

Administrative Shakeup in Industry and Construction: The 1957–1965 “Sovnarkhoz” Reform in the Estonian SSR*

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After Stalin’s death in 1953 attempts were made in the Soviet Union to eliminate the influence of Stalin and his government’s repressive measures on political, social, cultural and economic life. Nikita Khrushchev, in the course of the liberalisation of economic policy, initiated a reform for improvement of industrial and construction management in 1957. Through the decentralisation of the management system of the most important economic sector of the Soviet Union – industry – Khrushchev expected to overcome industrial stagnation and achieve economic growth. In the republics, too, there were great expectations that reform providing them with greater decision-making power would create new opportunities for regional economic development and improve the people’s quality of life. The cultural transformation resulting from Khrushchev’s liberalisation has been explored thoroughly in Estonian literature,¹ but it cannot be said that there has been a systematic literature review of economic transformation.

This article attempts to fill the gap and discusses the implementation and evolution of the industrial management reform in the Estonian SSR (ESSR) from 1957–1965. The changes in management and planning, the influence of organisational changes on industrial development and problems in the process of implementing the reform will be examined on the basis of archival documents, legal acts, memoirs, interviews and relevant literature.

Ideology and nature of the reform

The year 1957 saw a reorganisation of the administration of industry and construction in the USSR that has been called the *sovnarkhoz* (“Sovet Narodnogo Khozaistva”, Council of the National Economy) reform. It was primarily economic factors which made this restructuring necessary. The rapid increase in production volume, particularly heavy industry (soviet capital goods industry) production, prescribed in the sixth five-year plan (1956–1960) adopted at the 20th Congress of the Communist Party of the Soviet Union (CPSU) had never materialised. It was therefore imperative to find new mechanisms to boost economic growth and prove to the rest of the world that the USSR could achieve the goal laid down by the 20th Congress: to rapidly catch up with the developed western countries in *per capita* production. Stalin’s death had steered economic thought in a new direction, thus serving as a catalyst for the reform. An understanding had been reached that the widespread use of

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1 See Olaf Kuuli: Diskussioon eesti kultuuripärandist Hruštšovi “sula ajal” [Discussion on the Estonian cultural heritage during the “thaw” under Khrushchev], in: Kleio. Ajaloo ajakiri (1995), No. 4, pp. 29-39; Olaf Kuuli: Sula ja hallad Eesti NSV-s. Kultuuripoliitikast aastail 1953–1969 [Thaws and frosts in the Estonian SSR. On cultural policy in the years 1953–1969], Tallinn 2002.

prison labour was inefficient and had to be abolished; that resources, natural and otherwise, could be put to more productive use to jumpstart the economy; that the excessive red tape crippling effective management should be reduced; that the individual republics' right of decision-making on economic matters needed to be expanded in order to encourage an active utilisation of local resources.

The basic idea behind the reform – creating regional bodies vested with the rights and authority to engage in planning and managing local economies – was raised in the discussions at the December 1956 CPSU Central Committee plenum. In his monograph Yegor Demichev, a leading scholar of the reform, describes it as a brainchild of a collective think tank rather than of Nikita S. Khrushchev.² Khrushchev, however, expanded on the idea and listed its main points in the theses approved at the February 1957 CPSU Central Committee plenum and the subsequent public discussion.

On 7 May 1957 the discussion on the overhaul of industrial management was continued by the Supreme Soviet of the Soviet Union. Speaking about the goals of the reform, Khrushchev described the Soviet economy as a unified complex, and called for a strong focus by the republics' industry and construction administrations on the industrial sectors which were considered essential from the economic perspective of the whole state.³ He also cautioned about the possible effect of a shift of managerial functions from central authorities to local structures, which might lead to favouring local interests to the detriment of all-union goals, and even to plans to develop self-sufficient economies. Khrushchev branded this as localism, and called for a ruthless fight against this tendency.⁴ The ideological foundation of the Soviet economy was to remain intact: preferential development of heavy industry as a prerequisite for the rapid growth of the national economy and a steady increase in public welfare and prosperity. Khrushchev stressed the urgency of an unwavering adherence to this course of development in both short- and long-term plans.⁵ Thus, the Soviet leaders were ready for radical organisational changes, but maintained a conservative attitude towards the rules of the economic development.

The Supreme Soviet session was adjourned on 10 May with the adoption of the Act “On Future Improvements in the Management Organisation of Industry and Construction”⁶ which outlined the new management model. The law abolished the branch ministry system and replaced it with the territorial management principle. New bodies were established to supervise local industrial and construction management: *sovnarkhozy*⁷ governed by the

2 Egor V. Demichev: *Reforma upravleniia promyshlennost'iu i stroitel'stvom 1957–1965 gg. v kontekste spetsifiki otechestvennoi istorii* [The reform of management of industry and construction in the years of 1957–1965 in the specific context of national history], Moscow 2011, p. 131.

3 Nikita S. Hruštšov: *Tööstuse ja ehitustegevuse juhtimise organiseerimise edasisest täiustamisest. Ettekanne NSV Liidu Ülemnõukogu seitsmendal istungjärgul 7. mail 1957* [The further improvements of the organization of management on industry and construction. Presentation to the seventh session of the USSR Supreme Soviet on the 7th May 1957], Tallinn 1957, p. 55.

4 *Ibidem*, p. 55.

5 *Ibidem*, p. 63.

6 *Direktivy KPSS i sovetskogo pravitel'stva po khoziaistvennym voprosam, t. 4: 1953–1957 gody* [Directives of the CPSU and the Soviet government on economic issues, vol. 4: 1953–1957], Moscow 1958, pp. 784–805.

7 *Sovnarkhozy* were hardly a new phenomenon. They were initially created during the era of War

republics’ councils of ministers. The act brought about the demise of 10 all-union and 15 union-republic ministries, transferring their subordinate enterprises to the jurisdiction of *sovnarkhozy* in the respective economic administrative regions. *Sovnarkhozy* were vested with the obligation to co-ordinate their work with the respective republics’ governments as well as the State Planning Committee of the Soviet Union (Gosplan) and republic planning committees, finance ministries, and State Bank (Gosbank).

The central all-union ministries that survived were those of the aviation industry, radio industry, defence industry, shipbuilding industry, energy, and chemical industry. These ministries engaged in production planning and control of their subordinate enterprises located in the economic administrative regions.

The State Economic Commission of the Council of Ministers of the USSR was abolished and its functions transferred to the Gosplan responsible for centralised planning and interregional co-ordination. The deadline for industrial reorganisation was set for 1 July 1957. This reform was the first serious attempt to remove some of the major sources of inefficiency in the Stalinist management and planning system.⁸

The implementation of the 10 May Act launched a process during which ministries were abolished, *sovnarkhozy* were established, and industry and construction enterprises were transferred to the jurisdiction of *sovnarkhozy*, or local soviets. *Sovnarkhozy* had already been operating in economic administrative regions for several months when, on 26 September 1957, the USSR Council of Ministers belatedly approved the *sovnarkhoz* statutes⁹ stipulating their rights, obligations, responsibility and functions. Until then there had been no clear understanding of their purpose, perceptions ranging from the new institutions being local representatives of the central government to their acting as republican administrative bodies.¹⁰ In a situation in which the competence and authority of *sovnarkhoz* remained exclusive, even the Communist Party was undecided and wary of exerting any pressure.¹¹

The implementation of the “sovnarkhoz” reform in the Estonian SSR

Mimicking the proceedings all over the vast Soviet Union, Khrushchev’s theses inspired a public discussion in the ESSR. The theses were discussed at trade union and party meetings; opinions were voiced in newspapers. The Estonian Communist Party (ECP) Central Committee fifth plenum discussed and approved the theses on 27 April 1957. They decided to form a *sovnarkhoz* for the administration of industry and construction in the ESSR (with

Communism and existed until the early 1930s, supervising the light (soviet consumer goods) and food industries.

8 Joseph S. Berliner: Planning and Management, in: Abram Bergson, Herbert S. Levine (Eds.): The Soviet Economy: Toward the Year 2000, London 1984, pp. 350–390, here: p. 353.

9 See Polozhenie o sovete narodnogo khozaistva ekonomicheskogo administrativnogo raiona [Statutes on a Council of the Regional National Economy], in: Sobranie postanovlenii pravitel’stva SSSR [Collection of the USSR government regulations] 1957, No. 12, art. 121.

10 Demichev, Reforma (see note 2), p. 166.

11 Memorandum by Mr Hutching, Second Secretary of the British Embassy Moscow, 19 February 1958, in: National Archives United Kingdom (NAUK), Foreign Office (FO) 371, ref 135300, N 564, N 1102/6.

the exception of small enterprises supervised by local soviets, and co-operative industries). The ECP Central Committee and the ESSR Council of Ministers were told to work out reorganisation proposals and prepare the structure of the *sovnarkhoz*.¹² A commission was formed of high-ranking party and government figures: Valter Klausson (First Deputy Chairman of the ESSR Council of Ministers), Ernst Ristimägi (Secretary of the ECP Central Committee), Albert Vendelin (Deputy Chairman of the ESSR Council of Ministers), Aleksander Hromov (Chairman of the ESSR Planning Commission), Karl Vaino (Head of the Department of Industry and Transport of the ECP Central Committee), and Arnold Veimer (Deputy Chairman of the ESSR Planning Commission). The commission was asked to work out proposals for the *sovnarkhoz* reform in the ESSR. The final proposals¹³ were formulated based on the provisions of the 10 May Act and submitted for approval to the CPSU Central Committee and subsequently to the ESSR Supreme Soviet to be adopted as a law.

