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THE MAIN METHODOLOGICAL PRINCIPLES OF PLANNING PRACTICE

IN THE U.S.S.R.

BY

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1. The purpose of formulating a plan is to identify and define the policies best calculated to achieve general economic and social objectives. A plan provides guidelines for policy through the translation of these general objectives into physical targets and specific tasks for particular economic and social activities. Everywhere, in the formulation of plans, decisions have to be made about the pattern of resource allocation which appears to be most efficient in relation to general objectives. At the same time, the targets set for output and resource allocation have to be consistent with economic and technical possibilities and not place greater demands on the community than it has the capacity to finance. The techniques of plan formulation which have been developed are tools for the translation of general objectives into concrete and feasible programmes of action.

2. The process of preparation of plans in centrally planned economies has been a many sided operation, involving the participation at different stages of the considerable apparatus of the central planning organs, the planning services of ministries, regional organs, enterprises, scientific research institutes, and other bodies. The participation of such a wide range of organizations and personnel has been essential to ensure that account is taken as accurately as possible of local conditions for development, the resources available for such development and the objective factors on which it depends. With this approach to the organization of planning work, it has obviously been impossible to draw up the whole national economic plan in one stage; rather it has been necessary to revert many times to previously calculated indicators and to amend these indicators. It is also obvious that,
in these circumstances, it has not been possible to design a system of coordinated indicators by following a specific sequence in the preparation of plans; particularly as, in practice, these indicators are all interdependent. Accordingly, planning work has proceeded concurrently on both sectoral and aggregate indicators, both at the centre and in all other units of the economic organization. Thus, the method of drawing up plans in centrally planned economies may be described as one of successive approximations, carried out in several stages, until a consistent plan is achieved which reflects a relatively optimum solution.

3. The process of working out an economic plan involves:

a) analysing the actual state of the economy;

b) determining the real potentialities (resources and requirements) for development;

c) setting the basic aims of the plan;

d) selecting the methods of solving planning problems.

The analysis of the relative rates of development of the various economic sectors and determining trends is a complex one, since the development of each branch or sector is studied in the light of the interest and needs of the economy as a whole and of the results achieved in related and interdependent sectors and regions. The aim of this analysis is to ensure that available resources are utilized with a view to meet the specific requirements of each region or sector and of the country as a whole.
The main factors which enter into the determination of the economic development potential include population growth, changes in population structure, the supply of skilled labour, existing and potential reserves of basic equipment, raw materials and other natural resources and possibilities for raising industrial and agricultural production.

The most comprehensive indicator of the development of material production as a whole is the national social product. The growth rate and output structure of the social product govern the growth rate and the structure of the national income. The structure of the social product also determines the distribution pattern of the national income, since the magnitude of the accumulation fund largely depends on the production of the means of production and that of the consumption fund on the production of consumer goods. Furthermore, the possibilities for capital investment in fixed assets are largely dependent on the material composition of the accumulation fund, while retail goods turnover and the wages fund are directly related to changes in the consumption fund.

4. Actually, two chief methodological approaches to formulating economic plans on all levels of economic hierarchy of the nation economy are being used in Soviet planning:

(1) The balance method as a predominant way of planning.

(2) Input-Output analysis.

All balances are divided in two groups - reports balances and planning balances. The report balance of national economy is a system of statistical indicators, characterising and reflecting the basic elements of reproduction in their interconnection and development.

The planning balance of the national economy consists of a system to balance tables. Its main components are:
a. A general section, which contains a consolidated table, balances of reproduction for the main sectors of production, a balance of fixed assets and a table showing the levels, interrelationships and rates of development of the national economy.

b. A balance of production, distribution and utilization of the social product, together with balances of the means of production and consumer goods.

c. A consolidated balance of production, distribution and final utilization of the national income, together with a balance showing the status of accounts between the state, cooperatives, collective farms and private individuals, and a balance of the money income and expenditure of the population.

At present, the method of balance planning is the system of numerous partial balances, mostly concerning separate commodities or commodity groups. It comprises a composition of material, financial and labour balances.

5. The primary element of the balance system is the material balance. The material balances are formulated, as a rule, in natural terms and, if necessary, in terms of value. For example, to coordinate the volume of capital investments in the national economy with the gross volume of the output of the machine-building industry (with its enormous nomenclature) an aggregate balance of the equipment in terms of value is formulated; on the basis of this balance the planned volume of financial assignments for the purchase of equipment needed for capital construction is coordinated with the possibilities of deliveries of the equipment for the capital construction and with the gross products of the machine-building industries.
The material balances give a concrete reflection of the state economic policy in the distribution and utilization of material resources. These balances determine (export-import funds) the main economic proportions among all industrial and agricultural sectors of national economy, define all economic ties both for the inside industrial interrelations and for formation of export-import funds. Consequently the system of material balances is a foundation for the operation of entire economic mechanism of national economy. The system of material balances unify all aspects of economic activity through the system of financial balances, balances of labor resources and manpower.

