

Doing it the Soviet way

MOSCOW — To understand why industry in the Soviet Union can't produce efficiently, consider the following amazing story I heard about the nation's largest nail factory.

Central planners in Moscow ordered the plant to increase production of nails by another 60 tons. Plant managers scratched their heads. They couldn't get any new machinery or find more workers. Then they hit on a brilliant idea. All production was switched to the largest size finishing nails. Output by weight went up. But for a year, smaller nails were unfindable in the USSR.

The Central planning ministry was swamped by letters from angry consumers. So it ordered the plant to produce 20% more nails, but by the millions, not by weight. That'll shown them, said the Moscow bureaucrats.

Once again the crafty plant managers got together and devised a brilliant response. They made only the tiniest nails, which can be pumped out very quickly. The target was met and plant employees got their bonuses. For the next year, only tiny nails were available across the USSR.

This, in a nutshell, is the problem of centrally planned production. Mikhail Gorbachev has more or less ordered an end to planning from Moscow. From now on, Soviet industry is to produce what it feels the market will bear. Exceptions are key heavy products—steel, coal, chemicals and power.

Sounds good and makes a lot of sense—from a distance. Up close, however, Soviet plant managers are going to have a devil of a time trying to use freer market ways in what is still a primitive, wartime economy.

For example: The Red Banner shampoo plant in Omsk decides it will follow Gorby's advice. How many bottles to produce? There's no reliable market data available. Well, says director Golubkovitch, there's a big shortage, so let's double production and see what happens. So purchasing is told to double its orders for raw materials.

But Plant No. 117 in Tomsk says, "sorry, we can't ship you any more detergent because we don't have any and can't get any more."

The glue factory in lovely downtown Slobodskoye writes back that it is out of stock on label glue

Punch



"We've polluted the air and water. Now our employees won't live here, so we're moving our headquarters to another country."

**ERIC
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because resins are not coming in from a plant in Nagorno-Karabakh which is closed by political unrest. This is typical.

But let's suppose by a Marxist miracle that the people in Omsk did somehow manage to produce five million bottles of shampoo. How do they get it to market? There are no trucks available. Rail space to Moscow and Leningrad has been all booked up for the past 18 months. And there's no storage space available in the cities.

GUM department store in Moscow wires back and says it would love to have 500,000 cases but it has no place to store the shampoo in the store. And in rushes Lubkin, the plant's harried accountant. "Wait," he cries, waving a handful of papers, "how are we going to finance production of so much shampoo? Do you think rubles grow on birch trees?"

Good question. To buy components, you have to pay suppliers. Thanks to Gorby's reforms, they now want cash.

"But GUM won't pay us for at least a year," moans the good Lubkin. "We'll go to the bank in Omsk and ask for a loan," posits the hard-driving Golubkovitch. Off they go to Omsk and into the plush office of V.K. Filipovitch, director general of the state-run Bank of Omsk.

"Da, da, a brilliant plan," replies Filipovitch, "but we don't have any spare cash to loan. Our headquarters in Moscow is after the Central Bank but they are short on funds ... I'm sorry, the answer is nyet."

On the way home, foreman Rudenkov has a brainstorm. "My cousin Igor lives in Cleveland. Let's sell shampoo through him in the United States for dollars. We'll call it Vitali Sassonski. Then we can buy everything we need from the West!" All stop for rounds of vodka to toast the superb Rudenkov.

Igor wires back. "Great. How much per case?" Hmmm ... ah ... well ... the problem is that nobody in Omsk can figure out the true costs of the product. After lots of meetings, a price is sent off.

"Outrageous," replies cousin Igor, "that's more than Head and Shoulders."

A new, rock-bottom price is devised, but once again the steady Lubkin vetoes it, having figured out on his abacus that the plant will go bankrupt in 11.3 months. To top it all off, cousin Igor wires that a sample of the new shampoo ate through the plastic bottle. Clearly, the imperialist western market is not ready for Omsk shampoo.

"Write Gorby and ask his help," suggests worker Razimov.

"Nyet, nyet," mutters Golubkovitch. "He used to use our shampoo. Better not remind him."