These proposals differed considerably from the commission's initial idea¹⁴ which retained the ministry as the principal form of local industrial management. Based on the republic's industrial structure, the plan envisaged the formation of seven large republic ministries to replace the all-union ministries that had been abolished, plus a union-republic agency responsible for the supply of materials and technologies. It was deemed practical to extend the economic area beyond the republic's administrative borders to embrace the city of Ivangorod that was economically closely linked with the city of Narva anyway.¹⁵ This scheme stemmed from the decision of the 1957 February plenum of the CPSU Central Committee which sanctioned the transfer of managerial duties from all-union industrial ministries to the republics, approved the territorial principle of administration, and acknowledged the need to develop new forms of management, although it failed to specify any of them.

After discussions, the ESSR Supreme Soviet on 7 June 1957 adopted the Act "On Further Improvement of the Administration of Industry and Construction in the Estonian SSR"¹⁶. The law stipulated the creation of an economic area equivalent to the administrative territory of the ESSR, where industry and construction would be supervised by a local *sovnarkhoz* subordinate to the ESSR Council of Ministers. Acting within its competence, the *sovnarkhoz* had the right to issue decrees and resolutions based on and aimed at abidance by the laws of the ESSR and the USSR. The reform deadline was 1 July 1957, by which date the seven

12 Postanovlenie V plenuma TsK EKP [Regulation of the 5th plenum of the ECP CC], 27 April 1957, in: Eesti Riigiarhiivi Filiaal (ERAF), f 1, n 4, s 2036, l 5-7.

13 See Predlozhenie ob obrazovanii Soveta narodnogo Khoziaistva Estonskoi SSR [Proposal for the establishment of the Council of the National Economy (CNE) of the ESSR], [undated], in: Eesti Riigiarhiiv (ERA), f R-1, n 17, s 1354, l 185-196.

14 Predlozhenie komissii o reorganizatsii upravleniia promyshlennost'ju i stroitel'stvom [Commission's proposal for reorganization of the management of industry and construction], [Mach 1957], in: ERA, f R-1, n 17, s 1354, l 136-140.

15 Ivangorod (Jaanilinn) was incorporated into the RSFSR early in 1945 when the administrative borders of the ESSR were changed.

16 Seadus tööstuse ja ehitustegevuse juhtimise organiseerimise edasisest täiustamisest Eesti NSV-s [Act "The further improvements of the organization of management on industry and construction of the Estonian ESSR"], in: Eesti NSV Ülemnõukogu neljanda koosseisu viies istungjärg 6.-7. juunil 1957 [Fifth Session of the Supreme Soviet of the ESSR 6-7 June 1957. Fourth Convocation], Tallinn 1957, pp. 95-97.

union-republic ministries of the ESSR (Forest Industry, Urban and Rural Construction, Light Industry [soviet consumer goods industry], Meat and Dairy Industry [Food Products Industry, Construction Materials Industry, and Fishing Industry] and two republic ministries [Public Utilities and Local Economic Affairs, and Oil Shale and Chemical Industries]) were to have been abolished and their enterprises and organisations handed over to the *sovnarkhoz* or local soviets in agreement with a list approved by the ESSR Council of Ministers.

An act passed by the ESSR Supreme Soviet on 7 June 1957 appointed former Deputy Chairman of the ESSR Planning Commission Arnold Veimer as Chairman of the *Sovnarkhoz* of the ESSR and as Deputy Chairman of the ESSR Council of Ministers; Albert Vendelin was appointed First Deputy Chairman of the *Sovnarkhoz* and Minister of the ESSR; Karl Vaino and Vladimir Kāo were appointed Deputy Chairmen of the *Sovnarkhoz* and Ministers of the ESSR.¹⁷ Furthermore, Vladimir Kāo was appointed head of the *Sovnarkhoz* arts council formed in August 1957. The chairman of the *Sovnarkhoz* was also a member of the ECP Central Committee. The *sovnarkhoz* had its own party organisation to supervise its work and inform the ECP Central Committee of any shortcomings.

The structure of the ESSR *Sovnarkhoz* consisted of the central apparatus and individual administrations of the industrial sectors. The central apparatus had 14 subunits: management; inspectorate directly supervised by the chairman; and 12 departments – industry, technology, planning and economics, transport and cargo, leading cadres and educational establishments, working cadres, labour and wage calculation, capital construction, financial affairs, special affairs, legal and administrative affairs, and central accounting.¹⁸ Ten administrations based on the industrial structure were created for the direct management of the enterprises in the *sovnarkhoz* system: Administration of Oil Shale and Chemical Industry (head: Aleksander Freiberg); the self-sufficient Energy Administration “Eesti Energia” (Leonid Ingar); Administration of Machine-Building (Gustav Mõttus); Administration of Construction Materials Industry (Heino Joosti); Administration of Forest, Pulp and Paper Industry (Anatoli Feodorov); Administration of Light Industry (Nikolai Prokhorov); Administration of Food Industry (Vladimir Lipp); Administration of Meat and Dairy Industry (Jaan Pärn); Administration of Fishing Industry (Konstantin Kulazhenko); Construction Administration (Vsevolod Generalov). The latter was formed on the basis of the construction and assembly directorates of the former ministries. Besides these ten, a self-sufficient Administration of Material-Technical Supply and Sales (Peeter Rahomägi) was created from the ministries’ chief directorate of supply and sales¹⁹ to supervise the material and technical supplies and product marketing of the enterprises subordinated to the local *sovnarkhoz*.

The economic regions were thus able to continue controlling the individual branches of the economy through these administrative bodies. The majority of the principal *sovnarkhoz* staff were former top tier officials of the Planning Commission or ministries. For example, L. Ingar had worked as head of “Eesti Energia” (Estonenergo), H. Joosti as Deputy Minister in the Ministry of Construction Materials, V. Kāo as Minister of Light Industry. Employees

17 Eesti NSV Ülemnõukogu otsused [Decisions of the Supreme Soviet of the ESSR], in: Eesti NSV Ülemnõukogu neljanda koosseisu (see note 16), pp. 101 f.

18 Postanovlenie Soveta narodnogo khozaistva ESSR [Regulation of the CNE of the ESSR], 12 June 1957, No. 1, in: ERA, f R-1809, n 1, s 1, l 6-8.

19 Ibidem, l. 6.

in the central administration numbered 160; together with the branch administrations this made a total of 770.²⁰

The principal tasks of the regional *sovnarkhoz* were: to work out and implement current and prospective plans for the economic region; to supervise the planning process in industrial enterprises and organisations; to submit proposals for solving major economic problems to the Council of Ministers; to improve planning and production management; to supervise the mechanisation and automation of production processes; to organise residential construction and the construction of cultural facilities and child care institutions; to organise material and technical supplies and product sales; to improve labour protection in cooperation with trade unions; to supervise the observance of labour laws and discipline; to provide enterprises with financial resources and check their financial performance; to compile consolidated reports and submit these to the relevant institutions; to carry out audits in subordinate enterprises.

The tasks listed above repeated the standard statutes of the *sovnarkhoz* ratified by the USSR Council of Ministers. This was not surprising, because *sovnarkhozy* were formed on the same model throughout the Soviet Union. Hindrek Meri whose career in ESSR Planning Commission spanned over 20 years, writes in his memoirs that most of the decrees issued by the ESSR Council of Ministers were based on all-union legal acts that had to be copied verbatim.²¹

The reform did not seek a full reorganisation of industrial administration: in the new system, *sovnarkhoz* was the principal, but not the only, form of management of industry and construction (Table). Enterprises producing for the local market were supervised by the local soviets or the Ministry of Local Industry, and the producers' co-operatives (*artels*) were supervised by the ESSR Council of Producers' Co-operation. Khrushchev explained why the economic administrative regions were allowed to retain such a variety of administrative arrangements in a report delivered at the seventh session of the USSR Supreme Soviet. If local industry and producers' co-operatives were subordinated to *sovnarkhozy*, he said, less attention would be paid to the development of key branches of the economy.²² Also, there remained a number of all-union ministries associated with defence industry. These continued to perform their supervisory function over enterprises located in the economic administrative regions (for example Loksa Shipyard, Tallinn Sport Boats Factory, Baltic Factory of Ferroconcrete Products and Structures, Railway Sleepers Treating Factory, Printing Shop of the USSR Central Statistical Administration, etc.). Thus, each economic region had an industrial sector not controlled by the republic and operating under the direct superintendence of Moscow.

20 ENSV Rahvamajanduse Nõukogu keskaparaadi töötajate arv 1957 [The number of staff in the central administration of the CNE of the ESSR for 1957], [29 August 1957], in: ERA, f R-1809, n 1, s 1, l 108; Postanovlenie Soveta Ministrov ESSR [Regulation of the Council of Ministers of the ESSR], 8 June 1957, No. 196, in: ERA, f R-1, n 3, s 950, l 598-600.

