, the economic basis of the business will be ended when the Soviet Union produces as wide a variety of goods as the most advanced capitalist countries, so that the tastes of those who wish to imitate the latest western fashions can be appeased.

A group of nine were indicted in May 1961, after preliminary investigation revealed their dealings in gold and foreign currencies had exceeded 20 million old rubles.

Quality of Construction

I continued with another criticism which is made by many foreign visitors to the Soviet Union:

Perlo: I do want to mention one more criticism, the uneven quality of construction work. While I saw some examples of excellent workmanship, I saw a poor finish on housing construction in a number of places, and in some new hotels, poor plumbing. I have discussed this with construction engineers, and feel that a key requirement

is to develop a tradition and style of skilled craftsmanship.

Mikoyan: In 1949-50 only 360,000 square meters of housing space was built in Moscow per year. Now it is 3 million square meters. The vast majority of building workers are new people, without a skilled tradition. The bad quality of building is removable and will be removed. We are now making a great struggle to improve its quality.

Incidentally, all of the considerable number of inhabited apartments I visited in the Soviet Union were of good quality, as were most of the hotels. I visited two hotels with poorly connected plumbing and poorly installed tile work which showed visible signs of deterioration after a few years. These were in Uzbekistan where there are highly skilled craftsmen in the traditional style who built the magnificent opera house in the central Plaza of Tashkent. But there are not yet enough skilled building craftsmen in modern materials and techniques for the first-quality construction on a vast scale which the times call for.

One must remember that nationally, 3,000,000 housing units per year are being built in the Soviet Union, which pace suggests the essential elimination of the urban housing shortage in that country during the 1960s. One might suggest that the 15 million American families living in substandard or dilapidated dwellings, in urban and rural slums and blighted areas, would welcome the construction of apartments in this country, for rentals amounting to 3-5% of wages, as in the USSR. They would be pleased with these apartments, if made available to them without discrimination, even if they had the shortcomings in finish of a certain proportion of the new Soviet dwellings.

III. EFFICIENCY AND INCENTIVES

Industrial labor productivity in the Soviet Union was still, in 1958, less than half that in the United States. If the USSR is to surpass the United States economically, it must also catch up in labor productivity. Actually, gains in labor productivity in the Soviet Union in recent years have been little short of astounding. Over two-thirds of the production gains have come from this source, and less than one-third from expansion of the labor force.

Rapid introduction of advanced equipment, and application of science to industry, constitute only half the secret of this swift advance in productivity. The other, and characteristically socialist half, is the conscious participation of a large part of the labor force in attempts to raise productivity.

I was particularly interested in studying this latter factor which relates to the socio-economic issue between capitalism and socialism that is most discussed in this country, the issue of incentives. Supporters of capitalism assert that the incentive of profits spurs people to great production achievements. However, in capitalist practice, that incentive can only be operative for a rather small minority of the population having access to ownership of means of production. The majority under this system, who work for wages or salaries, are given material incentives for higher productivity—as piece work wages—and subjected to various pressures to stimulate more intense labor. As against this, fear of unemployment, of “working oneself out of a job,” induces workers under capitalism to resist

increases in productivity, and at any rate to refrain from conscious initiatives to develop ways of raising it.

Industrial Stimuli

In the Soviet Union, of course, the possibility of making a private profit in the sense of capitalism is excluded as an incentive. Instead, there is a system of material and moral incentives designed to stimulate conscious participation by the majority of workers in raising productivity. The negative factor, fear of unemployment, is non-existent. Consequently there is every opportunity for these stimuli to be successful, if they are correctly conceived and applied.

Piece rates are still widely applied and figure in the pattern of incentives. But actually they are being de-emphasized now. Attention is concentrated partly on the participation of workers in developing new and improved methods of production in their particular operation, methods which save labor and materials. Literally millions of new ideas are put forth by workers each year, and many of them are adopted. Bonuses are paid the workers related to the economies realized. The system of bonuses was inadequate and too narrowly conceived; but while I was in the Soviet Union, a major conference was held at which the general lines for broadening and enlarging the system of incentives for introduction of better technique were agreed on.

The second focus of attention is on workers studying for higher skill qualifications, with a view to gradually raising all labor to the level of engineering and technical labor, rather than crude manual labor. With the higher skill qualifications, of course, comes the material reward of a higher wage. Many millions of workers are carrying out serious studies along these lines, in a movement of workers education never even approached before in history. Workers go to evening school or take correspondence courses. They are aided, not only by free tuition, but by such amazing features as that which provides the correspondence student with 40 days of review study at the school during working

hours, while his salary is paid by the factory. (If he fails in the course, he must refund this).

The prime moral incentive is the identification of the individual with society, his conviction that the factories and farms are collectively his and his fellows', that the government truly represents him and his interests, that the aims of building Communist society and a peaceful world are eminently worthwhile objects to which one can devote a lifetime.

The leading practitioners and organizers of this moral force are the members of the Communist Party and Young Communist League who are supported actively by many non-party people, and generally, by the great majority of the population. During the 1959 period a new form of organization of this force has arisen in industry—the Communist Brigades of Labor. A great advance quantitatively and qualitatively over the Stakhanovite movement of the 1930s, these brigades of labor represent a powerful force that is evident to a visitor to any Soviet factory.

Each brigade of labor represents a group of workers (typically numbering 6-15), logically teamed in relation to their function. Their title springs initially from successful competition with other teams in overfulfilling production goals. But much more is required. Such brigades are expected to initiate improved production techniques. Their members are expected to study in order to advance their skills. And they are required to live according to community standards of moral and neighborly conduct.

