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Planning the production of consumer goods

By

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I. Planning of Consumer Goods Production

Improvement of welfare of the working people--is an objective prerequisite of increase of production goods for consumption.

Under socialism the volumes of production of goods both for personal and public consumption of population are fully subordinated to the demands of the main economic law of socialism--that is to satisfy fully constantly increase needs of members of our society.

With development of socialist production and improvement of public relations the needs of population are constantly increasing and improving.

The rapid growth of production as a whole and in sectors which produce goods for consumption, guarantees constant increase of living facilities aimed at satisfying needs of the working people.

Scientific and technical progress foresees creation of new goods for consumption, including complicated machines, articles of artificial and synthetic textile plastics, etc.

Production based on new achievements of scientific and technology, organized on the principles of dividing labour as much as possible, requires great number of means and objects of labour for them to take part in the process of production. All this stipulates that an increase of capital goods outrun an increase of consumer goods. But finally the total production is submitted to personal and public consumption of the members of society.

The society is able to plan public production to satisfy material and cultural needs of the people. A person during his life chooses concrete article for consumption taking into consideration his needs, habits, tastes. Living traditions, national traits, culture, climate influence consumption. The said subjective peculiarities of need and consumption which become more and more different, the production must take into consideration. While planning the volume and structure of consumption it is also necessary to take into account that we deal with indicators of joint consumption by millions of families

The great increase of public production during the state authority in the USSR gave a possibility to realize progressive changes in the level and structure of consumer goods. It can be illustrated by the following:

	1913	1950	1960	1970	1973
Meat and fat	29	26	40	43	54
Fish and fish products	6,7	7,0	9,9	15,4	36,1
Milk, milk products	15,4	172	240	307	354
Sugar	8,1	11,6	28,0	38,8	40,8

Now the reached level of consumption of foodstuffs in the USSR already satisfies the quantity of calories which is necessary for compensation of energetic expenditure connected with labour and life of a person.

American scientists Bronson and Leverin in their reports to the US Congress had to admit the fact that the Soviet people use as many calories as Americans, and the structure of food of the Soviet people is constantly improving.

The consumption of industrial goods is greatly increased too. If to compare with the period before the war 1940, the consumption of cotton textile increased twice in the USSR, wool textile--3 times, and silk--20 times. Only for the last 23 years the consumption of watches increased by 6,2 times, radio-sets-8 times.

The constant rate of consumption of foodstuffs and industrial products in the Soviet society constantly comes to such position when consumption of foodstuffs will be on the level of scientific-biological norms of feeding, and satisfaction of people with clothes and domestic goods will reach definite sizes in accordance with calculations of scientific institutions.

The high standard of Soviet people living constant increase of needs determine the scale and structure of goods production and also methods and practice of production planning.

2. Planning of Structure of Industrial Production

For planning production of consumer goods it is not enough to have only indicators of structure of industrial production, as sectors of industry, as a rule can't be fully referred to the capital goods or to production of consumer goods. At present every sector of industry has a target to guarantee maximum participation of enterprises in the output of consumer goods.

With due account of economic designation the volume of industrial production of all sectors in the planning in the practice in the USSR is divided into 2 parts: capital goods--group "A" and consumer goods--group "B".

While working out development plans of industrial production one must foresee the optimum correlation of production of group A and group B taking into account specific targets of a given stage of society development.

Central Statistical Agency of the USSR. It is necessary to point out that the volume of products output of group B is not an addressed assignment. This indicator is used first of all for analysis of planning and report proportions between production and consumption levels of people's welfare commodity turnover and other economic indicators that characterise development of economy as a whole.

Inter-relations and conditions of such indicators can be illustrated on the example:

	rate of growth in %	
	1970 as against 1965	1973 as against 1970
Output of products		
Gr. B	150	120
Production of national income	145	120
Volume of retail commodity turnover	148	119

As seen from the indicators at present in the USSR rates of development production of group B are very closer to the total rate of national income of the state and retail commodity turnover. It is a new tendency, as in the first five-year plan, rate of production of group B was much lower than total.

The procedure of distribution of industrial production group A and group B is determined by methodological directives and work of national economic plans. To group A belongs production in sectors of material production. Inside group A means of labour and objects of labour are pointed out. To Objects of labour belong products of light and food industry which go to further industrial process. To group B belongs production that goes for personal consumption and for use in public establishments in non-production sphere, including means of transport, equipment of public enterprise, medical equipment, tool, etc.

With a view of unity of belonging such production to a group on the basis of estimates of balance for all levels and designs planning exist united norms of distribution of production between groups A and B. For example, to group B belongs 15% of generated power, petrol 13%, 9% gas, 11% coal, 46% cotton textile, 50% sugar, 27% oil. Share of production that belongs to group A and B which is not given in the list is determined by plan and statistics bodies in the places, in Republics taking into account concrete conditions of distribution of product.