21 Hindrek Meri: Tagasivaateid veerevast vagunist [Memoirs from rolling wagon], Tallinn 2008, p. 250.

22 Hruštšov, Tööstuse (see note 3), p. 28.

Table: Total output of ESSR industry by subordination, %²³

	1955	1957	1958	1960	1963	1964	1965
Total industry	100	100	100	100	100	100	100
incl. industry of all-union subordination	23.6	2.0	1.7	1.2	8.9	9.9	30.5
Industry subordinated to ESSR Council of Ministers	76.4	98.0	98.3	98.8	91.1	90.1	69.5
incl. industry subordinated to <i>Sovnarkhoz</i>	–	79.7	75.4	80.1	71.7	70.4	–
Industry subordinated to local soviets	4.9	7.3	8.3	7.6	2.4	2.4	2.2
Industry subordinated to ministries and central offices	71.5	11.0	14.6	11.1	17.0	17.3	67.3

By the end of 1957, more than 200 industrial enterprises and building organisations in Estonia had been subordinated to the local *sovnarkhoz*. These included enterprises which had been placed under all-union supervision in 1940/41. When hostilities ended on Estonian territory in 1944, the ESSR government immediately sought their return to republic subordination, but unsuccessfully.²⁴

The reform continued in 1958 and 1959. The reorganisation of artels into state enterprises in 1959 brought some of them under the *sovnarkhoz*. By 1 January 1960 the ESSR *Sovnarkhoz* supervised 340 industrial enterprises and 13 building organisations.²⁵ Changes in subordination also saw an amalgamation of smaller enterprises into larger ones. In 1958 alone, mergers of 38 small enterprises resulted in 18 bigger entities in a move aimed at improving utilisation of production capacities.²⁶

The *sovnarkhoz* also took over the following institutes and educational establishments: the scientific research institute, Oil Shale Institute, and 12 technical high schools, including Tallinn Polytechnic High School, Pärnu Peat Technology School, Võru Local Industry Technical School, Tartu Construction Technical School, Tallinn Fishing and Fisheries Technical School, Öisu Dairy Industry Technical School, Tallinn Light Industry Technical School, Tallinn Mining Technology School.²⁷ On 1 September 1958 the Tallinn Mining Technology

23 25 aastat Nõukogude Eestist. Statistiline kogumik [25 years Soviet Estonia. Collection of Statistical Data], Tallinn 1965, p. 34; Narodnoe khoziaistvo Estonskoi SSR v 1965 godu. Statisticheskii sbornik TsSU ESSR [The national economy of the Estonian SSR in 1965. Collection of Statistical Data], Tallinn 1966, p. 58; Osnovnye pokazateli po itogam raboty promyshlennykh predpriiatii i stroitel'nykh organizatsii Soveta Narodnogo Khoziaistva ESSR za 1957 god [The results of the key indicators of the industrial enterprises and construction organizations of the Council of the National Economy of the ESSR in 1957], Tallinn 1958, p. 25.

24 Pis'mo predsetatelia Soveta Narodnykh Komissarov (SNK) Estonskoi SSR A. Veimera na zamestitel'ia predsetatelia SNK SSSR V.M. Molotovu [Letter from the Chairman of the Council of People's Commissars of the ESSR, A. Veimer, to the Deputy Chairman of the Council of People's Commissars of the SSSR, V.M. Molotov], 9 October 1944, in: ERA, f R-1, n 5, s 91, l 9-10.

25 Nõukogude Eesti saavutusi 20 aasta jooksul. Statistiline kogumik [The achievements of the Soviet Estonia over 20 years. Collection of Statistical Data], Tallinn 1960, p. 21.

26 Godovoi otchet Soveta narodnogo khoziaistva ESSR za 1958 god [1958 Annual report of the CNE of the ESSR], [1 April 1959], in: ERA, f R-1809, n 1, s 2038, l 4.

27 Postanovlenie Soveta Ministrov ESSR (see note 20), l 600.

School was transferred to Kohtla-Järve and merged with the local Oil Shale Processing Technical School. On 1 September 1957 the Pärnu Peat Technology School was closed and the students, depending on their specialisations, were transferred to either the Kohtla-Järve Oil Shale Processing Technical School or Tallinn Polytechnic High School.²⁸ These educational establishments trained specialists for the system of the national economic council. In order to introduce young mothers to the labour market, the *sovnarkhoz* was given supervision of kindergartens and crèches, which mainly catered for the children of the *sovnarkhoz* system employees.

The ESSR was one of the 105 *sovnarkhozy* formed by 1 July 1957.²⁹ The final arrangement differed slightly from the initial plan to create 92 *sovnarkhozy*, including 68 in the RSFSR, 11 in the Ukrainian SSR, and one in each of the remaining Soviet republics.³⁰ The initial plan was criticised by the Uzbeks and Kazakhs who insisted on the right to form a larger number of *sovnarkhozy*. Their wish was granted: the Kazakh SSR was allowed to set up nine, and the Uzbek SSR, five *sovnarkhozy*.³¹ Under a law passed by the Ukrainian Supreme Soviet on 30 May, 11 *sovnarkhozy* were established in the republic, in accordance with the original plan.³² Under a Supreme Soviet decree, the Russian SFSR had formed 70 *sovnarkhozy* by 1 July 1957. However, the arrangement did not last long: on the orders of the USSR.

Council of Ministers the number was soon reduced to 68. This reduced the total number of *sovnarkhozy* in the Soviet Union to 103 by the end of 1958.³³ The most influential role in the *sovnarkhoz* system was played by the RSFSR and Ukraine, the two republics with the largest number of new administrative bodies.

The first conclusions of the managerial reform and its effect on industry were drawn at the ECP tenth congress held on 28–30 January 1958. Emphasis was placed on the fact that the reorganisation had been completed by the due date, and that the new administrative system had yielded positive results in industry and construction. However, several missteps had been taken and needed to be corrected. The Chairman of the ESSR *Sovnarkhoz*, Arnold Veimer, focused in his speech on the tasks faced by the new structure, and responded to criticism. It appeared that the critical party members had been inadequately informed of the work of *sovnarkhoz*, since as a result of the new situation they had lost control of the planning and implementation process. Veimer, however, admitted that bureaucracy was still rife in *sovnarkhoz* and its subdivisions: outstanding problems were tackled by bureaucratic means, without studying them on location or heeding specialist opinion.³⁴ Naturally, bureaucracy

28 Postanovlenie Soveta narodnogo khoziaistva ESSR [Regulation of the CNE of the ESSR], 5 September 1957, No. 12; 10 September 1957, No. 14, in: ERA, f R-1809, n 1, s 1, l 150, 167.

29 Demichev, *Reforma* (see note 2), p. 164; Philip Hanson: *The Rise and Fall of the Soviet Economy. An Economic History of the USSR from 1954*, London et.al. 2003, p. 58.

30 See Hruštšov, *Tööstuse* (see note 3), p. 27.

31 Howard R. Swearer: *Khrushchev's Revolution in Industrial Management*, in: *World Politics 12* (1959), pp. 45-61, here: p. 48.

32 The reorganisation of industry in the Ukrainian SSR May-June 1957, in: NAUK, FO 371, ref 129046, (S1103/15).

33 Memorandum by Mr Hutching (see note 11).

34 Stenogramma i protokol X s'ezda KP Estonii [Verbatim report and protocol of the 10th congress of the ECP], in: ERAF, f 1, n 4, s 2156, l 246-248.

in the ESSR was nothing compared to the red tape in, say, the *Sovnarkhoz* of Northern Caucasus. The latter supervised only 78 industrial enterprises, but had 27 structural units and subdivisions with a total of 363 employees.³⁵

Influence of the new management system on the development of industry

1958 was the year of testing for the new management system. It was also the first year that the republics were able to draw up their own plans for the national economy. This process now followed a new scheme: enterprise or building organisation – industrial sector administration – *sovnarkhoz* – republic’s planning commission – republic’s Council of Ministers – USSR Gosplan – USSR Council of Ministers. After a go-ahead from the highest level the plan made the reverse journey all the way back to the enterprise. Unlike previously when the enterprise merely implemented the plans sent down from the ministry, the new planning process was designed to better illuminate the performance, capacity and economic potential of the enterprise.³⁶

The 1958 plan for national economic development generally followed the reference figures of the sixth five-year plan. However, growth targets for several important products such as fuel, or ferrous and non-ferrous metals, were lowered in the light of the failure to achieve the high growth rate anticipated in the plans for the two preceding years. This was one of the reasons why the sixth five-year plan was cancelled in September 1957.³⁷ Regions of the Soviet Union varied as to their economic status, however, and it would be unfair to speak of retarded industrial growth in the ESSR. Commenting on the 1957 plan performance, the Chairman of the ESSR Council of Ministers, Aleksei Müürisepp, noted that the annual industrial production plan was fulfilled 108%. Total production as compared to 1956, grew by 13% rather than the 4.4% forecast.³⁸ The *sovnarkhoz* had among its staff a number of young, talented economists who sought to make maximum use for Estonia’s benefit of the opportunities provided by the new system. They worked with unparalleled enthusiasm, engaging in discussions and debates on how to organise work more efficiently, dynamically and sparingly, and how to save labour, materials and energy.³⁹ Industrial leaders were obviously inspired to over-fulfill the plan and take on the additional obligations as laid down in the regulations that allowed the republic to keep any excess products.⁴⁰

35 Swearer, *Khrushchev’s Revolution* (see note 31), p. 47.

36 Nataliya Kibita: *Moscow-Kiev Relations and the Sovnarkhos Reform*, in: Jeremy Smith, Melanie Ilic (Eds.): *Khrushchev in the Kremlin. Policy and Government in the Soviet Union, 1953–1964*, London et.al. 2011, p. 94–111, here: p. 100.