When I was in the Soviet Union, already one-fourth to one-third of the workers in most factories I visited were members of such brigades, and soon thereafter the movement for establishing entire shops and factories of communist labor brigades arose.

From visual evidence, I could clearly see that the majority of Soviet workers were trying to do a good job, that soldiering on the job was certainly at a minimum. I had discussed the wage incentive systems and the Communist Labor Brig-

ades with various authorities, and thought I understood them.

Overmanning

The questions left in my mind which I put to Mr. Mikoyan, concerned human and organizational shortcomings in the working out of this system of incentives:

Q. I have heard criticisms of the quality of organization of work in Soviet factories, of overmanning in factories, and of lazy workers and farmers, and have observed cases of these weaknesses. For example, in Tashkent a French engineer claimed that these faults were apparent at a local building materials plant he visited professionally. He said the management could not fire a lazy worker.

A Soviet economist with whom I discussed it claimed the French engineer was correct, and the chairman of an excellent collective farm said the farmers were too kindhearted, and wouldn't expel a slacker.

On the other hand, the workers of the Likhachov truck factory insisted that lazy workers are not a problem. They handle backward workers by education and persuasion, and where that fails, by transferring them to lower-paying work which helps them see the light. I cannot assess the prevalence or seriousness of the difficulties mentioned. Please give me your appraisal.

A. The auto workers have the correct point of view. The lazy workers are not even a minority. They are exceptions. But directors of some factories keep extra workers. This would account for some seeming to stand around, or for the overmanning of machines. If you have difficulties with human reserves you can use "storm" tactics and go over the top. We must fight this by establishing limits on employment related to production, and not permit employment over the norm. Now if a factory director hires more than such a limit,

the bank will not give him money for wages.

Q. I saw a letter in the Economic Gazette complaining about such a refusal. Is there any appeal?

A. One can appeal by going to the District Economic Council. This body will study the appeal, and if it is serious, will give the money for the additional workers. But sometimes a director is given a wide limit and can abuse it.

Another factor which makes for seeming overmanning is that while we have been quite successful in mechanizing basic tasks, there is still backwardness in the auxiliary tasks, so we have many extra workers on this auxiliary work. There is better organization of mechanization in America.

There is no problem of laziness as such. And we have all kinds of means of bringing up people. The Party, the Trade Unions, the Young Communist League, all can bring pressure and bring people to their senses.

But for the reasons mentioned, in a great number of places we have too many people. By the end of the year, we will cut the working day by one hour but raise productivity per man by 7 percent. How is that possible? Only by utilizing the unused reserves. We forced the closing of gaps.

The actual results fell somewhat short of Mikoyan's estimate, although the goal for raising labor productivity provided in the Seven-Year Plan was fulfilled. In 1960, the working day was cut from 8 to 7 hours (or in underground mining, etc., from 7 to 6 hours) for at least half of all workers, completing the universal reduction in hours started in 1959. Despite the shorter work-week, productivity per industrial worker increased more than 5 per cent. Productivity per man-hour increased more than 10 per cent, and in the final quarter of the year, 12 per cent over the corresponding quarter of 1959.

Of course, this cut in the workweek leaves workers with

much more time to study and to enjoy life generally. By the beginning of 1961 the average workweek in the Soviet economy was 39.4 hours. In the United States, in October 1960, among non-farm wage and salary workers not engaged in part-time work, the Labor Department reported an average of 44.1 hours, or 4.7 hours more than in the Soviet Union. Working hours for farm people and for self-employed were much longer in the United States. In most other capitalist countries, the working week is even longer than in the United States.

Summing up on the matter of industrial efficiency, Mr. Mikoyan said:

A. Since 1917 industrial labor productivity has risen elevenfold. The Seven-Year Plan calls for 70% of the rise in output to result from higher productivity of labor instead of from hiring new people. There is no limit to this process. It must continue year after year. Previously the growth in productivity was 4-5% per year, now it is 6-7%, because of a faster growth in technical progress.

Thus the USSR is confounding those American critics who were convinced its growth would slow down when it reached a reasonably advanced stage of industrialization. Today Soviet industry, at 65% of the American level, must be reckoned as advanced. And it is growing faster than in the years immediately before the Seven-Year Plan, not slower.

Efficiency in Agriculture

Following his discussion of industrial productivity, Mr. Mikoyan turned to the question of working morale and discipline in agriculture:

A. Agriculture is a different problem. The director of a factory has a legal right to fire a man with the consent of the trade union, and tries to get him a job elsewhere. The same is true of a state farm.

But a collective farm, even at a general meeting, cannot expel a member except for very serious legal violations, going beyond merely not working. In some places one can live and do little work. You will not find this on the virgin lands or in the technical crop areas.

There are too many people on the farms. We know that, and each year we recruit many farm people for other work.

This point is worthy of special note. A favorite argument of some American experts is that Soviet industrial progress will have to slow down during the 1960s because it will no longer be possible to draw labor from agriculture into industry. Mr. Mikoyan's statement shows that this transfer of surplus labor is still going on. Soviet planners concentrate on erection of industry in smaller towns, making the new jobs more accessible than formerly to the rural population. Here in the United States, where farm productivity is at least three times the Soviet level, we are still drawing surplus farm labor into industry, albeit by the hard way of forced sales, expulsion of tenants and sharecroppers, and other forms of failure in the intense competition-to-the-death of capitalist agriculture.

