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MORE POWER TO THE SOVIETS?
THE POTI EXPERIMENT AND CHANGES IN CITY GOVERNMENT

Darrell Slider
Professor of International Studies
University of South Florida

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The chief emphasis of Soviet legislation on urban administration in recent years has been to expand the rights and responsibilities of city governments in planning and coordinating economic activities taking place within their territory. Very little has been done, however, to enhance the power of city soviets so that they might actually carry out these new responsibilities.¹ The same problems that historically have plagued local soviets continue to undermine their capabilities. Chief among these are inadequate funds, inadequate staff, insufficient power relative to ministries, and insufficient influence over local enterprises.

Inadequate Funds. The revenue sources for local governments are modest and are not easily augmented. On the expenditure side, budgetary commitments are extensive and preclude significant shifts in priorities. Local budgets in the Soviet Union are derived from several forms of income. In the postwar period, there has been a definite shift away from local income sources to centrally allocated ones.² In 1981, only 27.2 percent of the budget of local soviets--a category that includes not just cities, but all soviets below the republic level--came directly from local sources. Of these, the largest single source, averaging 35 percent of the total, is the turnover tax. The other major source of income, averaging 22 percent of the total, consists of payments from the profits of local enterprises. The bulk of these payments comes from enterprises directly subordinate to the local soviet. Most of these enterprises are involved in consumer goods production and consumer services. Only about 3.5 percent of the total comes from local enterprises subordinate to a republic ministry.³ All-union enterprises pay nothing directly to the local budget. The remaining two-thirds of the total budget is funded by transfers from higher-level budgets.⁴

The budget of the local soviet pays for over 85 percent of all health care costs, over half the cost of primary and secondary education, and over 95 percent of the cost of communal services. The link between necessary expenditures and income is sufficiently tight that few discretionary funds are available to the city soviet. Often cities must turn to the republic government for loans or subsidies in order to eliminate budget deficits.⁵ Indicative of the lack of discretionary funds was a recent proposal by two economists to permit private contributions for the construction of cultural or sports facilities. Such funds, it is argued, could be used by local soviets to finance projects that they otherwise could not afford.⁶

Inadequate Staff. The expanded role of city government in such areas as planning and monitoring the activities of local enterprises makes additional demands on the functional departments of the executive committee of the city soviet (the *gorispolkom*). Neither the size nor expertise of the *gorispolkom* staff in most cities is sufficient to carry out the roles assigned to it. Often the size of the staff has remained the same for the last 30 years.⁷ It is not within the power of local soviets to make such staff changes on their own. Higher-level financial authorities must approve any expansion, and they are usually opposed to such requests. Certain *gorispolkom* departments, including labor, administration, internal affairs, and finance, are not even funded out of the local budget, but are listed in the republic-level budget. Responsible authorities at the republic level determine the size and structure of departments in each city.⁸ Another problem is the quality of local government administrators and specialists. There are few incentives to attract highly trained employees for the local soviet apparatus. Skilled workers at enterprises are better paid and have more opportunities for fringe

benefits.

Insufficient Power Relative to Ministries. In most decisions concerning enterprises that are subordinate to all-union or republic-level ministries, the local soviet has little influence.⁹ With the brief exception of Khrushchev's *sovnarkhoz* (regional economic council) reform, the branch principle of economic management has been dominant ever since the beginning of Stalin's industrialization drive. The most powerful actors are the ministries located in Moscow or in republic capitals. A large percentage of the money invested in the construction of housing, cultural facilities, and the urban infrastructure, is not part of the budget of the local soviet. Instead, these facilities are financed by funds allocated to enterprises for these purposes by the ministries. In the mid-1970s, ministries paid for and supervised the construction of 70 percent of all housing and 65 percent of all new kindergartens and nurseries.¹⁰ The interests of the ministries are much narrower than those of local officials--a fact that is repeatedly a cause for complaint in the Soviet press.

The working out of production plans is another area where local soviets are supposed to have some input because resource needs--land, labor, raw materials--can have a major impact on the urban environment. Ministries are supposed to take into account the opinion of local officials and gain their assent, but in fact no mechanism for overcoming disagreements has been established, and ministerial priorities usually prevail.¹¹

Insufficient Influence over Local Enterprises. Even on questions that are decided by plant directors the city soviet has little influence. The ability to coordinate decisions at the territorial level, assuming that such coordination takes place at all, rests with the city party committee (the

gor'kom). The *gor'kom* has the power to help enterprises with problems that arise in connection with their production goals, and both party leaders and enterprise managers have an interest in improving economic performance. As Jerry Hough has noted, the party is "one of the few authoritative bodies that can easily engage in the trading of favors."¹² The *gorispolkom*, by contrast, lacks both the ability to help and a shared interest in enterprise performance. This is especially true in relation to republic and all-union enterprises, which contribute little or nothing to the city budget. City governments sometimes succeed in getting enterprises to participate in joint construction projects, but these efforts often encounter problems, and the legal basis for transferring funds to the local soviet has not been clearly established.¹³