37 Soviet 1958 plan reflects continued growth retardation, 20 December 1957, in: NAUK, FO 371, ref 135300, Ns. 1102/2.

38 Eesti NSV Ülemnõukogu 4. koosseisu 6. istungjärg 3.–4. veebruaril 1958. Stenogramm [Sixth session of the Supreme Soviet of the ESSR on 3–4 February 1958. Fourth Convocation. Verbatim report], Tallinn 1958, p. 5.

39 Uno Mereste: *Toimunust & kaasaelatust. 1. osa. Meenutusi aastaist 1928–1964* [Memoirs of events and personal experience of 1928–1964], Tallinn 2003, pp. 726 f.

40 See ENSV Rahvamajanduse Nõukogu 31. detsembri 1957. a määrus nr 53. [Regulation of the CNE of the ESSR 1957, No. 53, 31 December], in: ERA, f R-1809, n 1, s 1, l 418.

The ESSR Supreme Soviet ratified the 1958 economic development plan on 3 February 1958. In his introduction, Aleksei Müürisepp stressed that, with the Estonian economy being part of the Soviet economy, the 1958 plan for the ESSR followed the general strategy outlined in the all-union plan and aimed at developing heavy industry branches.⁴¹ The focus was on the energy, oil shale, engineering and construction materials industries. Taking into account the steel crises in the Soviet Union the leaders of the ECP Council of Ministers and National Economic Council decided to focus on the development of branches of the engineering industry which would require a small amount of steel. Since the 1958 prognosis anticipated a decline in the centrally distributed material-technical supplies, the planned growth rate for Estonia's total industrial output stood at only 3.8%, which was 0.6% lower than the proposal for 1957.⁴² The *sovnarkhoz* enterprises were given higher goals. The total output for 1958 was to increase by 4.1% compared to 1957.⁴³

The ESSR successfully fulfilled the 1958 plan: total industrial production targets were exceeded by 6%.⁴⁴ *Sovnarkhoz* fulfilled the plan of total output by 105.3%, while production volume grew by 9.5% compared to 1957, a much bigger percentage than anticipated.⁴⁵ Müürisepp attributed the success to the ongoing reform in industrial management.⁴⁶ The 1958 plan, however, retained a characteristic trait of the five-year plans: the total production volume was achieved in roubles, whereas the target was not entirely met as far as the product list was concerned. The 1958 plan was not met in 12 product sectors, including peat briquette, lime, drainage pipe, and large concrete and silica blocks.⁴⁷

1958 was a crucial year for the future of the engineering industry in Estonia: a foundation was laid for the electronics and apparatus industry based on new technology. The production of high-tech enterprises (Mercury-arc Rectifiers Factory, H. Pöögelmann Electrotechnical Factory, Võru Gas Analysers Plant, Tartu Apparatus Factory, and Tallinn Measuring and Control Instruments Factory), however, was mostly consumed by the USSR war industry. The machine-building, electronics and apparatus industries were also important exporting industries. A substantial contribution towards their advancement was made by the Electrotechnical Research Institute of the ESSR *Sovnarkhoz*, established in November 1958 for the purpose of developing new technology for industry. These enterprises employed highly qualified workers and engineers who had been trained in vocational schools and higher educational establishments. By the end of 1956, 3,700 engineers with higher education were employed in the national economy; the number increased to 6,300 (1.7-fold) by the end of 1960, and to 9,100 (2.5-fold) by the end of 1965.⁴⁸

41 Eesti NSV Ülemnõukogu 4. koosseisu 6. istungjärg (see note 38), p. 4.

42 Ibidem, p. 8.

43 Ibidem, p. 9.

44 Eesti NSV Ülemnõukogu 4. koosseisu 8. istungjärg 12.–13. jaanuaril 1959 [Eighth session of the Supreme Soviet of the ESSR on 12th–13th January 1959], Tallinn 1959, p. 5.

45 Godovoi otchet (see note 26), l 1.

46 Eesti NSV Ülemnõukogu 4. koosseisu 8. kaheksas (see note 44), p. 5.

47 Ibidem.

48 Eesti NSV rahvamajandus. Statistiline kogumik [The National Economy of the ESSR. Collection of Statistical Data], Tallinn 1957, p. 178; Eesti NSV rahvamajandus 1970. aastal. Statistiline aastaraamat [The National Economy of the ESSR in 1970. Statistical Yearbook], Tallinn 1971, p. 242; Toomas Karjahärm, Väino Sirk: Kohanemine ja vastupanu. Eesti haritlaskond 1940–1987 [Adaptation and resistance. Estonian Intellectuals in 1940–1987], Tallinn 2007, p. 262.

However, some warning messages about “localism” occurred when the national economic regions compiled the development plan for 1958. Ukrainian enterprises engaged in a dispute with the republic planning commission over a national economic strategy that channelled major investments into industries catering for the home market, while cutting back on the production of various goods and commodities which were crucial on the all-union scale.⁴⁹ Even though a suitable plan submitted to Moscow for approval finally met all the criteria, the USSR Gosplan changed some 300 targets in Ukraine’s 1958 plan. The explanation was that in the 1957 plan, the Ukrainian Council of Ministers had failed to give due consideration to all relevant circumstances, and had reduced investments by 4.7 billion roubles.⁵⁰ Similarly, the Latvian and Georgian SSRs were actively working to bolster their national economies.⁵¹

A comparison between the USSR Gosplan’s own calculations and the plans submitted by the Ukrainian SSR and other republics led the former to the conclusion that central authorities’ expectations regarding the new planning system had been unjustified. Many industries lowered their figures for products of all-union importance in favour of exports to other republics, and simultaneously increased production of consumer goods for the local market.⁵²

It was obvious that the republics’ perception of the new, more extensive rights did not coincide with the viewpoint of the central authorities. The central government expected the *sovnarkhozy* and republics’ planning commissions to align the regional development plans with the all-union focus on heavy industry. Since the implementation of the sixth five-year plan was problematic, the central government had relied on *sovnarkhozy* to increase industrial production and at the same time to cut costs. After all, they possessed adequate information on local resources and production capacities as well as the ability to solve problems quickly. Republic governments and *sovnarkhozy* in turn presumed that the reform was primarily intended to bolster regional economies, and this was the assumption on which they based their 1958 plans. As well as being a logical conclusion of the new administrative system, this idea reflected the actual needs and the economic situation in the economic administrative regions.

However, the authors of the reform and the USSR Gosplan could not accept that the economic regions used their new freedom to decide which branches of industry to develop, ignoring the all-union economic interests and the regulating and co-ordinating role of the USSR Gosplan. The 1958 plan was the first – and last – not compiled under Moscow’s strict dictate. All subsequent plans were to be based on investment and production targets, which were dictated by the USSR Gosplan and correlated with the reference figures in the seven-year plan (1959–1965).

In September 1957 the CPSU Central Committee and the USSR Council of Ministers adopted a decision to draft a new seven-year plan of economic development for the following reasons: the production growth figures that had been adjusted downwards for the 1957 plan no longer tallied with the directives of the five-year plan; industrial reorganisation entailed

49 Kibita, *Moscow-Kiev Relations* (see note 36), p. 100.

50 *Ibidem*.

51 Memorandum by Mr Hutching (see note 11).

52 Kibita, *Moscow-Kiev Relations* (see note 36), p. 100.

changes in planning principles; utilisation of the recently discovered natural gas resources in the north-western part of the USSR stood high on the agenda; it was paramount to eliminate the underdevelopment of the chemical industry.⁵³ Olaf Kuuli, who has studied the changes in ESSR cultural policy in Khrushchev's "thaw" period, notes that the seven-year plan, in itself an unusual form of planning, was created by attaching the last two years of the sixth five-year plan to the next five-year plan with a view to improving the general economic situation in the light of the failure to implement the sixth five-year plan.⁵⁴ However, the main reason for adopting the seven-year plan lay in Khrushchev's focus on long-term plans as instrumental in defining the correct proportions of economic development, as well as in his ambitions. It was Khrushchev's goal to catch up with the United States of America in *per capita* production by the year 1972, i.e. by the end of the second seven-year plan.⁵⁵

At the start of 1959, the 21st extraordinary congress of the CPSU approved the new long-term plan (control figures) of economic development for 1959–1965. These control figures were provided in percentage terms and were derived from the adjusted targets for 1958. The year with deflated figures was obviously picked as the reference point in order to make the growth rate seem all the more impressive. By 1965 the total industrial output of the USSR was to grow by 80% in comparison with 1958 (the prioritised heavy industrial output by 85–88% and consumer goods production by 62–65%). The average annual growth rate for industrial output was set at 8.6%, or 135 billion roubles⁵⁶ (9.3% in heavy industry and 7.3% in light industry).⁵⁷ The planned annual growth rate of Soviet industrial production was nearly four times higher than the rate posted by the USA (2.2%).⁵⁸ Khrushchev thus hoped to come a big step closer to his primary goal.