Fixed norms of referring some production to group A or B if it is required can be changed by the Gosplan and rates of development. The volume of ~~XX~~ production of group B is estimated at wholesale prices. The economic contents of production of group B can't be equal to the cost of produced consumer goods at wholesale prices. That's why in additional estimates it's necessary to fix the cost of articles of industry which serves for realization to population through all canals of trade both for personal consumption and for use through public funds.

The said estimates of market funds are made at wholesale and retail prices. Estimates of market funds are used to balance production of group B with such most important indicators, as actual incomes of population, retail commodity turnover and others. It is clearly seen, that on the high levels of planning the total cost of consumer goods can't be given, as it will take too much time. At the same time to have only the total cost of the mass goods means lack of details in their main structure. Great progress in this structure can be seen from the following diagram.

Output of Products of Group B in Dynamics

	1965	1970	1975
Total volume of production group "B" including:			
1. Production of light industry of which:	26,4	28,8	27,3
textiles	3,5	2,9	2,9
ready-made clothes	12,8	14,7	13,6
knitted wear	2,5	3,3	3,2
2. foodstuffs of which:	54,6	48,6	46,0
bread and flour	7,5	5,8	5,3
meat and sausages	9,5	10,1	10,2
fish	2,4	2,3	2,0
3. Production of sectors of heavy industry of non-production sphere for consumption	19,0	22,6	26,7
4. Cultural-domestic goods (from the total volume of Gr. "B")	10,7	13,3	14,8

The said indicators show structural change in production, especially in the structure of foodstuffs, increasing of goods for domestic use.

For planning directions of development of different parts of joint volume of consumer goods it is desirable to divide their cost into the following groups:

- I. Production of light industry including:
 - ready-made textiles of all kinds
 - leather shoes
 - knitted clothes
 - sewing clothes
 - extile haberdashery
 - leather haberdashery
 - fur, fur articles
- II. Production of foodstuffs including:
 - flour output
 - bread and breadbaking output
 - meat and meat products
 - milk and milk products
 - sugar
 - confectionary
 - tobacco
- III. Goods of cultural-domestic nomination.

Apart from the total cost we plan production of the most important goods in physical terms. For instance, production of refrigerators, television-sets, washing machines, bicycles, motorcycles, watches and etc. The number of items of goods of this group is determined by the USSR Gosplan (approximately 70 articles).

- IV. Production of cars.
- V. Production of printing industry which is not included in the group.
- VI. Production of domestic service for population (fuel, building, materials).

Distribution of total cost volumes of production of goods for population among the groups gives possibility to see in detail reasonable proportions in the plan, and allows to determine the volumes of industrial production of goods in connection with raw materials for their production received in agriculture and other sectors of industry. Along with this it allows to determine possibilities of retail commodity turnover plan.

But additional estimates are necessary for that, for retail commodity turnover is determined at retail prices but not at wholesale prices and estimated according to goods supply.

The most important planning and estimate indicator that characterises production of consumer goods is the volume of production of important goods in their physical terms. The specific peculiarity of production of consumer goods is an existence of large groups of goods on the top level of planning. The reason is not to deprive establishments of initiative in the production in natural structure, and for trade organizations to give possibility of goods orders in wide assortment, taking into account concrete needs of customers. So, for instance, plans foresee production of clothes, furniture, chemicals, plastic articles, and others only at the total sum in each group. Concrete nomenclature of goods in items and in definite quantities is established by enterprise-manufacture, keeping in mind agreements with trade organizations. For this there is a system of preliminary orders of trade organization, for example, fairs and so on.

Indicators of production goods in physical terms characterise dynamics of their output and change in the structure of consumption.

Development of production of the most important goods in the USSR is characterised by the following indicators:

Description	Unit of measure	1950	1970	1974*
textile, cotton	million m ²	2745	6152	6619
textile silk	" "	106	1196	1412
knitted clothes	million pieces	197	1230	1386
leather footwear	million pairs	203	679	684
synthetic-washing means	t.	816	1912	1802(1973)
Cars	pieces thousands	64,5	344	1119
watches, domestic	million pieces	7,6	40,2	50,6
radio-sets	thousand pieces	1072	7815	8753
TV-sets	" "	11,9	6682	6570
refrigerators	" "	1,2	4140	5442
sugar, fine	million tons	2,5	10,2	10,7(1973)
meat	thousand tons	1556	7144	9357
butter	" "	336	963	1260
oil	" "	819	2677	3431

*) preliminary data

Along with natural indicators of goods production in the same sectors or economic groups, "other production" has a great importance in monetary terms. It plays an important role in planning of production of domestic goods, in the production of goods of small establishments of local subordination. So in the volume of production of cultural goods in the country the goods of other group takes more than 25%. In monetary terms it is 7 billion roubles at wholesale prices.