In the Soviet Union, the absence of direct economic or other pressure to leave agriculture is, on the one hand, a source of great security to the farmers, but on the other, as we have seen, permits the continued existence of slackers in farming communities. Labor is drawn from agriculture, not by pressure, but by the incentive of higher incomes and more interesting work, by the advanced technical education of rural youth, suiting them for work as industrial as well as agrarian specialists.

Considering the great remaining relative overpopulation of agriculture in the USSR, it will certainly continue to be a source of non-farm labor throughout the 1960s, and probably for quite a while thereafter.

This will be encouraged by improving farm techniques, which Mr. Mikoyan now discussed:

A. In grain farming, we have good mechanization, comparable to the United States, but we are weak in cattle breeding. The collectivization of animal breeding has taken place during the last ten years, essentially. Previously, over half of it was private. So productivity here is far behind America—but even here we will catch up through giving more machinery and organizing production better.

The Marxian idea that in agriculture the large units will win has been achieved through the elimination of small farms better in America than elsewhere so far. The European revisionists said Marx was wrong in agriculture because small farms persist. America with its example shows the correctness of Marx. Now also in Western Europe there is an accelerated process of the ruination of small farms and the formation of much larger units. It is proved that large agricultural units are most profitable. From the point of view of size, we have the best situation in the world, but we have enormous reserves which we do not use yet.

Recently, the size of farms was increased. Now in grain we are using our reserves well. One combine does more work than in America. One tractor does the work on 500 acres per year.* In America a farmer with 150 acres still needs one tractor, with 500 he needs one tractor also, but with 600 he needs two tractors. With us, all tractors carry a proper load. In the mountainous areas and in central Russia, there are still some small enterprises. But in the South and in the virgin lands and other new areas there are large units with extremely effective machinery use.

Recently I talked with Matskevich, the Soviet Minister of Agriculture. Matskevich told me of one firm

*Mr. Mikoyan gave the figures in hectares. One hectare equals 2½ acres.

in the U.S.A. with 1,000 cows serviced by ten people, including the director. These ten feed, give water, and milk the cows. Here one woman used to take care of ten to twelve cows. The farm with this high productivity markets a special installation which permits this result.

In the United States it sold only two of these installations . . . that is all the market there was. We also bought two, but we need many more. If we had unlimited dollars, maybe we would buy 1,000. Then we would call all farmers "lazy."

Subsequently I read in the Soviet press of a claim to have developed a still more automatic milking barn whereby one could service several hundred animals. Now Mr. Mikoyan referred to Roswell Garst, large scale Iowa corn-cattle farmer and hybrid seed producer best known for Khrushchev's visit to his farm in 1959:

A. Two of our mechanizers went to Garst. They are Manukovsky and Gitalov. They worked there and learned his method whereby one man handles 100 hectares of farmland. Manukovsky and Gitalov have improved the method and do 150 hectares to a man. They are organizing several thousand brigades to work on this basis. Garst does this with his sons, but he has not got the order of Hero of American Labor. Manukovsky and Gitalov are very popular.

Our people took movies of the best methods in American agriculture, and hundreds and thousands of farm sections are being organized, taking into account American experience. We have large possibilities. We know all that. That is why we are so confident.

At the start of 1961 Matskevich, to whom Mr. Mikoyan had referred, was replaced as Minister of Agriculture and transferred to be director of farming in the crucial virgin lands area of Kazakhstan.

The American press emphasized only one aspect of this—that Mr. Matskevich was being demoted because of failures in agriculture in 1960. Undoubtedly this was an element in the shift. Shortcomings, which the government leaders regarded as avoidable, did persist in 1960, and the Minister of Agriculture had to share responsibility for them. However, another aspect is that the virgin lands of Kazakhstan are areas of special importance, where, under unfavorable weather conditions, it proved impossible to harvest all the grain in 1960 and there were significant crop losses.

Mr. Matskevich is being given the job of ensuring regular large crops in this dry-farming area of very low rainfall and a mere 75-day wheat growing season. It is a very responsible and difficult job, and perhaps more suitable to his talents than the previous work, more remote from the scene of action.

Still more important than the shift in jobs, is the shift in the functioning of the Ministry of Agriculture. Even after the abolition of the industrial ministries, the Ministry of Agriculture endeavored to keep its fingers on the far-flung details of farm production activity. This also was becoming a drag on progress. Now this will cease. The Ministry of Agriculture will not be abolished, but will concentrate on improving the activities of research establishments, generalizing and publicizing the achievements of science and progressive farm practice, elaborating recommendations for collective and state farms concerning the most rational methods of production in each zone, and supervising the training of farm specialists with higher education.

In short, it will, like the committees that replaced the former industrial ministries, concentrate on speeding the application of science and advanced technique to agriculture, while the administration of production will be decentralized as in industry.

In another sense, its functions will resemble those of the Agricultural Research Service of the U.S. Department of Agriculture, with the probable difference that under

socialist conditions much more resources will be placed at the disposal of the Soviet body.

The Income Gap

The wage structure is the leading element among the material incentives which the Soviet people have to produce more and better goods. Theoretically, the wage system should embody the teaching of Marx and Engels for the first stage of Communist society: From each according to his ability, to each according to what he produces. A substantial portion of goods is distributed communally, without individual charge, and more or less equally. Health and education services, below cost housing rentals and vacation facilities are examples. But most income is distributed individually according to the estimated value of a person's labor contribution. Of course, all sorts of abuses are possible in the interpretation of this principle.