The tasks set for the ESSR were much more intense. The seven-year plan prioritised oil shale, chemical, energy, machine-building, building materials, textile and fishing industries. Total industrial output was to increase 1.8-fold (machine-building 2.3-fold, oil shale industry 1.8-fold, and the cement production industry more than six-fold). Electricity production was to increase more than five-fold, meat and meat products 1.9-fold, butter 1.8-fold, and fishing 2.2-fold. To meet these goals, new investments of 8 billion roubles were planned, 1.8 times more than in 1952–1958.⁵⁹ The preferential development of heavy industry saw the share of light industry in total industrial output reduced from 44.8% in 1958 to 39.8% in 1965,

53 Postanovlenie Tsentral'nogo Komiteta KPSS i Soveta Ministrov SSSR [Regulation of the CPSU CC and Council of Ministers of the USSR], 19 September 1957, No. 1146, in: Sobranie postanovlenii pravitel'stva SSSR 1957, No. 13, art. 122.

54 Kuuli, Sula ja hallad (see note 1), p. 92.

55 Long Term Prospects of the Soviet Economy, E.I.G. 57 (30), in: NAUK, FO 371, ref 135300.

56 90 bln roubles during the previous seven years.

57 Kommunisticheskaia partiia Sovetskogo Soiuzu v rezoliutsiakh i resheniakh s"ezdov, konferentsii i plenumov TsK, t. 7: 1955–1959 [Resolutions and decisions of the congresses, conferences and plenary sessions of the Central Committee of the Communist Party of the Soviet Union, vol. 7: 1955–1959], Moscow 1971, p. 420.

58 Oleg Hoeffding: The Soviet Seven Year Plan, Santa Monica, CA, p. 3, see URL: <http://192.5.14.43/content/dam/rand/pubs/papers/2008/P1607.pdf> (5 November 2012). Later published as Oleg Hoeffding: Substance and Shadow in the Soviet Seven Year Plan, in: Foreign affairs 37 (1959), pp. 394–406.

59 Kommunisticheskaia partiia (see note 57), p. 467 f.; Nõukogude Eesti saavutusi 20 aasta jooksul (see note 24), p. 17.

or by five percentage points.⁶⁰ The lion’s share of capital investments – 5.6 billion roubles, or 70% – was channelled into the industrial sector for the building of industrial production sites.⁶¹ The increase in production volumes was to be achieved mainly (more than 75%) through a rise in productivity assisted by modern technology. Employment in industry was to increase by 21.9%, or 32,300 people (from 147,700 in 1958 to 180,000 in 1965).⁶²

Achieving industrial growth predominantly through greater productivity was a very optimistic idea in the light of previous developments. It was, however, the only option seeing that growth through extensive development was crippled by the demographic situation. It was during the seven-year plan period that the young people born during the war entered the labour market. As the birth rate had dropped considerably during the war years, the cohort entering the labour market was predictably smaller than the exiting cohort.

The seven-year plans of the other Baltic republics were similarly intense. The total industrial output of the Latvian SSR was to increase more than 1.6-fold within the seven years, that of Lithuania, 1.8-fold.⁶³ Besides catering to their own economies, all three Baltic republics had to contribute to both the huge Soviet fishing complex by launching ocean fishing, as well as to the Soviet chemical industry, which was to catch up with the West. Estonia was burdened with an additional, all-important task – that of supplying electricity to the north-western territories of the USSR.

The first years of the seven-year plan saw its successful implementation in all economic regions. This inspired Khrushchev to believe that the failure of the sixth five-year plan could be rectified by taking on extra tasks. Having come to the conclusion that the seven-year plan was too modest, he had the figures adjusted upwards in 1961. The adjusted targets prescribed that the total industrial output of the ESSR was to increase 203% by the year 1965 instead of the 180% laid down by the control figures.⁶⁴ The 1962 national economy development plan was modified so as to match the higher goals.

In both 1962 and 1963, the ESSR was able to achieve these goals, and the total output exceeded the plan. Senior managers of the former Tallinn Liqueur and Vodka Distillery (since 1971 “Liviko”), Udo Themmas and Avo Veinthal, reminisce that the production plan was of prime importance and had to be fulfilled at all costs, or else “heads would roll”. The principal deterrent was an insufficient supply of materials and equipment. Frequently, managers had to engage in extra activities, such as inventing, or procuring certain machinery parts from other parts of the Soviet Union. Plans were very tight and workers were often driven to exhaustion. The final figures would be computed at the very end of the year, making year-ends particularly busy. For a very long period, nearly every New Year’s Eve

60 Ob“iasnitel’naia zapiska k perspektivam razvitiia narodnogo khoziaistva Estonskoi SSR na 1959–1980 gody [Explanatory note on the prospects of economic development of the Estonian SSR for 1959–1980], [undated], in: ERA, f R-973, n 5, s 1212, l 3.

61 Kontrol’nye tsifry razvitiia narodnogo khoziaistva SSR na 1959–1965 gg. (po respublikam) [Control figures of the economic development in the USSR for 1959–1965 (by Republics)], [16 August 1958], in: ERA, f R-973, n 2, s 37, l 16.

62 Ob“iasnitel’naia zapiska (see note 60), p. 6.

63 Kommunisticheskaia partiia (see note 57), pp. 463–465, 467 f.

64 Utochnennye kontrol’nye tsifry semiletnego plana razvitiia narodnogo khoziaistva Estonskoi SSR na 1959–1965 gody [Revised control figures of the seven-year plan for the economic development of the Estonian SSR for 1959–1965], in: ERA, f R-973, n 5, s 1227, l 5.

was spent working almost up until midnight.⁶⁵ In part, it was the enterprises themselves that were to blame for such tight schedules: the draft plans submitted for approval suggested lower figures so as to guarantee over-fulfilment and the ensuing bonuses. Higher authorities, however, adjusted the figures upwards in an often unjustified and arbitrary move, as they possessed no adequate information on the actual resources.⁶⁶

Every year there was one important sector or another in which the targeted production volumes were not reached. For example, in the years 1959–1963 the plan failed for several industrial product categories, such as peat briquette, synthetic resins, cement, fibre cement, fibreboard, particle board, oil shale, paper, cellulose, tricot products, and also for meat and dairy products.⁶⁷ The reasons for the failure were multiple. Supplies of raw materials and equipment were insufficient and thus impeded the production process; new production capacities failed to be launched in due time; plans were altered multiple times a year, often in retrospect; losses of working time ran high because of work stoppages, absenteeism and a high workforce turnover. In 1960, for example, in the ESSR *Sovmarkhoz* system the average loss of working time per worker because of stoppages and absenteeism amounted to 1.8 days in industry and 2.8 days in construction. In the course of one year, 23% of industrial workers in the *sovmarkhoz* system switched jobs; in the construction sector the percentage was as high as 53%.⁶⁸ The main reasons for moving jobs were (in this order): dissatisfaction with housing conditions⁶⁹, dissatisfaction with working conditions, and dissatisfaction with earnings.⁷⁰ Improvement of welfare facilities and housing conditions was seen as the principal incentive for reducing the mobility of workers and creating commitment to the enterprises. However, neither housing construction nor the construction of childcare facilities could meet the demand.

65 Liviko. Liviko juhatuses esimehe Udo Themase ja tootmisdirektor Aavo Veinthali meenutused [Liviko. Memoirs of the Chairman of the Board of Liviko Udo Themase and production manager Aavo Veinthal], in: Enno Tammer (Ed.): *Nõukogude aeg ja inimene [Soviet Time and People]*, Tallinn 2004, pp. 166–176, here p. 166.

66 Eesti NSV Ülemnõukogu 6. koosseisu 7. istungjärg 20. oktoobril 1965. Stenogramm [Seventh session of the Supreme Soviet of the ESSR on 20 October 1965. Sixth Convocation. Verbatim report], Tallinn 1958, p. 13.

67 Eesti NSV Ülemnõukogu 5. koosseisu 9. istungjärg 26.–27. detsembril 1962. Stenogramm [Ninth session of the Supreme Soviet of the ESSR on 26–27 December 1962. Fifth Convocation. Verbatim report], Tallinn 1963, p. 5; Eesti NSV Ülemnõukogu 6. koosseisu 3. istungjärg 15. ja 16. jaanuaril 1964. Stenogramm [Third session of the Supreme Soviet of the ESSR on 15–16 January 1964. Sixth Convocation. Verbatim report], Tallinn 1964, p. 5; ENSV Ministrite Nõukogu määrus [Regulation of the Council of Ministers of the ESSR], No. 81, 24 February 1964, in: ERA, f R-1, n 3, s 1706.

68 ENSV Ministrite Nõukogu büroo istungi protokoll nr 30 [Protocol of the meeting of the Bureau of the Council of Ministers of the ESSR, No. 30], 4 July 1961, in: ERA, f R-1, n 3, s 1470, l 395.

69 During the Soviet period urban housing was in short supply. The vast majority of housing stock in the cities belonged to the government. Housing was distributed to industrial enterprises by municipal authorities based on an established number of square meters per person. The workers were provided with housing in dormitories (mass housing for workers) or individual apartments by the workplace. The big enterprises also constructed accommodation for their workers. The workers preferred the workplaces which offered apartment-style housing for their families.