Efforts to Enhance the Power of Local Soviets

A persistent goal in the development of urban administration in the Soviet Union has been to institutionalize coordination functions by designating the city soviet as the "single client" (*edinyi zakazchik*) for all construction within city limits. Funds would continue to flow through the ministries, but the city would be in a position to coordinate projects, institute urban planning, and conclude contracts with construction organizations. Though first announced as a goal in 1957 and reemphasized in 1971 and 1978, the single client system is far from being fully implemented.¹⁴ Cities where the system is reportedly working well include Tallinn, Donetsk, Saratov, Cheboksary, Murmansk, and Yaroslavl. Major Soviet cities such as Moscow, Leningrad, and Kiev have also instituted comprehensive city planning.¹⁵ Problems elsewhere include not just the resistance of ministries

intent on retaining control over their own construction, but also significant delays caused by the need to get new projects approved by many different levels of the bureaucracy.¹⁶

The Orel "continuous planning" method represents a widely publicized attempt to enhance the power of the city soviet in this direction. Begun in 1971 in the city of Orel, the experiment designates the *gorispolkom* as the single client for housing and other civil construction, regardless of the source of the construction funds. The Orel method also involves changing the time-frame for planning construction from one year to two years in order to reduce the tendency to rush to complete projects at the end of the year. The effect of these measures is to consolidate the process of planning, ordering, and supervising construction in the hands of the local soviet. Though frequently endorsed at high levels, including a 1974 Central Committee resolution, the Orel method spread slowly and has not overcome the opposition of powerful ministries.¹⁷

Although 300 cities once claimed to be using the new method, in 1982 two of the leading experts on the Orel system contended that it was actually being applied in only 20 cities. The major portion of the blame apparently lies with Gosplan (State Planning Commission) and Gosstroï (State Construction Committee), neither of which made the necessary changes in the planning process for housing and civil construction. Another problem is that *gorispolkom* department staffs have not been increased to cope with the new work load.¹⁸ Even in Orel, the system has faltered. One report found a severe decline in housing construction by the city soviet in recent years as ministries pushed their enterprises to resume construction "with their own forces." By paying higher wages, enterprises were able to hire skilled

workers from the city construction organization for their own projects.¹⁹

The most recent effort to expand the single client system seeks to solve some of these problems by invoking a higher level of political authority than the city soviet. The apparent intent of this measure is to shift the responsibility for implementing the new system to officials who are in a better position to bargain with recalcitrant ministries. An experiment was scheduled to begin in 1986, limited at first to two regions--the republic of Estonia and Kemerovo province in the Russian republic. The experiment requires ministries to turn over all funds and materials intended for the construction of housing, communal or cultural facilities to the republic government, or, in the case of Kemerovo, the province government. In turn, these resources will be transferred to the local soviets. Not all ministries will be required to follow this procedure. Military-industrial plants tend to be exempt from such experiments.²⁰

There have also been efforts to strengthen the connection between enterprise activities and the funds available to local soviets. The Riga soviet, for example, has adopted a policy in which enterprises have to pay the *ispolkom* 15,000 rubles in capital investment funds for each additional worker they add to their labor force. This is intended to cover the cost of the expansion in city services required by additional workers.²¹

A more general measure to improve the budgetary situation took the form of a 1981 joint resolution of the Central Committee, the Council of Ministers and the Supreme Soviet. One change included in the resolution involved transfers of enterprises to local or republic jurisdiction to coincide with the level of the population they were serving. Thus, some all-union enterprises would be transferred to the republics, and enterprises serving

purely local needs would be transferred to local jurisdiction. In this way, part of the profits they generate would contribute directly to the budget at the appropriate level, and the local soviet would have a financial interest in increasing profits. In practice, however, a 1985 report indicated that "this process is proceeding extremely slowly and not everywhere."²² The consolidation of enterprises into associations has hindered the process by reducing the number of units serving purely local needs.²³

The Poti Experiment

The most important attempt to redress the imbalance between the power of ministries and local soviets is the experiment being conducted in the Georgian city of Poti. Poti is a port city on the Black Sea with a population of about 50,000. Its size has remained relatively constant for the past 20 years--a fact which has been attributed to poor housing and inadequate city services. Two-thirds of the housing of the city described as consisting of one and a half story structures "without conveniences," meaning that they lack indoor plumbing.²⁴

The problems endemic to urban administration in the Soviet Union have been felt acutely in Poti. Within its boundaries Poti has approximately 70 enterprises under the jurisdiction of 30 different ministries and departments.²⁵ The city party leader, Bakur Gulua, has complained that ministries "take from the city territory, housing space, a labor force and give almost nothing in return. Is this fair? ... The city soviet, legally in charge of the city, in fact acts as a supplicant, does not have the rights or opportunities to influence the economy in the territory under its control."²⁶ In 1981 local party and state officials worked out proposals for an experiment

that would redefine institutional arrangements at the local level and enhance the role of the city government in economic matters.²⁷ These proposals were apparently prepared prior to the Central Committee resolution on city soviets issued in March 1981.²⁸ A decision of the Georgian Central Committee and Council of Ministers provided the legal basis for the experiment in September, and it began in October 1981.²⁹