A favorite criticism of the Soviet Union in this country is the allegation that a new ruling class of Communist bureaucrats, officials and regime-supporting intellectuals has been created. This elite, it is claimed, lives off the fat of the land while the masses subsist in poverty, giving the lie to Communist claims of having eliminated exploitation.

As usual, these charges were built up on self-criticism within the Soviet Union. Again as usual, they are an absurd caricature of the actual situation. By and large, earnings differentials seem reasonable. Certainly they are extremely narrow in comparison with those in our own country. In a typical Soviet factory where the average wage might be 1,000 old rubles, the factory director would earn 3,000 to 3,500 old rubles per month. In a better-than-average large American factory, where the average wage might add up to \$5,000 per year, the factory manager would earn \$50,000 a year or 10 times as much and the chief executive of the owning corporation, \$500,000, or 100 times as much. The largest stockholder might receive \$5,000,000 per year in dividends, or 1,000 times as much. He, moreover, need

have nothing whatsoever to contribute to production. His dividends result usually from the accident of his birth to a capitalist father.

The top salaries I came across were those of Soviet scientific workers earning 4,000 rubles per month. Academicians, I believe, received 5,500 old rubles per month.* Some writers and performers receive still higher incomes through royalties.

High officials get the use of a car and an expense account while travelling. My observation is that this is rather strictly controlled. There is no expense account aristocracy like that in the American corporate hierarchy.

Nor are there any regional or group differentials. I saw nowhere poverty like that of urban slum-dwellers, coal miners and others suffering from long-time unemployment in depressed areas, of Negro people in our own South, or the Indians in the Southwest.

But the inequalities of income in the USSR, as they were a few years back, were a source of internal criticism, and a number of steps were taken to reduce the spread. Minimum wages were raised as were old age pensions and farm prices. Authors' royalties and artists fees were cut. Use of official cars was severely curtailed to end their use for personal enjoyment. The process of reducing inequalities is still underway. And in my conversations with people in the Soviet Union, I found contradictory views as to its adequacy and speed, which I tried to resolve through my next question:

Q. Various Soviet people have expressed opinions to me about the gap in living standards between those in the top income brackets in the USSR and the masses of workers, and on the adequacy of measures taken to eliminate extremes at the top and the bottom. Moscow University students with whom I met con-

*Throughout the above discussion wages are quoted in the former rubles, in circulation at the time of the interview. At the beginning of 1961, the new "heavy" rubles, worth ten times as much, were introduced, so a zero was taken off all wage and price scales.

sidered this a very serious problem concerning which they felt too little was being done too slowly. But most people with whom I discussed it considered that it was not a major problem, and that enough was being done. I also saw some manifestations of a caste attitude on the part of some higher income people, although again not in general.

A. The gap was natural when a peasant country had to create qualified technical help and intelligentsia. One had to have a big gap to spur all capable men to struggle to rise and learn. It was quite justified and necessary.

This was not so great as the gap which arose after World War II. During the war and immediate post-war years enterprises tried to establish very high pay for jobs for which they could not get people. In heavy industry they raised the pay of directors, qualified workers, and engineers very much. At that time people had ration cards for the food supply, so the gap in money wages didn't make so much difference in eating. Those with extra money bought in commercial stores at four to five times the regular price.

When there was a currency reform in 1947 and the rationing system was abolished, the problem really arose, even though low wages were raised somewhat. Because now the earlier excessive rise in the wages of leading personnel was fully reflected in purchasing power.

In the last few years, with the growth in the number of qualified workers and intellectuals, the large gap can no longer be justified economically, and begins to play a negative role. Now for the jobs with little pay it is difficult to get people. Now in Moscow there is a shortage of 10,000 sales clerks. Young people who finished secondary school do not want to take such jobs because the pay is too low.

Top salaries have not been cut much because it is easy to raise, tough to cut. Excesses have been cut, real

excesses, but that affects only 100,000 individuals. But you cannot cut the pay of millions.

The main procedure is this: those paid well get no increases. Those in the middle get slow raises. Those on the bottom get big raises. During the Seven-Year Plan, there are two general raises scheduled for the low-paid. The Russian term for this is "setting the wage scale in order." But this is a meaningless bureaucratic term, it really means raising low-end wages.

The first raise is finished already in heavy industry. In transport it will be completed in 1960-61, for light industry and employees in service and administrative areas in 1962. There will be a second round in 1963-65.

Certainly, it seems from Mr. Mikoyan's description as if the reduction of inequalities is proceeding rather rapidly, especially considering that when the second round of low-end wage raises is completed, they will have been approximately doubled. Still, Mr. Mikoyan considered it desirable to deal directly with the complaints of those who think it is not fast enough:

A. Part of our great strength is not to get into a demagogic situation. We could easily promise very much and deliver for one year, but then the policy would kick back at us. One must always promise somewhat less than one can give. That is one of the main reasons we have no strikes, no conflicts. People believe that essentially the government and the Party will be doing the reasonable thing.

Finally, he turned to the principled question of how far wage equalization should go:

A. I am against equalization. The students probably have equalitarian tendencies. The vast majority of the population think there should be wage differentials.