70 Donald Filtzer: *Soviet Workers and de-Stalinization. The Consolidation of the Modern System of Soviet Production Relations, 1953–1964*, Cambridge 1992, p. 50.

In the USSR as a whole, several factors coincided to mean that the 1963 economic year failed to live up to expectations. Crop failures led to disruptions in food supply, and industrial growth was retarded. In 1963 agricultural production dropped by one fifth.⁷¹ The industrial growth rate remained below 8%,⁷² reeling under the negative effect of the confusion caused by a reshuffling in the party apparatus. In August 1962, Khrushchev while on vacation in the Crimea, had the idea of splitting the party apparatus into two parts, one half supervising agriculture, and the other industry. On 10 September he formulated this idea in a memorandum to the CPSU Central Committee.⁷³ The 1962 November plenum of the Central Committee discussed and approved the proposal. Since this coincided with the amalgamation of *sovnarkhozy* to form larger units, major confusion resulted. In 1963, party functionaries, planners and bureaucrats alike were in the dark about their respective fields of responsibility. Additional problems were caused by Khrushchev pressing ahead with the implementation of an investment programme of 42 billion roubles for an accelerated development of the chemical industry in order to guarantee a threefold increase in production by the end of the seven-year plan.⁷⁴ Khrushchev hoped to make up for the Soviet chemical industry’s 20-year lag behind the West, especially in the production of mineral fertilisers.⁷⁵ Alec Nove, the renowned scholar of the Soviet economy, has called this goal, which threatened the balance of the economy, absurd – and justly so.⁷⁶

Once again the figures were revised and, based on the 1963 results, more detailed plans for economic development were drawn up for 1964/65. To jumpstart the chemical industry, resources were pulled from capital investments earmarked for housing and consumer service facilities. Several consumer service projects were suspended, while residential construction turned its focus to co-operative housing. This shift in focus in fact reflected a rise in living standards. People now had resources to purchase co-operative apartments under an instalment payment agreement, which soon led to waiting lists several years long. Also all-union ministries and enterprises began to build housing and holiday facilities for their workers. Not infrequently, an apartment was a stronger motive than salary.

The 1964/65 plan for the ESSR was directed towards the preferential development of the chemical industry. The plan stipulated a 23% increase in the production of mineral fertilisers to 755,000 tons a year, and a more extensive use of oil shale chemicals as raw materials for tanning substances, resins and glues.⁷⁷ Among the targets was an increase in total industrial output by 5.2% in 1964 as compared to 1963, and by 8.4% in 1965 as compared to 1964, mostly through higher productivity.⁷⁸

71 Hanson, *The Rise and Fall* (see note 29), p. 73.

72 Alec Nove: *An Economic History of USSR*, New York, NY 1986, p. 363.

73 William Taubman: *Hruštšov ja tema aeg* [Khrushchev and his time], Tallinn 2006, p. 495.

74 See Nikita S. Hruštšov: *Keemiatööstuse forsseeritud arendamine on põllumajandusliku tootmise kasvu ja rahva heaolu tõusu tähtsamaid tingimusi. Ettekanne ja lõppsõna NLKP Keskkomitee pleenumil 9. ja 13. detsembril 1963* [The forced development of the chemical industry is one of the most important prerequisites for achieving the growth of agricultural production and improving the people’s welfare. The presentation and the final word to the 9th Plenum of the CPSU Central Committee on 9th and 13th December 1963], Tallinn 1964, p. 13.

75 Hanson, *The Rise and Fall* (see note 29), p. 62.

76 Nove, *An Economic History* (see note 72), p. 362.

77 Eesti NSV Ülemnõukogu 6. koosseisu 3. istungjärk (see note 67), pp. 8 f.

78 *Ibidem*, p. 10.

Even though the goals set for the Baltic republics were higher than the Soviet Union average, Estonia, Latvia and Lithuania reached the industrial output level stipulated in the seven-year plan's reference figures by the end of 1964, a full year ahead of the actual deadline.⁷⁹ In October 1964, however, Khrushchev was removed from power by his political opponents, and hence missed the plan's final year. His ouster has inspired huge speculation. Some explain the removal by the weakening of his authority in the 1960s; others, including Jan Åke Dellenbrant, ascribe it to Khrushchev's policy of radical de-Stalinisation and his foreign policy, in relation to Germany in particular.⁸⁰

The ESSR successfully fulfilled the most important target set in the seven-year plan: total output. The aggregate industrial output more than doubled, instead of the planned 1.8-fold increase. Objectives were also met in terms of productivity increase (1.5 times the plan), cost reduction, accumulation and capital investments, as well as product range, albeit with a few exceptions.⁸¹ The predetermined target figures were not reached in certain crucial product categories, e.g. cement, cellulose, paper, cotton fabric, linen fabric, wool fabric, tricot outerwear, and butter. The Deputy Chairman of the ESSR Council of Ministers, Hendrik Allik, said in his speech at the ESSR Supreme Soviet session on 27 December 1965 that as far as the value of capital assets was concerned, during these seven years the ESSR had built up a second industry equal in size to the pre-1959 industry. The development of the national economy explained the nearly 1.9-fold increase in national income and the 1.6-fold increase in monetary incomes of households; housing resources in cities grew by 40%.⁸² To acknowledge the progress made in the national economy, the ESSR was awarded the Order of Lenin in 1965.⁸³

Nobody mentioned the reference figures adjusted in 1961, which, in fact, called for the doubling of total output in 1965 compared to 1958. The statistical office publications supported the success story of the ESSR's industry, operating with the 1959 reference figures for 1959–1965 rather than the adjusted targets, and with gross output measures instead of the net measures showing actual growth.⁸⁴ This once again raises the question of the reliability of Soviet statistics which throughout the existence of the Soviet Union displayed a tendency to embellish and exaggerate any and all results.⁸⁵

79 Arnol'd T. Veimer: *Razvitie promyshlennosti Estonskoi SSR za semiletie (1959–1965 gg.)* [The development of the industry of the Estonian ESSR during the seven year plan (1959–1965)], Moscow 1967, p. 8.

80 Jan Å. Dellenbrant: *Reformists and Traditionalists. A Study of Soviet Discussions about Economic Reforms 1960–1965*, Stockholm 1972, p. 110.

81 Eesti NSV Ülemnõukogu 6. koosseisu 7. istungjärg (see note 66), pp. 5 ff.; ENSV Ülemnõukogu 6. koosseisu 8. istungjärg 27.–28. detsembril 1965. Stenogramm [Eighth session of the Supreme Soviet of the ESSR on 27–28 December 1965. Sixth Convocation. Verbatim report], Tallinn 1968, p. 4 ff.; Protokol zasedaniia X plenuma TsK KP Estonii [Protocol of the meeting of the 10th Plenum of the Central Committee of the ECP], 27 December 1965, in: ERAF, f 1, n 4, s 3203, l 23.

82 ENSV Ülemnõukogu 6. koosseisu 8. istungjärg (see note 81), p. 5.

83 Protokol zasedaniia (see note 81), l 24.

84 See Kontrol'nye tsifry (see note 61), pp. 16 ff.; *Narodnoe khoziaistvo Estonskoi SSR v 1965 godu. Statisticheskii sbornik* [The national economy of the Estonian SSR in 1965. Collection of Statistical Data], Tallinn 1966, p. 69.

85 About the reliability of Soviet statistics, see: Olaf Mertelsmann: *Nõukogude statistika probleeme –*

The planned increase in production through higher productivity came to nothing because the modernisation of production processes and the development and application of new technology were slower than expected. Arnold Veimer admitted in his speech at the Supreme Soviet session in December 1965 that the anticipated magnitude in growth had been achieved mainly through growth in the workforce, by attracting workers from other sectors, in particular from the agrarian sector.⁸⁶ The principal source, though, was immigration from other Soviet republics. This was not a new phenomenon for the ESSR. The influx of immigrants from other Soviet republics began almost simultaneously with the return of Soviet power at the end of 1944. The post-war immigration peak coincided with the period of the first five year plan, when the native reserves were inadequate to meet the workforce numbers needed to fulfil the ambitious economic growth and construction targets. Unfortunately, there are insufficient data on population movement from 1944–1949. However, Olaf Mertelsmann argues that during the period 1945–1949 the annual influx was 20,000 people.⁸⁷ Mertelsmann’s figures are remarkably smaller than those of Tõnu Parming, who reports that approximately 180,000 immigrants arrived in Estonia between 1945 and 1949.⁸⁸ As a result, Estonia became a country of immigration. 28,000 people immigrated to the ESSR in the following five years (1951–1955) and 25,500 people during the period 1956–1960, a significant decline compared to the post-war years in any case. In the 1950s, the natural increase was a greater cause of population growth than immigration. This trend changed after 1960: From 1961 to 1965 immigration was higher than the natural increase. During this period, immigration to Estonia amounted to 43,100, i.e. 17,600 more than in the previous five years and 57.4% of the total population increase of 75,100.⁸⁹

Immigration was encouraged by several big construction projects listed in the seven-year plan (“Punane Kunda” Cement Factory, Narva Power Station and Maardu Chemical Plant). In a bid to deal with a shortage of human resources, these sites were designated as Komsomol (All-Union Leninist Young Communist League) construction projects to attract young people from all over the Soviet Union. The seven-year plan saw an advancement of various sectors in the metalworking industry, machine-building and apparatus industry for the production of excavators, oil equipment, electrical engines, road graders, cable products, electrotechnical products, and measuring instruments and apparatus. These branches of industry used imported raw materials and parts, and exported their products to other regions of the USSR and to foreign markets. Aleksei Hõbemägi, a veteran of the ESSR *Sovnarkhoz* Administration of Machine-Building, described the *sovnarkhoz* period as crucial for the development of the Estonian machine-building industry, and a period of powerful

allikakriitiline lähenemisviis [Problems in Soviet statistics – a source-critical approach], in: Tõnu Tannberg (Ed.): Eesti ajaloost 19.–20. sajandil. Uurimusi historiograafiast, allikaõpetusest ja institutsioonidest [About History of Estonia in the 19th and 20th centuries. Studies of historiography, historical sources and institutions], Tartu 2012, pp. 515–527.