The first organizational changes were tentative and modest in scope. A "department for the coordination and management of economic and cultural construction" was added to the apparatus of the city *ispolkom*.³⁰ In April 1982, the Georgian Council of Ministers approved an expansion of the experiment by authorizing the creation of a new, self-supporting institution (*khozraschetnoe*) under the Poti *ispolkom* and the republic division of Gosplan, named the "Territorial Inter-branch Association" or TMO (*territorial'no-mezhotraslevoe ob'edinenie*). A statute governing the role of the TMO was worked out by local officials and approved by appropriate republic-level agencies, including the Ministry of Justice.³¹

The head of the Poti TMO, Victor Tikhov, was involved from the beginning in working out the statute. He was also named first deputy chairman of the *ispolkom*--a post usually reserved for the chairman of the city planning commission. A native of Poti, Tikhov has an engineering background and served briefly as director of one of the city's largest plants.³² He directs a staff of 37 drawn from the *ispolkom* apparatus and from managerial personnel of local enterprises.³³ This represents a significant expansion of the *ispolkom* staff for a city the size of Poti.

The goals of the experiment are ambitious. The city party first secretary has described the Poti TMO as a "local Council of Ministers" that

provides extensive interbranch management and coordination.³⁴ Local officials have outlined two basic purposes for the experiment. The first goal, and the dominant one at present, is to increase the productive potential of city enterprises. Statistics on the growth of industrial production seem to indicate that this result is being achieved. The first three years of the experiment, from 1982 through 1984, saw a 32.1 percent increase in the volume of industrial output in Poti, compared to a growth rate of 15.2 percent in the republic as a whole. Labor productivity in Poti increased 30.8 percent over this period, compared to 10.7 percent in the rest of Georgia.³⁵ The second goal of the experiment is to finance civic improvements and upgrade city services. A leading Soviet economist, L. I. Abalkin, has argued that the logic of the Poti experiment will eventually permit improvements in health care, education, and recreational facilities, though very little has been accomplished in these areas.³⁶

The principal mechanism for achieving these goals is a central fund administered by the TMO that by the end of the first year amounted to some 400,000 rubles. Most of this money was used to increase the production capacity of city enterprises concerned with consumer goods, through expansion, reconstruction, or retooling.³⁷ In some cases, the central fund paid for improvements that otherwise would not have been possible. The director of a local bread factory, for example, was able to construct a new oven for baking Georgian bread and added facilities to make confectionery products despite what he termed "modest financial circumstances. ... What kind of bank would give me a loan for this? On my own I couldn't prove the need to widen the assortment of products for ten years."³⁸ Some TMO funds have also been allocated for building sewers, paving roads, and improving housing

conditions.³⁹

Enhanced revenue sources allow the Poti TMO to create the central fund. The TMO receives some funds that normally go to the local soviet, including 50 percent of the amount enterprises pay the city for water. The most important source, however, is profits earned by city enterprises under the jurisdiction of republic-level ministries, including union-republic ministries. The TMO takes from these enterprises 10 percent of planned profit and 50 percent of above-plan profit, most of which used to flow into the budget of the republic.⁴⁰ This allows the TMO to tap new budgetary sources in a way that has been repeatedly recommended by Soviet financial experts, who argue that it would provide local soviets with a direct interest in the economic performance of a broader range of enterprises in their jurisdiction.⁴¹ The overall effect of these new funds on the budget of the city of Poti has been substantial. In the first three years of the experiment, according to the Georgian minister of finance, the city budget increased by 94.2 percent.⁴²

The Poti TMO plays an important role in local economic coordination among enterprises. A key problem facing Soviet enterprise managers is the shortage of supplies needed to fulfill their production assignments. "Taut planning" virtually insures this as planners raise targets without guaranteeing increased supplies. Materials needed by one enterprise are often produced or held in reserve by a neighboring enterprise. Because they are subordinate to different hierarchical branches, however, horizontal contacts between enterprises are difficult, and illegal, if they result in the exchange of materials outside of the state supply system. Typically, the party organization at the local level steps in to facilitate such contacts at the request of managers, and legal problems are effectively circumvented.⁴³

In the Poti experiment, the TMO has created a department for material-technical supply equipped with an emergency "06" telephone number, which deals with breakdowns in supplies, energy, or transport. The department has the ability to shift resources from one enterprise to another on a city-wide basis. To make this process more effective, the TMO has taken the additional step of building its own "interbranch universal warehouse" which will replace smaller branch warehouses and supply depots. This portends a major shift in the entire supply system and gives TMO officials an unprecedented role in keeping track of and maneuvering resources.⁴⁴

The legal problems connected with this role expansion took some time to work out. In one case, a Poti plant was sued by the Georgian State Committee for Material-Technical Supply (Gossnab) when, as instructed by the TMO, it sold 111 tons of metal to another enterprise.⁴⁵ Several proposals were made, including one by a department head of the Georgian division of Gosplan, to give the TMO the legal right to shift resources from enterprise to enterprise.⁴⁶