The special feature of our wage scale is that we have a self-corrective in medical services, education, and

other items provided without cost and in equal amounts to all categories of working people. If we add this to the wage scales of each category, the difference will be less than in money alone. We will continue to extend the free benefits. We will probably introduce old-age homes run by the state. Then old people in families of low-paid workers will be cared for without being a drain on the family. Health resorts, sanitarium, etc., narrow the gap.

This is a very complicated question, but we are aware of it, we are studying it, and we believe we are coping with it. Equalitarianism is not our ideal. Maybe when we have complete Communism—for example, if we had the productive capacity of America! Take American industry and the Soviet system and combine those two!

Here we have a striking example of the difference in ideology between leaders of the two systems. In America, its great wealth appears to the capitalists as a justification for their fabulous luxury, really at the expense of inadequate conditions for many. But to a Communist leader such wealth appears as providing the objective conditions wherein essential inequalities can be done away with.

IV. AMERICAN — SOVIET RELATIONS

Russian Communists have traditionally admired American energy and efficiency. In building socialism, they set themselves the task of combining Russian revolutionary spirit with American efficiency. American engineers and equipment were favored in the initial industrial breakthroughs of the First Five-Year Plan.

The noted American engineer Hugh Cooper, with a team of American and Russian engineers, supervised the construction by Soviet workers of the famous Dniepr Dam, at the time the largest hydro-electric installation in Europe. The turbines for this key unit in the early stages of Soviet modern industrialization were supplied by the General Electric Company.

The Ford Motor Company designed and its engineers supervised construction of the first Soviet automobile factory at Nizhni-Novgorod (now called Gorky). In the heavy industry centers of Ohio, workers still speak of those factories making machinery and steel to fill Soviet orders during the terrible early 1930s, when everything else was shut down.

Many American engineers and specialists of various types, as well as skilled workers, went to work on contract in the USSR,—and some actually stayed permanently.

Similarly, Soviet engineers came to work in American factories, and industrial executives came to study American methods of industrial organization and the equipment of industry. Mr. Mikoyan himself, as he said in the interview, spent two months here, largely for that purpose.

This relationship was not one of charity, but good business, well paid for and profitable to American companies and

engineers. It was no less warmly appreciated by the Soviet people who recognized it as a major contribution to the speed of their industrial development. It left a reservoir of good will for the United States that is far from dry today, despite fifteen years of cold war and a new situation where American "know-how" is a much more optional commodity to the Soviet Union than it was thirty years ago.

During the height of the cold war, little was mentioned on either side of this history of business-like American cooperation with the Soviet Union in industrial and commercial matters. But in recent years the theme has reappeared. Soviet engineers, economists and planners exhaustively study American economic experience to see where their own industrial engineering and product composition remains behind. They strive to follow the American example where appropriate, with suitable modifications dictated by the differences in social system. Outstanding examples of Soviet research in comparative industrial structure and engineering are the articles of S. Kheinman of the Institute of Economics of the Soviet Academy of Sciences.*

The American Example

Again and again Mr. Mikoyan came back to this theme in the interview. The American example cropped up when he was discussing farm techniques, mechanization of industry, and even advertising. In all of these areas Mikoyan felt his country could learn from the United States. He made it clear, however, that he had no intention of blindly imitating American methods.

Most impressive was his enthusiastic reference to the overall power of American industry, previously quoted:

Take American industry and the Soviet system and combine those two!

American reactionaries respond frigidly to this apprecia-

*See, for example, his article. Some Economic Problems in *Industrial Engineering*, *Voprosy Ekonomiki* No. 1, 1960 (English translation in *Problems of Economics*, New York, May, 1960).

tion. On the one hand, they allege that Soviet economic advances are due mainly to borrowing American know-how; and they comfort themselves with the delusion that once the Russians have caught up to us technically, they will have nobody to imitate and will stop advancing.

On the other hand, they oppose any economic-technical dealings with the Soviet Union in order to keep our "secrets" from them and to prevent them from catching up with us.

This whole position is a net of contradictions and delusions. While Americans have excelled in industrial applications of science, they have no monopoly of this. More important, basic science is not the property of any nation, but is truly international. Indeed, Americans—considering only those who did their main basic scientific work in this country as distinct from those who emigrated here at a later stage—have not been especially outstanding in basic science.

Old Russia, with all its economic backwardness, did quite well in basic science. One need only mention such world-known figures as Lobachevsky, the mathematician; Mendeleev, the chemist; Lomonosov, the soil scientist; Michurin, the plant breeder; Setchenov and Pavlov, the physiologists, and Tsiolkovsky, the pioneer theorist of rocket and space travel.

Much of the work of Russian scientists in tsarist times was without practical use, because that social system failed to provide a material base for it. But their contribution became the foundation for scientific-technical advance in Soviet Russia where material support for this work has been more lavish and better organized than in any previous society.

Many of the scientists of tsarist times remained to work—and worked more successfully—in Soviet times. The Soviet sputnik was a direct descendant of Tsiolkovsky. The last sixteen years of his life, from 1919 to 1935, were the most fruitful, in terms of published works, practical support and follow-through. His students built further on his

work and produced the first Soviet rockets in the 1930s, as their students are designing the remarkable Soviet space ships of today.

The outstanding bridge engineer, Evgeny Paton, remained to build bridges in a Russia shattered by years of Civil War. He then organized, with his students, the remarkable Paton Welding Institute in Kiev. This one group of Soviet scientific-engineering personnel contributed as much to the advance in industrial methods in that country as dozens of engineers from capitalist countries temporarily in the Soviet Union on contract.