Planning of this group products is worked out on the places depending on local needs. On the top level of planning the whole mass of such goods is estimated and is planned at cost price.

3. The Main Principles of Planning of Production Volumes of Consumer Goods.

a) To satisfy as much as possible constantly increasing needs of population for a given period of planning is the main principle of determination of their quantity. How do we determine this need? Science gives answer to it by determining the rates of consumption of all goods: foodstuffs and industrial goods.

Rational rates of consumption of foodstuffs are determined by psychological needs of population. At present every year the following average rates of consumption per capita are used in our science and practice.

a) <u>main foodstuffs</u>		(b) <u>non-foodstuffs</u>	
meat	- 82 k	textile of all	
fish, fish products	- 18 k	kinds	- 44 sq.m.
milk, milk products	- 934 k	knit	- " "
eggs	- 222 p	stocking, socks	- 8,3 p
sugar	- 37 k	leather shoes	- 5 p
vegetables	- 146 k		
potatoes	- 97 k		
bread products	- 120		

The said norms are determined with due account to climate conditions of different regions of the Soviet Union. As for foodstuffs the main task is to maintain reached general level of calorific value of feeding increasing of protein of animal origin and shortening consumption of bread and potatoes.

The rates of consumption of the most important durable goods per one family are also worked out. They are made with due account to the time of their normal service. These are examples of such rates: watches of all kinds 6,7 p., radio-sets--1,4 p., T.V. sets-1,25 p. refrigerators- 1,1 p.

The said rates are approximate in long term and five-year planning, they allow to determine necessary proportions between different sectors of industry that produce consumer goods and also between industry and agriculture. With

development of society, changes of living conditions, mastering of output of new goods, norms of consumption are being corrected. In annual plans it is necessary to take into account their possible volumes of production with gradual approaching the level of consumption foreseen by scientific norms.

2) Balancing of envisaged volumes of good production:

- a) production and processing of agricultural materials that are the main factor of all foodstuffs and clothes, shoes, etc.
- b) production of raw materials for their further use in production of goods (special metal industry, synthetic resin, fibre, products of main chemistry)
- c) planned capital investments and capacities of construction enterprises to create new capacities, and also preparation of machines and other instruments of labour for production of consumer goods. Observation of principles of balance causes necessity of working out a number of estimates and selection of the most optimum ones.

3) Constant expansion of varieties of goods and improvement of quality of goods, creation of new samples of higher superiorities with use of new materials. All this causes the necessity to connect the plan^{on} goods produce with the plan of scientific works and use of achievements of science and technology.

With a view of improving quality of goods and increasing their assortment in accordance with the customers needs, in the USSR a whole system of arrangements is being worked out that is included in the five-year plans and annual plans. The most important of them are:

- a) certification of goods quality and appropriation to the best goods the mark of quality for their appearance, decoration. These goods are pointed out in the plans;
- b) number of new goods for consumption (number of kinds) that must be remastered during the planning period. (five years, year).

c) number of goods (number of kinds) that must be taken off production because of being old, not high quality. With a view of stimulation of improving goods quality, plans foresee additional expenditures connected with increasing expenses in the production of new articles, including increase sizes of funds of material incentives of the working people. Planning rate of production goods for consumption is based on use of corresponding methods, which will allow to estimate needs of population and possibilities of their satisfaction.

4) Methods of working out the plans of consumer goods.

Elaboration of plan production of goods for consumptions must be based on studying the scales and possibilities of consumption, to begin with studying the needs of population. The boundaries of needs, as we have already cleared out, go beyond scientific rates of consumption. But applying to annual and even to five-year plans a number of goods does not coincide with these rates by different objective reasons. Besides, these rates are not constant in all historic times, the indicators envelope limited range of articles, especially in non-foodstuffs. That's why in practice of planning work estimates of necessary volumes of production goods for consumption in five-year and in annual plans are based on demands of trade organizations with due account to constant achievement of scientific rates of consumption.

Concrete needs of population in goods are studied in trade organizations by methods of surveys, interrogatories, data on sizes of sales and stock of goods.

Preliminarily, trade organizations before starting to work over the plan offer demands to planning bodies, each on its level. They offer desirable volumes of goods supply in items and in definite quantities.

The next stage in specification of trade organizations needs is the sum of wholesale organizations with due account to republican and in inter-republican wholesale fairs for practically all groups of non-foodstuffs (textiles, clothes,

domestic goods, etc.). Taking into account these demands and their analysis the planning organs estimate desirable volume of production.