A special emphasis in the work of the TMO has been placed on expanding the production of consumer goods. Local soviets face serious limitations in this area because of the centralized resource allocation system, which has always given low priority to the consumer goods sector.⁴⁷ One way around this problem is to take advantage of the widespread waste of raw materials by enterprises. The state supply agency (Gossnab) and branch ministries have shown little interest in such efforts and have not provided the coordination needed to reallocate these items.⁴⁸ The Poti TMO surveyed local plants and factories on the materials they discard and compiled a catalog of over 500 items. Next, the TMO sponsored a sociological survey of the local population

to determine which products were in short supply. The results were used to guide production decisions on consumer goods by local enterprises. Discarded materials were used to avoid the problem of requesting reallocation of supplies from above. Among the items produced in this fashion were door knobs, shovels, children's clothing, and containers for transporting bottles. The value of such production before the experiment was only 48,000 rubles. By the end of 1985, the value of consumer goods produced from discarded materials was expected to reach 700,000 rubles.⁴⁹ Overall, it was reported in 1985 that the per capita production of consumer goods in Poti was twice the republic average.⁵⁰ In some cases, the TMO has constructed its own production facilities to process discarded materials and provide needed items. One enterprise was built to produce soft drinks and tea concentrate from materials normally discarded by the local tea industry. Above-plan profits from this plant are all contributed to the TMO.

The Poti experiment has also brought about changes in the structure and process of planning at the city level. The city planning commission is typically a part of the *ispolkom*, subject to "dual subordination" to both the local soviet and the planning organ at the next higher level. In Poti, beginning in 1984, the planning commission was merged with the TMO, and the head of the TMO was also designated the chairman of the planning commission. The staff assigned to planning matters is much larger and better trained than the planning commissions of other soviets. It is therefore in a better position to examine the production and social development plans of local enterprises and to propose adjustments based on the city's needs and resources.⁵²

All-Union Enterprises and the Experiment

The principal obstacle to the full realization of the powers of the Poti TMO in the first four years of the experiment was the refusal of the five all-union enterprises in Poti to participate. Together, these enterprises produce 63 percent of the industrial output of the city.⁵³ None of these plants, however, contributed to the central funds of the association until April 1983, when a deputy minister of finance in Moscow instructed the all-union enterprises to give 10 percent of their economic incentive funds, which depend directly on enterprise profits, to the association.⁵⁴ Prior to this, the all-union enterprises were willing to participate only as beneficiaries of the services of the TMO.⁵⁵ These enterprises still, however, did not contribute an equivalent share of their profits to the association. The effect of this was to lower substantially the capacity of the TMO to expand its central funds because all-union enterprises tend to be the most profitable enterprises in a given city. Furthermore, decisions of the TMO were not binding on all-union enterprises except in regard to questions subject to the approval of the local soviet in existing legislation.

Managers of the all-union enterprises appeared to be skeptical that the experiment would bring significant advantages to their plants. The director of one such enterprise, the Poti hydromechanical plant, contributed an article to a series devoted to the experiment in the republic newspaper. He described the problems facing his enterprise and stated that "we are striving to root out all these shortcomings ourselves." The plant director made it clear that his enterprise's major contribution to the TMO would be to serve as an example for others. He was decidedly unenthusiastic about joint efforts.⁵⁶

One possible explanation for the reluctance of all-union enterprises to participate actively in the experiment is the realization that they would get fewer benefits at higher cost than other types of enterprises. All-union enterprises, by the nature of their output, encounter supply problems of a different magnitude than other enterprises in Poti. Their needs cannot be met simply by shifting resources within the city. Rather, distant suppliers must be persuaded, cajoled, or pressured into making deliveries. Despite its new powers, the TMO is not in a good position to perform this role because its authority is too constrained by the localized nature of its influence.

Thus, the first stage of the Poti experiment expanded the power of the local soviet without significantly encroaching on the prerogatives of the all-union ministries. The second stage began in 1985 with a Council of Ministers resolution on the experiment. The resolution called on ministries with enterprises in Poti to "render the necessary assistance" for the operation of the TMO. All-union enterprises were, according to the wording of the resolution, "allowed" to be included in the TMO if their ministries agreed.⁵⁷ Shortly thereafter, the head of the TMO, Viktor Tikhov, was reported to be in Moscow seeking the participation of enterprises subordinate to the Ministry of Electrotechnical Industry (Minelektrotekhprom) and the Ministry of Road-Building and Municipal Equipment (Minstroydormash).⁵⁸ First Secretary Eduard Shevardnadze reported at about the same time that agreements had been concluded with many ministries, and that "the ice has begun to break."⁵⁹

The 1985 Council of Ministers resolution on the Poti experiment also affected the power of all-union ministries involved in housing construction and the construction of other social or cultural facilities. At the request

of the Georgian Council of Ministers, a second experiment was to be conducted in Poti that would make the *gorispolkom* the recipient of all capital investment and resources for the construction of such facilities. The Georgian Council of Ministers and Gosplan were assigned the task of defining the rules for conducting this experiment in order "to guarantee the elimination of parallelism and duplication in the work of associations and branch organs of management."⁶⁰