Even during the 1930s, Western engineering and technical aid was secondary to the Soviet Union's own internal contribution. Today, of course, this is more so than ever. Already, Soviet technology in a number of areas surpasses anything developed in the United States. As is very well known here, they are graduating three times as many scientific-engineering personnel as we are; and these, in the last analysis, are the most vital guarantors of scientific-technical progress.

The main thing Russians can learn from America now—an approach to certain engineering-technical problems—they can get regardless of any embargoes. The know-how of adaptation can be acquired by hard-working and studious engineers and scientists without outside blueprints. By the sale to them of specific packets of blueprints and know-how, we may provide them with shortcuts. But that is all. And if we refuse, they can usually buy corresponding packets elsewhere, in other socialist countries or in Western European countries.

The idea of a Soviet slow-down as they acquire our technology in the remaining areas where they still lack it is really ludicrous. With more and more of their present advance breaking totally new ground, and their forces for doing that mounting so rapidly, the importance of the American example is bound to diminish in the future.

The reactionary attitude is not only foolish, it is harmful

to the United States. The Soviet Union disagrees with the prevalent social system in the United States and with its foreign policy. But it did not confuse this with those aspects of American life it regarded as progressive and of universal value. It gained from the American example despite the hostility of American reactionaries.

But the latter by endeavoring to prevent the all-around development of friendly relations and by spreading only negative information about the Soviet Union, keep our own country from getting any benefits from the examples of Soviet progress.

It is finally coming to be recognized in some official circles that we have much to learn from Soviet accomplishments. This has been most pronounced in education and various other cultural fields and in sports. In a quiet way, it is also true in important industrial circles. They may encourage belittling propaganda about Soviet industrial techniques. But last summer 150 Americans, the largest non-Soviet delegation, attended the first international conference on automation and cybernetics which was held in Moscow. American engineers, representatives of the largest U.S. corporations, were lavish in praise of the high level of Soviet achievements they were permitted to see, and of the scientific papers that were read.

One of the big advantages of the socialist system in its competition with capitalism is its willingness to learn from the progressive achievements of man under capitalism, and to gain from business-like relations with capitalists.

American capitalists, especially, have a history of refusing to learn or gain from dealings with socialist countries, because of their political prejudice.

East-West Trade

The United States economy is harmed, particularly, by the negative attitude of those controlling foreign trade policy. East-West trade is mounting at a spectacular rate. A number of capitalist countries have added measurably to

their temporary economic stability and growth by participating in this trade boom. Before World War II the United States was a leader in trade with the USSR, when that trade was still small. Now, when it is big, American business as a whole is excluded from it by virtue of the influence on government of a small number of powerful reactionaries.

In no field does Mr. Mikoyan have more special authority than that of foreign trade. I looked forward to his opinions on Soviet-American trade with special interest. Here is how I put the question to him:

Q. One or two years ago a Soviet leader said that if the capitalists wished, they could keep their factories running continually for a long time on orders from the socialist countries. Do you still regard this as a valid appraisal concerning American industrialists trading with the Soviet Union? Please state fully your opinion on this question, taking into account the possibility that the more favorable trend in international relations which prevailed in 1959 may be resumed.

A. Not at once or fully. It is easy to break trade relations, but it takes a long time to develop them. American restrictions do not hamper us essentially, but they do help other capitalist countries. One can cite figures of Soviet trade with England, France and Japan, showing a rise in the last five years or so.

This point was brought home to me sharply ten days later when I visited the First of May oil equipment plant in Ploesti, Rumania. This huge, ultra-modern, wholly diversified industrial combine is probably the most advanced of its type in Europe, outside the Soviet Union. And in its shops I saw row after row of foreign-made machine tools, including newly-installed programmed automatic units from England, machines from West Germany, Switzerland and other capitalist countries.

But at the moment I was most impressed by Mikoyan's rather pessimistic view of the short-term future of U.S.-

Soviet trade, which contrasted with what I had been accustomed to read in previous years' interviews of Soviet leaders with Americans. This prompted me to interrupt with the following question:

Q. In my past writings on East-West trade, published in the United States, I have been most optimistic regarding prospects for trade. I want your opinion as to whether I am in danger of going overboard on the subject.

The answer is especially interesting because of its concentration on the views of Clarence Dillon, then Undersecretary of State, and now Secretary of the Treasury. Mikoyan said:

A. The biggest enemies of East-West trade are Rockefeller and Dillon. I have met Dillon, but he does not see how illogical his position is. Dillon says Russia exports only raw materials, so what kind of developed country is it? As if a **developed** country cannot apply machinery to extraction.

What Mr. Mikoyan meant was that an advanced country could very well produce raw materials for export, using highly efficient methods of production. Indeed, the United States does that very thing. Mikoyan did not bother to make the general point to me that the Soviet Union, in fact, exports plenty of finished goods as well as raw materials. Presumably, he assumed I was aware of it. Soviet statistics show 63.2% of its exports in 1959 in the category of finished goods.* However, he referred to Soviet exports of manufactures in his next comment, about the aborted arrangement for the sale of Soviet automobiles in the United States:

A. And at the same time that Dillon made this point, the Department of Commerce and the State Department

*This is a broader category than the group of "finished manufactures" in American foreign trade statistics, so they cannot be compared directly.

reacted bitterly to the deal for the import of 10,000 Moskvich cars, and succeeded in torpedoing the deal. This was done despite that fact that the 10,000 cars were to sell at the same price as the German cars,* and would have been a drop in the bucket of the American car market.

