Siberian economist: Investment policy is the vehicle for new technologies

by Rachel Douglas

At a special Central Committee conference on science, technology, and the economy, convened in Moscow on June 11, defense industry representatives and leading lights of the new Gorbachov team in the Communist Party leadership demanded an all-out drive for what Gosplan official L.A. Voronin called "the creation and widespread utilization of fundamentally new technologies—laser, plasma, radiation, membrane, biotechnical, and others."

Another speaker at that meeting was A.G. Aganbegyan, director of the Institute of the Economy and Organization of Industrial Production—the institute at the Novosibirsk-based Siberian Division of the Academy of Sciences, where, during Yuri Andropov's tenure, economists circulated a controversial call for the overhaul of planning and elimination of the middle layer of the bureaucracy. Since then, economists from Novosibirsk are ubiquitous in the Soviet deliberations on how to force new technologies into use.

The significance of their prominence is that Novosibirsk, headquarters of the Siberian Division established in 1957, has served as a command center for Soviet science programs central to the defense build-up, carried out on a "crash program" basis. This includes aspects of the Soviet directed-energy beam technology program.

Moreover, the Novosibirsk economists have coordinated the development of Siberia as a chain of nearly autonomous Territorial Production Complexes (TPCs), industrial concentrations which may be centered on certain raw materials deposits, but include all the branches of basic industry required for an economy to function. This planning of Siberia's economic development for possible autonomy dovetails with the reorganization of the Soviet Armed Forces. The first of the new wartime commands to be established beginning in the late 1970s, High Command Far East, was designed so that its headquarters in Chita, East Siberia, could function with a high degree of independence, if cut off from Moscow.

The military provided more confirmation of its endorsement of the Novosibirsk scientists' work, by printing an article by Aganbegyan in a June issue of the journal *Kommunist Vooruzhonnykh Sil* (*Communist of the Armed Forces*).

Capital investments

In July, a Siberian economist was granted space in the Communist Party of the Soviet Union's journal *Kommunist,* for an article that signaled that Soviet investment policy, too, is going in the direction of the "Plan B" described in *EIR*'s *Global Showdown* report (see page 21). Indeed, he and other Soviet economists who were already relatively more oriented to a "crash program," have insisted more than once, that national investment policy must be the vehicle for new technologies.

K.K. Val'tukh, of Aganbegyan's Institute of Economics and Organization of Industrial Production, had already published criticisms of the Soviet economic system. In 1982, he wrote that investment in obsolete technologies was crippling Soviet industry, and that huge investment in new technology in industry was the only solution. His assertion, that "hitherto unused reserves cannot serve as the basis for solving the strategic tasks of economic development," was a slap at the economists and party hacks, who wrote in *Pravda* on discipline, saving resources, and other superficial measures to achieve "intensification."

Val'tukh added that there had been "an absolute decrease in the volume of capital investments in real terms." That is, official statistics were lying.

In *Kommunist,* Val'tukh outlined his ideas again—but this time, with the undoubted blessing of General Secretary Gorbachov. The conclusion of his article, "Technical Progress and the Development of the Investment Complex," fits the demands of Marshal Nikolai Ogarkov's doctrine on the war-economy, and Gorbachov's drive to implement it: He calls for top-priority direction of investment in basic industry, above all, steel, at improved technology levels.

Val'tukh declares, "Today, the main element that will make it possible to achieve a decisive breakthrough in the intensification of the economy, the increase in the rates of economic and social development of the country, is the substantial acceleration of scientific and technological progress."

The key part of the economy is what Val'tukh calls the

"investment complex"—ferrous and non-ferrous metallurgy, machine-building sectors that feed the investment process, production of building materials, design and construction organizations, and scientific research organizations that develop new technologies.

Investment here, he recalls, determines what happens in the economy as a whole. "Economic history shows: Rates of growth of national income are high, when there are high rates of growth of productive capital investments, carried out in a technologically progressive form; they decline, with a decline in the rates of growth of investments and their technical level. . . . One can point to many real examples, when a change of technology makes possible—other things remaining the same—a growth in labor productivity several times over, even tens of times over, together with a reduction in capital expenditures. . . ."

But he polemicizes against an absolute decrease in capital investment: "It would be a mistake to suppose, that the possibility of raising the per unit efficiency of productive capital investments can somehow justify a reduction in their volume. In reality, the connection between volume and efficiency is exactly the opposite: In order to carry out the truly most progressive technological transformations of production, there must be adequately large resources, or else the main part of the investments will inevitably be used simply to maintain and preserve existing technologies."

At present, Val'tukh estimates, 30-40% of new equipment is gobbled up by covering for machinery that is still on the books, but in reality is broken down or obsolete. The average annual retirement of fixed productive capital in the U.S.S.R. (shown as percentage of fixed capital stock existing at beginning of year) has declined in recent years:

1967-73	2.4%
1974-77	1.8%
1978-80	1.5%
1983	1.3%

Without a shift toward "the development of fundamentally new technologies" and their massive introduction, huge losses of raw materials will continue (like grain, due to poor transport and storage), along with a disproportionately high amount of manual labor—one-third of workers in industry. The rate of equipment retirement should be raised, he argues, from 2-4% of the total each year, to about 7-8%, and at least half the replacement equipment should be at a new level of technology.

Only through such a transformation of basic industry, Val'tukh says, can any other needs of the Soviet economy be met:

"Under current conditions, any effective strategy for further economic growth excludes any reduction in the expenditure of labor on productive capital investments. In particular, a redistribution of workers employed in this sector, in favor of sectors producing consumer goods, cannot in any way whatsoever substantially increase the volume of consumer goods produced, but it can very rapidly undermine the source of growth of productivity of labor, and therefore the growth of prosperity. The work force employed in productive machine-building, ferrous metallurgy, construction, and other branches of the investment complex must be kept there. . . ."

At the same time, Val'tukh demands a major push to improve the basis of steel production, by appropriate direction of investments:

"The reconstruction of many ferrous metallurgy factories has been put off for several years. The production of metallurgical equipment is lagging behind what is required. In our opinion, it is necessary as soon as possible to build a new, major factory for metallurgical machine-building. Without this, new difficulties will constantly arise in the development of literally every branch of the national economy (from the lack of machines and of other implements of labor, made of metal). Until such a plant is built, it is advisable to substantially increase the production of metallurgical equipment, at existing heavy machine-building plants."

The prominence accorded to Siberian economist K.K. Val'tukh in the journal of the Soviet Communist Party, signals that national investment policy is going in the direction the Novosibirsk scientists have demanded. Novosibirsk serves as a command center for Soviet science programs central to the defense build-up, carried out on a "crash program" basis. This includes aspects of the Soviet directed-energy beam technology program.

He proposes raising the portion of investments in the "investment complex," from 10-11% of total, to at least 15-17%.

Published in the party journal, these recommendations have been added to the principles the Gosplan economists are referring to, as they labor over a 12th Five-Year Plan draft that Gorbachov won't throw back at them.