Implications of the Poti Experiment for the Role of the Party

The experiment in Poti implies a significant change in the role of the city party organization. The TMO takes on many of the functions of economic coordination and trouble-shooting that are traditionally central to the role of local party organs. The Poti party first secretary, Bakur Gulua, was quoted in *Pravda* as saying that the party committee "does not waste time on solving current bottlenecks in the city's industrial production; we have the opportunity to focus attention on party-organizational and party-political work."⁶¹ Instead of devoting most of its efforts toward managing the economy, the party committee "directs the people who manage the economy."⁶² In another article he contended that the experiment has brought about:

a fundamental restructuring of the style and methods of work of the city committee. ... Freed from deciding the stream of petty day-to-day questions, the city party organization shifts the center of gravity of its work to the selection, distribution, and training of cadres, checking and verifying implementation, studying and generalizing progressive experience, strengthening party, state and labor discipline, and improving ideological and political-educational work. Now responsible officials of the apparatus of the city committee pay more attention to the primary party organizations, appear more often in collectives, and render them practical assistance in organizational and political work.⁶³

The precise impact of the Poti experiment on the role of the party is

impossible to determine from published accounts of the experiment. It should be noted that past administrative changes at the national level have been accompanied by similar claims of a change in the nature of party work that proved to be unfounded.⁶⁴ In the Poti example, however, such claims have a certain logic in that an institution with its own resources and expertise has been assigned to perform certain party functions. It could be argued that the TMO is in a better position to perform this role than the party, at least for local enterprises. Party coordination tends to be rather passive. It responds to requests and is called on to solve problems and settle disputes.⁶⁵ On the other hand, the TMO has direct responsibilities in planning and in expanding facilities that allow it to play a more active role in coordinating local interests.

Party officials, especially the Poti party leader Gulua, have played a crucial role in organizing the experiment and overseeing its operation. Gulua has also been quite active in propagandizing the experiment, both within and outside Georgia. Born in 1947, Gulua is a construction engineer by training and was previously first secretary of the Gali *raikom* in Abkhazia. He was transferred from this post to the position of deputy chairman of the Abkhaz Supreme Soviet in 1978--a time of serious ethnic unrest in Abkhazia.⁶⁶ Shortly thereafter, he was transferred to a post outside the republic and then returned to become Poti's first secretary.⁶⁷

Endorsements of the Experiment

The Poti experiment has received considerable national attention, from both the press and top party and state officials. According to one source, "authoritative commissions of the CPSU Central Committee, the USSR Council of

Ministers and the USSR Supreme Soviet have familiarized themselves with the specific features of this experiment."⁶⁸ As one might expect, the most enthusiastic supporter of the experiment has been the Georgian republic first secretary, Shevardnadze. At the CPSU Central Committee plenum held in June 1983, Shevardnadze claimed that Georgia was "close to an optimal variant for managing the economy in the conditions of a city."⁶⁹ It is also apparent that Shevardnadze was able to elicit considerable support for the experiment from the top party leadership in Moscow and the Central Committee Secretariat. Noting at the June plenum that experiments often founder because they deviate from established procedures, Shevardnadze stated that "if it were not for the support of Central Committee secretaries and Yuri Vladimirovich Andropov personally, the Poti experiment would not have the proper scope and long-range outlook."⁷⁰

In September 1983 the Central Committee secretary responsible for economic affairs, N. I. Ryzhkov, made a two-day visit to Georgia that included a trip to Poti. He reportedly "gave positive marks to this experiment, taking note of the need to spread it further."⁷¹ Three months later, a Central Committee resolution appeared "on the work of the Central Committee of the Communist Party of Georgia in improving the system of management, increasing the level of economic work, and the rational use of resources." The resolution, later described by Shevardnadze as a "Central Committee Secretariat decision," gave a prominent place to the Poti experiment and instructed the Georgian Central Committee and Council of Ministers to "direct their efforts toward further developing forms of interaction between branch and territorial management organs with the active participation of USSR ministries and departments."⁷²

General Secretary Mikhail Gorbachev has also given special attention to developments in Georgia. Between 1978 and 1984, he made three officially reported visits to Georgia--a number equalled only by his visits to his home province of Stavropol'.⁷³ Shevardnadze reported in 1985 that Gorbachev had examined the Poti experiment in detail during an inspection tour and noted at the time that it "demands constant attention, study, generalization, and then widespread dissemination." Later, according to Shevardnadze, Gorbachev made repeated inquiries about the course of the experiment.⁷⁴

The most significant endorsement of the Poti experiment in the form of a Council of Ministers resolution followed Gorbachev's rise to the position of party general secretary. Adopted in May 1985, the resolution was not published at that time, but a lengthy summary appeared in the Georgian press.⁷⁵ As discussed earlier, the resolution expanded the experiment into a new phase by encouraging the participation of enterprises with all-union status. This increased the size of the centralized funds available to the association. The resolution also took steps to deal with apparent staffing problems at the Poti TMO. According to Shevardnadze, association employees earn approximately 40 percent less than they would in industry.⁷⁶ New incentives were adopted to provide bonuses to the TMO staff based on any increase by local industry in the ratio of consumer goods output to the size of the wage fund.