When we ask Dillon why he does not buy raw materials from us, he answers—"we can get them from friendly countries." Well, if you do not buy, you cannot sell.

Finally, banks could advance credits to aid American exporters. But, in the eyes of Dillon, that would be a credit to Communism. At the same time, opponents say, hypocritically, that they are in favor of trade with the USSR, but the USSR wants to trade on its own terms. That is not so. We trade with England, Italy, etc., on the same trade terms as are general among capitalist countries.

They have created a set of hypocritical arguments wrapped up in a vicious circle.

Previously, I had the impression that trading opportunities remained open for all in the socialist markets. Now, for the first time, Mikoyan suggested that relations were becoming so systematized with rival capitalist trading partners that the United States had to change its policies fairly soon or risk being left out in the cold:

A. The longer U.S.-Soviet trade will be postponed, the less will be the possibilities, because the USSR is developing trade with West Germany, Japan, England, etc. The real business people of those countries may be quite satisfied with American trade policies.

However, Mikoyan ended his discussion on a hopeful note:

A. But I am not a pessimist. One cannot be guided for

*In 1959 West Germany sold 223,858 cars and trucks in the U.S. market.

a long time in politics by stupidity. This stupidity is determined by class blindness, but even for that one can develop spectacles.

It will be interesting to observe whether the Kennedy Administration automatically continues the Rockefeller-Dillon no-trade policy. Initially, the new regime took actions to tighten trade barriers. It turned down a larger proportion of license requests than its predecessor. It cancelled a major machine tool contract for which the Eisenhower administration had granted a license, and the manufacturer had already delivered blueprints to the USSR and had completed production on the order. However, with the cross-currents affecting policy today, this kind of foolishness could change rapidly and radically.

To the former considerations, one must add another. President Kennedy has most vigorously and repeatedly asserted his intention to defend the value of the dollar, and stressed the role of raising exports to improve the balance of payments. Realistically, the only large trading area in which the United States has prospects for a major and lasting rise in exports is the socialist group of countries.

The American Economy

Soviet leaders, as those in capitalist countries, are well aware of the significance of American economic fluctuations for the course of world affairs. As I talked with Mr. Mikoyan in the Kremlin, the U.S. economy was starting on that slide which subsequently extended into the fourth post-war recession. He asked me a pertinent question about it:

Mikoyan: Recently the rate of steel output in the United States fell to 48% of capacity. That is a crisis level, but other indicators do not reflect crisis conditions. It is a difficult situation to appraise. How do you interpret it?

Perlo: I have been away from home for three months and have seen no U.S. economic statistics, so I do not

know the answer. I can give you only a very rough opinion, or hunch.

I would not be surprised if the 48% applied to the week including the 4th of July holiday, and if steel production has not been somewhat higher before and after that week. In general, there is a great overcapacity in steel, with capacity of perhaps 145 million American short tons, and a peak market of not more than 80% of that. The steel strike last year caused violent fluctuations in output—first 100% of capacity while preparing for the strike, then falling behind in output while the strike lasted, and then 100% again for some months after the strike. The result was, that within a few months, not only were inventories restored to normal but they reached excessive levels. A sharp correction was taking place. In September or October, when the new models of autos will be made, and the summer lull will be over, the steel rate will probably climb back to 70-80% of capacity.

This estimate proved wrong. The steel rate climbed very little, and never even reached 60% of capacity during the second half of 1960. Apparently Mr. Mikoyan's economist had already suggested to him a major reason for this, judging from his next question:

Mikoyan: Perhaps the displacement of steel by substitutes has had a major effect?

Perlo: I doubt whether that was the decisive factor in such a short-run period.

(On returning home, stimulated by Mr. Mikoyan's raising this question, I studied it qualitatively and statistically. I found clearcut evidence that in the past four years substitutes and uses of steel in more economical forms had cut something like 15 million tons from the annual market, a major factor indeed.)

Continuing the conversation, I made some comments on the American economic situation:

Perlo: When I studied the U.S. economic situation early in 1960, I concluded that a crisis was unlikely this year. Strong points—the new compact autos, the European boom creating a fresh export market for U.S. goods and the readiness of the administration to give the economy an election-year shot in the arm, seemed to balance the weak points—the tapering or levelling off of the capital investment boom and the declining trend in housing. It seemed as if the crisis would not come before 1961, when most American economists expected trouble.

I do not know of anything calling for amendment of that assessment. But one basis was the easing tendency in international relations. Since I studied the situation, international affairs have taken a sharp turn for the worse. That may have had an effect on the American economic outlook.

Mr. Mikoyan indicated that he doubted whether the political turn had had any economic effect. Whether or not it played any part, the economic situation did turn downward sooner than most economists, including myself, expected. Shortly before my interview, a delegation of American economists under the auspices of the Committee for Economic Development and the State Department had interviewed him. They had spent a month traveling intensively in the Soviet Union, viewing factories and farms, and asking the most intimate questions about the Soviet economy. Mr. Mikoyan thought he would ask them a question or two about the United States, as he did me, with the following result:

Mikoyan: I asked the question about the 48% steel rate of the delegation of economists from the Committee for Economic Development, and they refused to give any opinion on the ground that it was an internal affair of the United States!

Apparently, among economists as well as politicians, prejudice gives rise to incredible foolishness and rudeness, as well as major errors in policy.