86 Eesti NSV Ülemnõukogu 6. koosseisu 7. istungjärk (see note 66), p. 10.

87 Olaf Mertelsmann: *Der stalinistische Umbau in Estland*, Hamburg 2006, p. 130.

88 Tõnu Parming: *Population Changes in Estonia, 1935–1970*, in: *Population Studies* 26 (1972), pp. 53–78, here pp. 58, 60.

89 See Eesti NSV rahvamajandus 1975. aastal. Statistika aastaraamat [The national economy of the Estonian SSR in 1975. Statistical Yearbook], Tallinn 1976, p. 28.

growth.⁹⁰ During this period the pre-war equipment of the machine-building industry was replaced.⁹¹

During the seven-year period oil shale mining increased substantially: the Baltic Power Station, which in 1965 produced 7.1 billion kWh of electricity and supplied energy to the ESSR and the north-western part of the USSR, utilised oil shale. Likewise, the rapidly developing oil shale chemical industry consumed large amounts of oil shale. Focus on superphosphate fertilisers led to intensive phosphorite mining and the opening of new phosphorite mines. Compared to heavy industry, the growth rate in food and consumer goods production remained modest. In the food industry, the one sector receiving vigorous support was fishing and fisheries. Fishing increased 3.1-fold during the seven-year period, instead of the planned 2.2-fold growth.

Growth was similarly modest in light industry, as a result of the small-scale investment in the sector.⁹² Too much emphasis on heavy industry had absorbed a large share of investments. However, even with relatively low production, large quantities of consumer goods were exported from Estonia. Even so, people remember the 1960s as a period of abundance compared to the difficult post-war years.⁹³ Ell Maansoo (born 1935) cannot remember exactly when the word “deficit” came into wider use; it was probably post-1960s, as during the 1960s the choice of consumer goods available was relatively extensive.⁹⁴

Beyond the success story

Despite the remarkable achievements in the industrial sector under the reform, industry faced a variety of problems. It was not long before problems in the management reform manifested themselves. These included complications with the procurement of raw materials, supplies and equipment. Operational management had been transferred to *sovnarkhozy*, yet advance directive planning remained the competence of USSR Gosplan, as did the allocation of material-technical resources. The chronic supply problem that had beleaguered the Soviet economy since the introduction of five-year plans further escalated under the new management setup. Moscow began to receive complaints that the new system that had replaced the old one (under which supplies were the responsibility of the respective ministries) was not functioning properly.⁹⁵

Dissatisfaction with the arrangement causing major supply problems was also voiced by the Chairman of the ESSR *Sovnarkhoz*, Arnold Veimer. In a speech at the ECP tenth

90 Ain Alvela: Aleksei Hõbemägi – kogu elu sündmuste keerises [Alexei Hõbemägi – Whole life in the midst of turmoil], in: Äripäev, 31 January 2007.

91 Aleksei Hõbemägi: Memoirs of the ESSR Sovnarkhoz Administration of Machine-Building. Author's interview, Tallinn, 19 January 2012.

92 Eesti NSV Ülemnõukogu 6. koosseisu 7. istungjärk (see note 66), p. 6.

93 Enno Tammer: Spikker defitsiidimaailma sisenemiseks [Guide for entering into the world of deficit], in: Tammer (Ed.), Nõukogude aeg (see note 65), p. 186.

94 Ell Maansoo: Millal algas defitsiidi aeg [When did the era of deficit start?], in: Tammer (Ed.), Nõukogude aeg (see note 65), p. 189.

95 Nove, *An Economic History* (see note 72), p. 360; Swearer, *Khrushchev's Revolution* (see note 31), p.58.

congress in January 1958 he criticised the supply scheme under which two-thirds of the material-technical resources were planned and centrally distributed by the USSR Gosplan, and one-third by the local planning commission: two separate actions without time overlap. The USSR Gosplan, as it was only able to allocate the resources which were actually physically available, unilaterally modified the production list to conform to this status, overriding the already approved financial and production plans. This led to a conflict between production schedules and supply plans. Veimer stressed the need to change the supply system, and made the following suggestions: ask Moscow to coordinate production schedules and supply plans; abolish the two-tier planning of material-technical resources; reduce the 45-day supply period which had a detrimental effect on production; simplify the procedure of placing orders with Moscow; reduce the unreasonably large number of obligatory targets; drop the practice of annually switching supply partners, which ruled out stable economic ties between economic regions.⁹⁶ Aleksei Hõbemägi says that Moscow was in fact averse to the republics fostering direct relations without its mediation. A promising co-operation between the Estonian and Latvian metal industry administrations, for instance, was nipped in the bud.⁹⁷

The economic regions' protests and proposals regarding the supply issue were taken into consideration in the 4 May 1958 CPSU Central Committee and USSR Council of Ministers' decree on measures for improving the planning process.⁹⁸ However, since the problems were inherent in the economic system as such, nothing changed. In fact, the decree was a step back towards centralisation, as the planning and distribution of material resources was taken over by the USSR Gosplan. Republics were only allowed to use non-allocated resources for the production of basic goods.

In 1961, in an attempt to ensure better planning and distribution of material resources among the economic regions and to improve operational management the economic administrative regions were consolidated into 17 major economic areas under the supervision of co-ordinating and planning councils.⁹⁹ A broad-based co-ordinating and planning council was a consulting body which included representatives of the region's party and government agencies and planning commissions, chairmen of the local *sovnarkhozy*, presidents of the academies of sciences, top specialists from leading enterprises, scientific research institutions and design institutions, representatives of the USSR *Sovnarkhoz* and Gosplan. The council was expected to thoroughly familiarise itself with the situation in the economic region's industrial, construction and transport sectors, and work out proposals for a more effective utilisation of local natural resources, machinery and industrial equipment and labour resources. Bolstering relations with other economic regions to guarantee the

96 Stenogramma i protokol X s'ezda KP Estonii [Verbatim report and protocol of the 10th Congress of the ECP], in: ERAF, f 1, n 4, s 2156, l 246-248.

97 Hõbemägi, *Memoirs* (see note 91).

98 O merakh po ulucheniuiu planirovaniia narodnogo khoziaistva [On measures for improvement of economic planning], in: *Sobranie postanovlenii pravitel'stva SSSR* [The collection of regulations of the SSSR government] 1958, No. 9, art. 75.

99 *Postanovlenie TsK KPSS i SM SSSR* [Regulation of the CPSU CC and the Council of Ministers], 26 April 1961, No. 381, in: *Sobranie postanovlenii pravitel'stva SSSR* [The collection of regulations of the SSSR government] 1961, No. 8, art. 59.

implementation and execution of state plans was also among its responsibilities. Decisions of the council were of a recommendatory nature for the republics' governments, the USSR *Sovnarkhoz* and Gosplan.

The new planning units were indeed of considerable size. Of a total of 17 co-ordinating councils, ten were formed in the RSFSR, which had 68 operating *sovnarkhozy*.¹⁰⁰ The major economic regions included the Western Economic Region covering the Lithuanian, Latvian and ESSR with their respective *sovnarkhozy*. According to the statutes of the Co-ordinating and Planning Council of *Sovnarkhozy* of the Western Economic Region¹⁰¹ ratified on 13 March 1962, the council met alternately in Vilnius, Riga and Tallinn. The sessions were chaired by a representative of the hosting republic. The council's headquarters were located in Riga, its ten-member administration was serviced by the Latvian SSR Council of Ministers, and its upkeep costs were covered by the central budget. However, these councils had a brief existence: it was soon obvious that they were inefficient and in fact unnecessary. The Co-ordinating and Planning Council of *Sovnarkhozy* of the Western Economic Region was officially abolished in July 1963.¹⁰²

The failure of the co-ordinating councils ultimately inspired a new direction which materialised in the decision of the CPSU Central Committee plenum of November 1962 to improve regional administration by reinforcing the *sovnarkhozy* through amalgamation and certain adjustments in their competences.¹⁰³ A new body was formed for further improvement of management and planning – the USSR Supreme Council of National Economy (*Vesenkha*), the highest state agency for the administration of industry and construction. Its first chairman was Dmitrii Ustinov.¹⁰⁴ The USSR Gosplan specialised in long-term planning, while the function of current planning was transferred to *Vesenkha*. The State Economic Commission was liquidated.¹⁰⁵

Of the 105 *sovnarkhozy* established in 1957, only 47 survived until the start of 1963, following the amalgamation and the formation of major economic regions. Of these, 24 were on the territory of the RSFSR, seven in the Ukrainian SSR. The *sovnarkhozy* of the four Central Asian republics were merged into one. In reality, very little was achieved by the creation of larger planning regions.¹⁰⁶

100 Demichev, *Reforma* (see note 2), p. 178.

101 ENSV Ministrite Nõukogu 13. märtsi 1962. a määrus nr 114 [Regulation of the Council of Ministers of the ESSR, 1962, No. 114, March 13], in: ENSV Ministrite Nõukogu määruste ja korralduste kogu [Regulations and orders of the Council of Ministers of the ESSR] 1962, No. 15, art. 61.

