

## Soviet Planning in the North

The Soviet macroeconomic model for centralized planning has been attacked for its inflexibility and the encouragement it gives to inefficiency. From a study of an issue of *Problems of the North*\*, recently published in Canada in translation, one can begin to understand how the replacement of market relations by a vast system of centralized administrative decisions causes a variety of difficulties.

However, many of the problems referred to concerning the Soviet North seem only too distressingly similar to those being encountered in North America, where the ideological basis for frontier development is entirely different. As part of the effort being made to improve general living standards in the North by raising the level of production of consumer goods, it appears the Russians are striving to determine and identify what they refer to as "local optima", that is to establish procedures whereby decentralized decision making can respond efficiently to the need for local differentiation in quality, or even to bring the profit motive into play.

It was decided at the 23rd Congress of the Communist Party of the Soviet Union held in 1966, that over the next ten years there should be a considerable increase in the exploitation of oil and gas reserves and of mineral and forest resources. Obviously, therefore, the importance of the North to the Soviet economy was to increase substantially.

Although the industrial expansion was to be capital intensive, it was expected that there would be a substantial overall growth in the population of the North, and this would have to be complemented by vastly improved living standards and working conditions — in fact, it was recognized that only a strong bias in favour of the North in terms of greatly improved benefits would attract the stable work force required from the developed parts of the U.S.S.R.

Against this background, the bulk of the volume here reviewed is concerned with the questions of industrial complexes in the North, the associated human problems of improving living standards and local services, and the development of consumer-oriented industries.

A number of the authors have suggested that integrated regional organization of production is the most effective way of exploiting

the North's natural and human resources. The development of new industrial complexes in regions such as the Angara-Yenisei and Bratsk-Taishet have to be preceded by a comprehensive technical plan, and is considered to be a long term (20-30 years) process involving the balanced development of production, transportation, service industries and other sub-sectors of the economy.

One of the underlying problems, even in a directed economy, where the "externalities" of the individual component sectors can be assigned a high priority, is to determine the overall economic effectiveness of a regional industrial complex by means of certain well-defined criteria. For example, it is possible with the aid of standard forms of accounting to determine the effectiveness, or return on investment in monetary terms, of a hydro-electric plant, a mine, or a gas or oil production facility; but it is a much more difficult proposition to include in the measure of efficiency such "externalities" as regional settlement policies, employment opportunities for native peoples, and pollution hazards, where the objectives of such policies may have a political or non-commercial importance.

Looking at regional complexes in such a holistic fashion introduces the problem of trying to determine the *relative* effectiveness of various options for industrial development where the formulations of criteria are broad, and therefore infinitely more complex.

Admittedly, the proposed regional development schemes in the Soviet North represent a sophisticated form of industrial organization, potentially yielding great efficiencies of scale. Nevertheless, they represent a relatively new type of social endeavour, even in Western countries and ways of measuring their overall effectiveness have not been perfected. Belorusev asserts in his article that the advantages of regional production complexes may be fully realized only under a socialist planned economy. This is obviously special pleading, partly because of the untested nature of the necessary organizational structures, and also the admitted absence, referred to many times throughout the volume, of proven methods of evaluating alternative strategies for development in the North. In passing, it may be noted that the same kind of broad analytical approach will undoubtedly be necessary to regional development schemes in northern Canada like the James Bay, Churchill River and Mackenzie Valley projects; but with them also it may be safely predicted that an impasse will be reached at the point of trying to assess the relative importance of human considerations. A preview of some of these social problems can be

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obtained from even a cursory examination of the concerns expressed throughout the volume here reviewed.

As already mentioned, substantial population growth in the Soviet North is felt to be a *sine qua non* of "successful" development. However, as Lavrushina points out in her article, the rate of growth of population in the European North of the U.S.S.R. appears to be slowing down, as it only increased by about 17% to a total of 3.9 million people in the eleven-year period ending 1970, while during the previous twenty-year census period 1939-59, the population showed a sharp increase of 51%.

Because adequate labour resources are vital to the development of the Soviet North, it is a matter of critical importance for Soviet planners to devise means of attracting workers to it, and of keeping them there. Tax rebates, and wages which, in Murmansk for example, are 85% higher than the national average, clearly are not sufficient to offset the inherent problems of severe climate, absence of social services, and isolation, although they may be helpful in meeting some material needs. Ignatiev and other authors describe elaborate methods of calculating regional indices of standards of living, based on such factors as salaries, special requirements for clothing and housing, and climatic differences.

But problems arise in applying these incentives nationally, and fairly, because of the ineffective calculation of the criteria through

bureaucratic inefficiency. The result is that present-day levels of salaries and social benefits in the Soviet North still do not provide a standard of living equal to that possible in the central regions of the country. To give one example: it is a planning requirement that there shall be an average of ten square metres of living space per person for the country as a whole (it is in fact well under that figure), but 11-12 square metres in the northern regions. In reality, the average space in the North is reported to be less than seven square metres. One cannot help observing that the many examples of quantitative analysis of human problems contained in the volume here reviewed often amount to an expensive, overly complex, way of demonstrating the obvious.

This volume of *Problems of the North* is an interesting summary of a set of issues facing Soviet planners in the North. The main issue appears to be a failure to attract the badly-needed, stable work force for the large-scale developments planned. A secondary issue is the necessity to provide in the North, a supply of consumer goods and services above the national average, without disrupting the country's other social investment priorities. It is not evident from a reading of the present volume, that these critical development problems are really on their way to being solved.

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