Diffusion of the Poti Experiment

Within Georgia itself, considerable experimentation along the lines of the Poti model has occurred, though in most cases these efforts were less ambitious. The first such experiment, also mentioned in the 1983 Central

Committee resolution on Georgia, began in late 1982 in the Zavod ("plant") district of Tbilisi. This district is highly industrialized and is responsible for 23 percent of the city's industrial output.⁷⁷ In some ways, the Zavod district experiment resembles the earliest stage of the Poti experiment. A Council for Socioeconomic Development was created as an expanded version of the district planning commission. The latter previously had a staff of two, whereas the new council has a staff of 20, most of whom were transferred from local enterprises.⁷⁸ Unlike the Poti TMO, the new unit is not economically self-supporting and has few financial resources. It also does not comprise several key sectors of the local economy, including transport, construction, and the service sector.⁷⁹ Thus the powers of the Zavod district council are considerably more limited than those of the Poti association. It is, however, able to play a role in coordinating industrial operations in the district. For example, it surveys enterprises to determine the existence of excess supplies and acts as an intermediary to arrange the sale of such items to district plants that need them. As in the Poti experiment, the legal basis for this role remains uncertain.⁸⁰ The implications of the Zavod variant for the role of the party seem less significant. According to the head of the Zavod district council, "in the long term we'll probably be able to relieve the district party committee of current economic problems ... but so far we can't do without its day-to-day assistance."⁸¹

The Zavod variant has been chosen as the model for Tbilisi as a whole. In 1983 Tbilisi authorities created a council and interbranch management agency under the control of the city planning commission. Three districts, including Zavod, were to be brought into the new system and later the entire

city would be incorporated into the new system. The new agency appears to be limited in its functions. It gathers information from enterprises for planning economic and social development, consumer goods production, housing construction, and the use of resources, and it supervises these activities.⁸² Procedures for acquiring funds that would allow the experimental agency to play a more active role were still "being clarified" in September 1984.⁸³

In August 1984, the Georgian party leadership decreed that such units should be created throughout the republic. The Bureau of the Georgian Communist Party ordered all provincial and city party committees "to develop creatively the principles of the [Poti and Zavod] experiments, to create in a planned way analogous mechanisms of regional management of economic and social development, to concentrate attention on deciding the most significant problems, and to expand the role and responsibility of party and soviet organs for implementing measures designed to improve further the economic mechanism."⁸⁴ Specific proposals for experiments in Georgia's three largest cities after Tbilisi--Kutaisi, Rustavi, and Sukhumi--were approved by the Bureau in the following months.⁸⁵

Kutaisi seems to have come closest to duplicating the Poti experiment. It has created an Economic Planning Administration subordinate to the local city government and the republic Gosplan. Significant revenue sources are available to the new agency, including up to 50 percent of above-plan profit and a portion of enterprise investment and incentive funds. The administration has also been given a stronger voice in economic planning. No ministry can alter the plan of a Kutaisi enterprise without the consent of the new agency, though this apparently applies only to republic ministries.⁸⁶

The dissemination of the experiment elsewhere in Georgia has encountered

some complications. For many cities, primary economic activities are devoted to food processing and other agricultural endeavors. These enterprises are already part of interbranch associations--*raion* agro-industrial associations, or RAPOs. Shevardnadze, in his last major speech before becoming foreign minister, argued that the status of such enterprises should not be changed and that it would not be advisable to set up interbranch associations in these cities.⁸⁷

The Poti experiment has drawn considerable interest from city officials all over the Soviet Union. By late 1984, 115 delegations from 66 cities had visited Poti to learn more about the experiment.⁸⁸ As of November 1985, however, no city outside Georgia had adopted a Poti-type experiment. The experiment has had some impact at the national level as expressed in an August 1984 Council of Ministers resolution, "On strengthening the dependence between the size of incomes of local budgets and the work effectiveness of associations, enterprises and organizations situated on the territory of corresponding soviets of people's deputies."⁸⁹ This resolution expands the resource base available to local soviets by requiring all-union and republic enterprises to contribute up to 10 percent of their profits earned from the sale of consumer goods. Thus there would be a direct connection between this aspect of economic performance and the financial interests of local soviets.