The principal scheme of material balances is the following:

<table>
<thead>
<tr>
<th>Resources</th>
<th>Quantity</th>
<th>Distribution of Resources</th>
<th>Quantity</th>
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</thead>
<tbody>
<tr>
<td>1. Stocks at the beginning of the planned period:</td>
<td></td>
<td>1. Consumption for current production.</td>
<td></td>
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<tr>
<td>a. at producers;</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>b. at consumers.</td>
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<tr>
<td>2. Production during the planned period.</td>
<td></td>
<td>2. Exports.</td>
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<tr>
<td>3. Imports.</td>
<td></td>
<td>3. Losses.</td>
<td></td>
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<tr>
<td>4. Other sources</td>
<td></td>
<td>4. Stocks at the end of the planned period:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. at producers;</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. at consumers.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>Total</td>
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</table>
6. The system of financial balances is composed of a number of interdependent and interrelated financial plans. Financial plans of individual enterprises, departments and ministries, as well as the principal state financial budgets reflect the financial aspect of economic processes on the all levels of the economic hierarchic structure.

In accordance with the actual Soviet planning practice the following types of financial balances could be distinguished:

a) balance of income and expenditure of enterprises;
b) balances of local personal money income and expenditures;
c) financial balance of production, distribution and re-distribution of gross national product and national income (state and republics budgets).

The balance of income and expenditure of enterprise gives a general picture of financial activity of the enterprise, resulting from its productive activity. This balance consists of three parts: income side, expenditure side, balance of financial relations with the state budget (payment and receipts). With help of this balance the enterprise can plan not only its money receipts and payments during any future time period, but also plan financial results of its productive activity i.e. profit, accumulation, remuneration of workers and administrative staff etc.

7. An integrated part of the system of planning balances is the balance of labour power. The labour balance does not only serve for the planning of available resources in this field, it reflects and
plans the real allocation of the labour resources within all
territories of the state. The development of balance method in
planning of labour resources is closely linked with practical demands
of society. The major purposes of the balance method of planning
labour resources in the Soviet Union are:

a) to supply all industries with skilled labour;
b) to ensure the employment of the population.

8. Since the first years of existence of the Soviet State a
balance method was adopted as a methodological basis for planning of
the national economy. The first balance of the national economy was
made up for 1923/1924.

In 1965, for example, the government had approved of about 150
such sectoral planning balances. The State Planning Commission
(Gosplan) of the USSR and Gosplans of the Union Republics were being
made up of 1,600 commodity balances, and the departments for a material
technical supply and sale carried out the distribution of material
values by 10,500 balances.

The basis for material balances, approved by the government,
are being taken as the control figures of long-term plans — that is,
key figures that determine the primary proportions of the national
economy and its rates of development, i.e. the rate of growth of total
product and national income, correlation between accumulation and
consumption; dynamics of structure of social production, volume of
capital investments in a sectoral aspect, and so on.

The current annual material balances, prepared on the basis of
control figures and approved by the government are built up by
aggregated products. In the balances of Gosplan of the USSR, there-
upon in balances of the supply-sale departments, the level of aggre-
gation gradually decreases.
In material national balances of products and equipment, all the main sources available are singled out, on the one hand and all the channels of distribution, on the other.

9. The material balances are the most significant instrument of commodity planning and with it at present a great part of gross national product is being planned. However, equally with the USSR traditional balance methods, the methods of planning of economic proportions by an input-output model is being introduced rather intensively in the USSR. The development of national economy accompanied by a formation of new production sectors and a complication of interindustry economic structure compels to improve the intersectoral connections and methods of planning.

At present the input-output model is used as an auxiliary one, as a checking instrument for testing reality of expert calculations made by USSR traditional methods. Nevertheless, the increasing scale of experimental work for a use of this method give reason to assume that in future the role of an input-output model in a process of national economic planning is to increase rapidly.

The application in planning of a balance interindustry model gives new possibilities in the perfecting of the economic analysis and in an improvement of systems of planning. Following the use of this method, it becomes possible to base the planning calculations on a direct planning of final national product. The determination of the volume and structure of social requirements becomes an initial point of all the system of planning calculations.