The Soviet example

This group of economists, in the published account of their trip to the USSR, did not indicate that they think America has anything to learn in its economic or social practices from that country. But perhaps other American economists will view the matter otherwise.

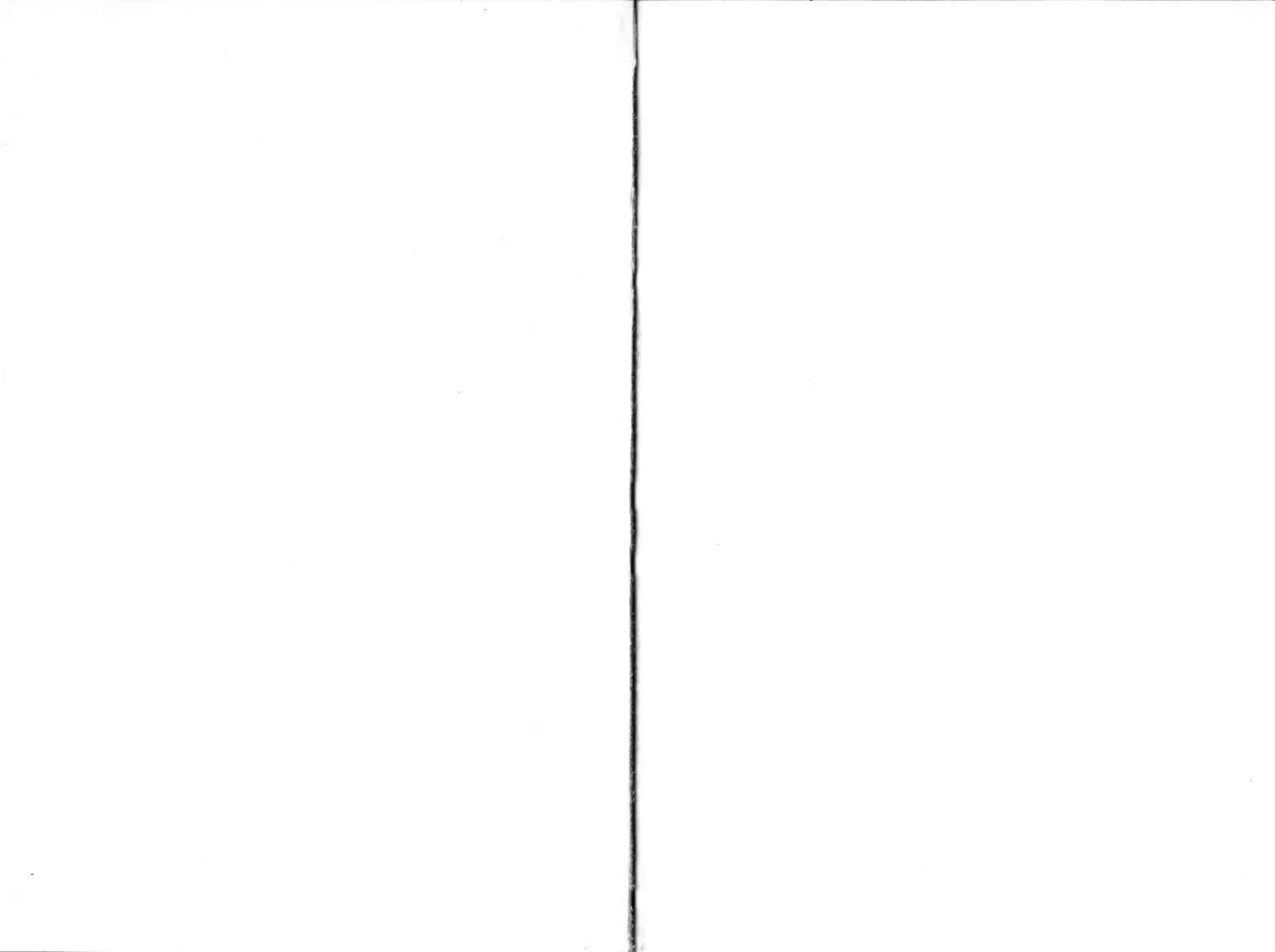
Those seeking ways to cope with the more frequent recessions, stagnation tendencies, and rising unemployment trend might give serious thought to the possibility of finding a non-military, non-inflationary stimulus through developing maximum economic relations with the socialist world. If they take Mr. Mikoyan's comments seriously, they might well see the need to move quickly in this field, before too many doors are closed.

American economists, and above all American labor and its organizations, seeking ways to solve the pressing social problems of workers in a country of militarized, monopolized big business, might well seriously study the social-political accomplishments of the Soviet Union. In the area of welfare legislation the USSR is far ahead of us.

In the general political position and role of labor, it is an entire social system ahead of us. The difference is that between a social system run by labor and one run by capitalists, between industry publicly owned by the entire people, and industry privately owned by a few wealthy families. Finally, there is the difference between an economy steadily and rapidly growing through the planned balanced growth of production, consumption and all other economic factors, and one lurching under the blind laws of the market, snarled in the net of contradictions between modern, integrated techniques of production and archaic private control over and appropriation of the proceeds of that production.

As I was leaving Mr. Mikoyan's office, and we shook hands,

I said to him: "You did good work for peace on your visit to the United States," referring to his trip the previous year. I am convinced from the man's entire personality, as from the policies he recommends, that this is the main object he pursues in relation to the United States. If this booklet will help in some small measure in further promoting the cause of peace between our two countries, Mr. Mikoyan's time will have been well spent at the interview.



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