The Ministry of Finance was ordered to conduct an experiment along these lines in a few provinces beginning in 1985. The first such experiments began in Georgia, Estonia, and parts of the Ukraine and the Russian republic. The Ministry of Finance apparently has not been an eager supporter of these experiments, however. An analysis that appeared in the organ of the ministry predicted "significant difficulties" with the new approach. The article

warned of huge budget surpluses in some cities that would reduce the interest of soviets in other revenue sources, such as the turnover tax. It also predicted greater budgetary instability as ministries alter plans in midcourse, thus affecting the profitability of enterprises. Finally, there were warnings of increased paperwork and a decline in the all-union budget.⁹⁰

The Poti experiment has wide-ranging implications for both the relationship between branch and territorial management and the role of the local party organs. Adoption on a broad scale would portend a major shift in power in the direction of city soviets and a weakening of ministerial authority over their enterprises. It would reduce direct party involvement in industrial management. Such changes, if accompanied by decentralization of economic decisionmaking to enterprises, would constitute a direct assault on ministerial prerogatives and on the central planning and supply system. As a result, significant opposition can be expected and has already manifested itself in Georgia despite clear signals that the republic party leadership expects the system to be introduced on a broad scale. Its fate under General Secretary Gorbachev will serve as an important test of the new leadership's commitment to reform and a restructuring of the economy.

Notes

1. For an overview of developments in this area, see Ronald J. Hill, "The Development of Soviet Local Government Since Stalin's Death," in Everett M. Jacobs, ed., *Soviet Local Politics and Government* (George Allen & Unwin: London, 1983), pp. 18-33.
2. William Taubman, *Governing Soviet Cities: Bureaucratic Politics and Urban Development in the USSR* (Praeger: New York, 1973), p. 39.
3. The practice of transferring some profits from these enterprises began in 1971, but has been widely adopted only in the Ukraine. *Finansy SSSR*, no. 4 (1985), p. 51.
4. See G. B. Poliak in *Sovetskoe gosudarstvo i pravo*, no. 2 (1985), pp. 53-55; and no. 2 (1979), p. 56.
5. *Sovetskoe gosudarstvo i pravo*, no. 2 (1979), pp. 53-54.
6. *Sovetskaia Rossiia*, April 12, 1985.
7. See, for example, *Pravda*, October 17, 1983.
8. *Sovetskoe gosudarstvo i pravo*, no. 2 (1985), p. 51.
9. On this question, see Taubman, *Governing Soviet Cities*.
10. Henry Morton, "The Contemporary Soviet City," in Henry W. Morton and Robert C. Stuart, eds., *The Contemporary Soviet City* (M. E. Sharpe: New York, 1984), p. 16.
11. I. Sigov, "Sochetanie otraslevogo i territorial'nogo upravleniia," *Voprosy ekonomiki*, no. 9 (1984), p. 28.
12. Jerry F. Hough, *The Soviet Prefects: The Local Party Organs in Industrial Decision-Making* (Harvard University Press: Cambridge, 1969), p. 230.
13. V. A. Perttsik, *Realizatsiia zakonodatel'stva mestnymi sovetami*, (Moscow, 1985), pp. 37, 48-49.
14. Morton, "The Contemporary Soviet City," p. 17.
15. *Kommunist*, no. 2 (1985), p. 23.
16. See, for example, *Khoziaistvo i pravo*, no. 4 (1985), pp. 62-63.
17. Henry W. Morton, "Local Soviets and the Attempt to Rationalize the Delivery of Urban Services: The Case of Housing," in Jacobs, ed., *Soviet Local Politics and Government*, pp. 191-196.

18. *Sovetskaia Rossiia*, August 29, 1982.
19. *Sovety narodnykh deputatov*, no. 6 (1984), p. 30.
20. *Izvestiia*, March 20, 1985; and *Kommunist Estonii*, no. 11 (1984), p. 52. An earlier discussion of the experiment appeared in *Pravda*, January 18, 1982.
21. *Kommunist sovetskoi Latvii*, no. 3 (1984), pp. 30-31.
22. *Finansy SSSR*, no. 4 (1985), p. 52.
23. Perttsik, *Realizatsiia zakonodatel'stva*, pp. 44-45.
24. *Literaturnaia gazeta*, May 11, 1983; and *Khoziaistvo i pravo*, no. 8 (1983), p. 56.
25. *Sovety narodnykh deputatov*, no. 11 (1983), p. 30.
26. *Literaturnaia gazeta*, May 11, 1983.
27. The inspiration for the experiment came from agriculture. The Abasha experiment in Georgia involved similar organizational changes to improve the coordinating role of local soviets.
28. *Izvestiia*, October 5, 1983; and *Sovety narodnykh deputatov*, no. 11 (1983), p. 31.
29. *Zaria vostoka*, September 4, 1982; and *Khoziaistvo i pravo*, no. 8 (1983), p. 56.
30. *Sovety narodnykh deputatov*, no. 11 (1983), pp. 30-31.
31. *Khoziaistvo i pravo*, no. 8 (1983), p. 59; and *Sotsialisticheskaia industriia*, April 29, 1983.
32. *Literaturnaia gazeta*, May 11, 1983; and *Khoziaistvo i pravo*, no. 8 (1983), p. 58.
33. *Sovety narodnykh deputatov*, no. 11 (1983), p. 32.
34. *Izvestiia*, October 5, 1983.
35. *Kommunist Gruzii*, no. 3 (1985), p. 52; and *Zaria vostoka*, February 7, 1985, February 4, 1984, and January 30, 1983.
36. *Sovetskaia Rossiia*, April 1, 1983.
37. *Sovety narodnykh deputatov*, no. 11 (1983), pp. 32-33.
38. *Sotsialisticheskaia industriia*, April 29, 1983.