A planning based on a utilization of material balances, starts from a determination of the total national product, and next on its base the national income is calculated. The planning of the total product in such a case is not separated from a planning of an intermediate product, making about 60% of the total national product. As
a result, the growth of total product is not always accompanied by a proportional growth of final product and admits a possibility for an irrational increase in the volume of intermediate product.

A system of mathematical equations, underlying a balance input-output model gives some possibilities to concentrate the attention of the planning boards upon the planning of final product and its components: individual and social consumption, capital investments, exports. In this case the volume of consumption of an intermediate and gross national product becomes a functional value.

Having utilized the input-output method, the economic researches are enriched by new methods of the quantitative analysis.

Since an input-output balance is a system of equations, simulating the process of a social reproduction, there are many possibilities for the usage of computers, permitting not only to reduce terms of calculation, but to make some comparisons of various variants of a plan, selecting the most suitable one.

Thus, for example, under making up a planning balance for 1970 the Scientific Research Economic Institute of Gosplan of the USSR had computed over 20 variants of an interindustry balance with over 120 sectors of the national economy. These variants differ one from another mainly by volume and structure of final product.

10. What part does the input-output model take in the balance of national economy? The experience shows that the process of planning of the main synthetic national economic indicators is being improved at a considerable rate with help of an aggregated variant of interindustry balance of production and distribution of products, in which the interindustry relations are submitted in an adequate aggregated form.
An interindustry aggregated balance can be made up with inclusion of 15-20 sectors of material production: industry (separating out 10-15 large sectors), agriculture, construction, transport and communication, trade and other sectors of material production. An aggregated variant of an input-output balance characterizes the general economical nationwide relations. The construction of such a balance gives the opportunity:

a) to tie the balance of national economy, expressed in its traditional form with an input-output balance;

b) to reach all the interrelationships of the main aspects of reproduction, within the framework of one model; that is, to carry out the functions of a combined balance of national economy;

c) to make an analysis and planning of the primary figures of reproduction, including the aggregated input coefficients and coefficients of inverse matrix of materials, labour and production funds;

d) to apply a variant method for planning the figures of reproduction and its interrelationships.

11. The aggregated variants of an interindustry balance and corresponding input coefficients and coefficients of inverse matrix in comparison with developed variants have a number of special features. An aggregation of industries of material production into a large sector provides a great stability of relations between sectors of the material production, that is, stability of input coefficients. The relations between large sectors of material production in this model has rather an economic than technological character. In view of this input coefficients do not undergo any sudden alterations connected with a development of technique.
What is more, the aggregated input-output model simplifies the utilization of the indicators characterized by the input of production means and labour in an economic analysis and planning calculations. The fixed funds-output and labour-output coefficients for aggregated industries are more stable too. And it makes it easier to reach the economic based correlations of volume and sectoral structure of products with a volume and sectoral structure of production funds and labour resources.

Following the unity of synthetic and sectoral figures achieved by application, an aggregated input-output model for the construction of the balance for national economy, some of the partial figures convert into national economic ones. For example, a total metal - and energy - final product coefficients.

By aggregated variants of an input-output balance the whole system of balance national economic calculations gain a new quality: a correlation between almost all the key indicators of reproduction and partial figures of individual sectors is achieved; conformity of natural material and value aspects of reproduction is gained; a possibility is created to calculate variants of a plan balance of the national economy, by changing the various initial parameters.

12. Balance sheets and input-output method could be considered as the national varieties of construction's ways of the state-wide national accounting system. The national peculiarities of building such a system depend on the set of various factors, among which the most important is the quantitative correlation between the forms of ownership. This factor is the most essential element among all which has a direct bearing upon the system of national accounting. The impact of the forms of ownership upon the system of planning is even more apparent in the case of the less developed non-socialist countries, in which private ownership of the means of production continues to be a dominating form and where measures of planned guidance rest upon an insufficiently developed public sector.
The main role of national accounts system consists in helping the public authorities in analysis and formulating economic and fiscal policies. This use of national accounts to exert active public influence on economic development is still of great importance. The abundance of facts organized in an interrelated manner are guides to a study of cause and effect in economic activity. In developing countries where some of the statistical estimates in the accounts are liable to be not as precise as is desirable, the accounts as a whole are nevertheless of guiding value to decision-making in public policy.

The system of national accounts with all its varieties makes possible a continuous systematically interrelated and consistent record of data on the basic economic functions in an economy - production, consumption and accumulation. It provides primarily a quantitative description of the structure and economic activity of a country in a period of time. They become particularly useful when applied in aggregated econometric model building. The consistency of the accounts makes it possible to indicate and forecast economic trends more precisely.