Determination of possibilities of production of consumer goods is based on the analysis of availability and actual use of capacities for production of goods. The maximum full loading of enterprises is being studied too by means of increasing replaceability of equipment, operation existence of personnel replacement of obsolete equipment and removal of other reasons that can cause unfull use of enterprise capacities.

With account of corresponding arrangements possibilities of production goods on given capacities are determined. Then on the basis of making up and analysis of capacities balance the necessity of their additional increasing is determined to maximum satisfaction on demands of trade organizations for concrete production in the planned period. Along with this completion of already begun construction is taken into account, and also reconstruction of working enterprises.

The volumes of products output depends not only on availability and expansion of production capacities. Materials, raw material, power resources, manpower are necessary. Therefore simultaneously with the process of determination of needed capacities for production of goods there is a coordination of possible planned provision of production with material resources.

The most important part of this process is coordination of plans for production of consumer goods with the plan of agriculture. For instance, for output of yarn and textiles with production and state procurement of raw cotton for output of sugar with production and procurements of sugar beet and for output of oil with resources of oil seeds. After revealing the sizes of material-technical resources which can be used for production of consumer goods within a concrete period of time, the analysis of possibilities of the most efficient use

is being done due to elimination of all losses and search for possibilities of output inter-replaceable goods. After thorough work on determination of different alternatives of the plan, the best, most optimum one is chosen both for use of production capacities and resources of raw materials and basic materials.

Concrete estimates on the basis of balance of production capacities are being done on the top level of planning only for a limited number of goods, for the estimates can not cover multi-thousand classification of goods. That's why, as stated in the plans, the production of many goods is foreseen only by their groups, and concrete nomenclature of goods is determined by direct relations of an agreement between the manufacturing enterprise and trade base, or shop-customer.

The enterprises of local industry plan an important role in the production of consumer goods. Planning of material-technical supply of many thousand items of goods is a complicated thing. As direct estimate of recourses on the top level of planning causes difficulties, there is a necessity to create, enlarged norms of the most important types of raw materials and materials per 1 million roubles of production. Such work in the Gosplan is carried out with the help of computers. In determination of the most optimum scale of production of consumer goods which are not planned centralized, a great role belongs to local planning bodies.

Determination of people's needs in many simple goods can be done more exactly in site. It is also easy to determine possibilities of their production with due account to existing capacities of both specialized and non-specialized enterprises. According to estimates and recommendations of local planning bodies one can form optimum place in a regional aspect. It is very important under conditions of comprehensive planning of development of large regional industrial complexes. Methods need technique of making up

the plans of production of consumer goods require different economic and engineering knowledge, deep inter-relation of different planning subdivisions. That's why all departments of the Gosplan practically take care of this problem. Below is given an illustration of coordination of departments in the Gosplan for making up the plans of production of consumer goods.

After talks with the departments of the A.R.E. Ministry of Planning we can suggest the following proposals for organization of planning of consumer goods production in the A.R.E.

1. To determine more rational proportions between capital goods and consumer goods to make estimates of volumes of industrial production by economic designation (Group "A" and "B").

For this purpose:

(a) it would be reasonable for the Institute of Planning to determine for the ARE conditions a share of production that goes to non-production consumption including consumption by population;

(b) on the basis of these indicators to make estimates of total production by economic trends

Existence of the cost indicator of produced consumer goods will promote the planning and regulation of internal trade and its provision with commodity resources with a priority of national industry.

2. Taking into account that the total mass of goods for people in its physical form requires different production conditions, different size and composition of capital, different material resources--it would be reasonable to group all the goods in four economic groups:

- (a) good:roof food industry;
- (b) goods of light industry
- (c) durable good and cultural-domestic goods;
- (d) goods of construction-technical designation.

For each group of goods to determine a list of planned nomenclature of goods and unit of measure to use them in all the levels of planning.

4. It is necessary to strengthen the planning with the personnel and to have specialists in each above mentioned group in the Central department.
 5. It is necessary to improve the work on analyzing and planning of working enterprises, especially with respect to full use of existing production capacities.
 6. To stimulate development of small private and cooperative industry it would be including in the plans of creation of state industrial grounds, equipped in an engineering aspect to use them as lease with the state to minor owners, or cooperatives at construction of small industrial enterprises for production of consumer goods.
 7. For detailed study of small and handicraft industry, it is necessary to work out a programme and to carry on single census of enterprises, by foreseeing therein materials required for plan estimates.
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D I A G R A M
of interrelations of the USSR Gosplan Departments at
elaboration of plans of consumer goods production