39. *Sovety narodnykh deputatov*, no. 11 (1983), p. 35.
40. *Khoziaistvo i pravo*, no. 8 (1983), pp. 56-57.
41. See, for example, *Sovetskoe gosudarstvo i pravo*, no. 3 (1984), p. 12; no. 2 (1985), p. 57-59; and no. 6 (1985), p. 33.
42. *Zaria vostoka*, July 13, 1985.
43. See Hough, *The Soviet Prefects*, pp. 214-234.
44. *Sovety narodnykh deputatov*, no. 11 (1983), pp. 34-35; and *Sotsialisticheskii trud*, no. 7 (1984), p. 86.
45. *Khoziaistvo i pravo*, no. 8 (1983), p. 60.
46. *Zaria vostoka*, April 21, 1983; and *Ekonomicheskaiia gazeta*, no. 13 (1984).
47. For an analysis of this problem, see David T. Cattell, "Local Government and the Provision of Consumer Goods and Services," in Jacobs, ed., *Soviet Local Politics and Government*, pp. 172-185.
48. See the Central Committee resolution on this question published in *Izvestiia*, December 8, 1984.
49. *Sovety narodnykh deputatov*, no. 11 (1983), p. 33; *Sovetskaia torgovlia*, no. 8 (1984), p. 9; and *Zaria vostoka*, February 1, 1984, and June 21, 1985.
50. *Izvestiia*, June 24, 1985.
51. *Zaria vostoka*, March 15, 1983.
52. *Kommunist Gruzii*, no. 3 (1985), pp. 48-49; and *Zaria vostoka*, July 18, 1985.
53. *Izvestiia*, October 5, 1983.
54. *Sotsialisticheskaiia industriia*, April 29, 1983.
55. *Literaturnaia gazeta*, May 11, 1983; and *Sotsialisticheskii trud*, no. 7 (1984), p. 86.
56. *Zaria vostoka*, December 26, 1982.
57. *Zaria vostoka*, May 24, 1985.
58. *Zaria vostoka*, June 21, 1985.
59. *Zaria vostoka*, June 29, 1985.

60. *Zaria vostoka*, May 24, 1985, and June 29, 1985.
61. *Pravda*, February 18, 1983.
62. *Kommunist Gruzii*, no. 3 (1985), p. 51.
63. *Zaria vostoka*, July 22, 1983.
64. See Hough, *The Soviet Prefects*, pp. 221-224.
65. Hough, *The Soviet Prefects*, pp. 249-251.
66. For a discussion of these events, see Darrell Slider, "Crisis and Response in Soviet Nationality Policy: The Case of Abkhazia," *Central Asian Survey* (forthcoming).
67. *Izvestiia*, February 3, 1985; and *Arkhiv samizdata*, no. 5233, p. 13.
68. *Kommunist Gruzii*, no. 3 (1985), p. 48.
69. *Plenum Tsentral'nogo Komiteta KPSS. 14-15 i iunia 1983 goda. Stenograficheskii otchet* (Moscow, 1983), p. 63.
70. *Plenum Tsentral'nogo Komiteta KPSS*, p. 64.
71. *Zaria vostoka*, September 24, 1983.
72. *Pravda*, December 25, 1983; and *Zaria vostoka*, May 21, 1985.
73. See the relevant editions of *Appearances of Soviet Leaders* (U.S. Government Printing Office: Washington, D.C.).
74. *Zaria vostoka*, June 29, 1985.
75. *Zaria vostoka*, May 24, 1985.
76. *Zaria vostoka*, June 29, 1985.
77. *Zaria vostoka*, April 13, 1984.
78. *Moscow News*, no. 16 (1984), p. 12.
79. *Kommunist Gruzii*, no. 2 (1984), pp. 66 and 70; and *Zaria vostoka*, April 13, 1984.
80. *Kommunist Gruzii*, no. 2 (1984), pp. 63-64.
81. *Moscow News*, no. 16 (1984), p. 12.
82. *Zaria vostoka*, August 2, 1983.
83. *Zaria vostoka*, September 12, 1984.

84. *Zaria vostoka*, August 23, 1984.
85. *Zaria vostoka*, September 14, 1984, October 18, 1984, and November 1, 1984.
86. *Zaria vostoka*, August 3, 1984.
87. *Zaria vostoka*, June 29, 1985.
88. *Kommunisti*, November 14, 1984, from Joint Publications Research Service, April 26, 1985.
89. *Sobranie postanovlenii pravitel'stva SSSR*, no. 30 (1984), pp. 550-552.
90. L.A. Sherstneva, "Rol' finansov v povyshenii ekonomicheskoi zainteresovannosti mestnykh sovetov," *Finansy SSSR*, no. 4 (1985), pp. 49-52.