102 ENSV Ministrite Nõukogu 15. juuli 1963. a määrus nr 348 [Regulation of the Council of Ministers of ESSR 1963, No. 348, July 15], in: ENSV Määruste ja Korralduste Kogu [Regulations and orders of the Council of Ministers of the ESSR] 1963, No. 25, art. 99.

103 *Kommunisticheskaia partiia Sovetskogo Soiuz v rezoliutsiiax i resheniiax s'ezdov, konferentsii i plenumov, t. 8: 1959–1965* [Resolutions and decisions of the congresses, conferences and plenary sessions of the Central Committee of the Communist Party of the Soviet Union, vol. 8: 1959–1965], Moscow 1972, pp. 386–395.

104 NSVL Ülemnõukogu Presiidiumi 13. märtsi 1963. aasta seadlused nr 1119 ja 1125 [Decrees of the Presidium of the USSR Supreme Soviet of 13 March 1963, No. 1119 and 1125], in: ENSV Ülemnõukogu Teataja [Gazette of the Supreme Soviet] 1963, No. 12, pp. 260, 263.

105 Swearer, *Khrushchev's Revolution* (see note 31), p. 49.

106 Nove, *An Economic History* (see note 72), p. 364.

The amalgamation of the *sovnarkhozy* did not concern the three Baltic republics. The *sovnarkhozy* of Estonia, Latvia and Lithuania SSR continued their separate existence, albeit with slightly modified competences. In 1962, the Fisheries Administration of the ESSR *Sovnarkhoz* along with its enterprises was handed over to the all-union Chief Directorate of the Western Basin Fisheries, and the Energy Administration “Eesti Energia” together with its subdivisions was transferred to the jurisdiction of the union-republic Chief Directorate of Energy and Electrification created by the ESSR Council of Ministers.¹⁰⁷ In 1963, the Construction Administration and its subdivisions exited the structure of the ESSR *Sovnarkhoz*; the union-republic ESSR Ministry of Construction was established for more effective management of capital construction.¹⁰⁸ Once the fishing and energy industries and construction had been placed under all-union or union-republic supervision not only the ESSR *Sovnarkhoz*, but also the ESSR Council of Ministers lost much of its authority over the industries located on Estonian territory. The ESSR authorities had no say in planning the labour resources or production volumes of enterprises of all-union subordination. Even the management under mixed union-republic supervision was based on principles introduced by the respective centralised union-republic ministry of the Soviet Union.

These manoeuvres in key sectors of Soviet industry suggest that the central government did not trust the *sovnarkhozy*, as it strengthened control over their operations and restricted their responsibilities. On the other hand, there was an expansion of the *sovnarkhozy* at the expense of other types of management.

In 1962 in a bid to abolish parallelism in the management of industrial enterprises, the ESSR Ministry of Local Economic Affairs was reorganised and its subordinate manufacturing enterprises were handed over to the *Sovnarkhoz*. To raise the efficiency of management, smaller enterprises were merged into larger units.

Some reorganisation also took place in the inner structure of the national economic council. The Administration of Material-Technical Supply and Sales was renamed the Chief Directorate of Material-Technical Supply and Sales.¹⁰⁹ In order to cut administrative expenses, in January 1962 the Administration of Meat and Dairy Industry and the Administration of Food Products Industry were merged into the ESSR *Sovnarkhoz* Administration of Food Products Industry, led since February 1962 by Aleksander Strizh. In February the Administration of the Food Products Industry was renamed the Administration of Food Industry.¹¹⁰

107 ENSV Ministrite Nõukogu 18. septembri 1962. a määrus nr 453 [Regulation of the Council of Ministers of the ESSR 1962, No. 453, September 18], in: ERA, f R-1, n 1, s 1483, l 291-294; EKP Keskkomitee ja ENSV Ministrite Nõukogu 19. oktoobri 1962. aasta määrus nr 491 [Regulation of the ECP CC and the Council of Ministers of the ESSR 1962, No. 491, October 19], in: ENSV Ministrite Nõukogu Määruste ja Korralduste Kogu [Regulations and orders of the Council of Ministers of the ESSR] 1962, No. 53, art. 187.

108 ENSV Ülemnõukogu 31. jaanuari 1963. a seadlus Eesti NSV Ehitusministeeriumi moodustamise kohta [Decree of the Supreme Council of the ESSR of 31st January 1963 on the formation of the Ministry of Construction of the Estonian SSR], in: ENSV Ülemnõukogu Teataja [Gazette of the Supreme Soviet of the ESSR] 1963, No. 6, art. 25.

109 ENSV Ministrite Nõukogu 6. märtsi 1962. a määrus nr 107 [Regulation of the Council of Ministers of the ESSR 1962, No. 107, March 6], in: ENSV Ministrite Nõukogu Määruste ja Korralduste Kogu [Regulations and orders of the Council of Ministers of the ESSR] 1962, No. 14, art. 56.

110 ENSV Ministrite Nõukogu 6. veebruari 1962. a määrus nr 55 [Regulation of the Council of

As a result of this reshuffle the number of branch administrations fell to six. The Administration of the Construction Materials Industry, Administration of Light Industry, Administration of Machine-Building, Administration of Forest, Pulp and Paper Industry, Administration of Oil Shale and Chemical Industries, and the Administration of Food Industry as well as the Chief Directorate of Material-Technical Supply and Sales operated until their liquidation in 1965. The final year of the seven-year plan also marked the end of the *sovnarkhoz* reform.

The 1965 September plenum of the CPSU Central Committee, having discussed the improvement of management and planning and stronger stimulation of industrial production, concluded that the existing management system and methods did not conform to the contemporary conditions and level of productive forces. Industrial management was criticised for preferring administrative methods over economic methods, curbing the right of enterprises to pursue economic activities, and for the formal nature of the self-supply principle, and overregulating the work of enterprises with an excessive amount of planning targets. It was also stated that territorial management discouraged specialisation by the branch principle and impeded the development of rational production relations between enterprises. To ensure further industrial development and higher production efficiency, the plenum therefore adopted a decision to reorganise industrial management according to the branch principle by creating all-union and union-republic ministries to supervise the respective branches of industry.¹¹¹

This decision spelt the demise of *sovnarkhozy*. On 1–2 October 1965 the USSR Supreme Soviet session supported the transition of industrial administration from the territorial to the branch principle, the ministry as the mode of management, and the five-year plan as the principal format of a planned economy. The *sovnarkhoz* system was denounced for the same flaws that the ministries were once criticised for: resources were not used to the maximum; utilisation of production capacities in new enterprises was lacking in efficiency; growth of productivity was inadequate; application of new technology and scientific achievements was not active enough; organisation of production was substandard.¹¹²

The resolution was approved by the ECP Central Committee plenum on 19 October, and by the ESSR Supreme Soviet on 20 October 1965. The Supreme Soviet then adopted a law¹¹³ which abolished the ESSR *Sovnarkhoz* and branch administrations, replacing them with five union-republic ministries (Forest, Pulp and Paper Industry, Construction Materials

Ministers of the ESSR 1962, No. 55, February 6], in: ENSV Ministrite Nõukogu Määruste ja Korralduste Kogu [Regulations and orders of the Council of Ministers of the ESSR] 1962, No. 7, art. 28; ENSV Ministrite Nõukogu korraldus 30. jaanuarist 1962 nr 95-k. [Order of the Council of Ministers of the ESSR 1962, No. 95-k, January 30], in: Ibidim, art. 31; Eesti NSV Ministrite Nõukogu 17. veebruari 1962 määrus nr 80 [Regulation of the Council of Ministers of the ESSR 1962, No. 80, February 17], in: Ibidim, No. 10, art. 40.

111 Kommunisticheskaia partiia (see note 103), pp. 517 f.

112 Zasedaniia Verkhovnogo Soveta SSSR shestogo sozyva, shestaia sessiia (1–2 oktiabria 1965 g.). Stenograficheskii otchet [Sixth session of the Supreme Soviet of the USSR on 1–2 October 1965. Sixth Convocation. Verbatim report], Moscow 1965, pp. 10–13.

113 Seadus “Tööstuse juhtimise organite süsteemi muutmise ja mõnede teiste riikliku juhtimise organite kohta”. [The Act on “Modification of the management system in industry and other areas”], in: ENSV Ülemnõukogu Teataja [Gazette of the Supreme Soviet of the ESSR] 1965, No. 43, art. 178.

Industry, Light Industry, Food Industry, and Meat and Dairy Industry) and two administrative bodies (Administration of Chemical Industry and Chief Directorate of Material-Technical Supply). Most of these were the namesakes of the ministries that had existed until 1957, which suggests that the move was a simple reinstallation of the ministries system. The newly appointed Deputy Chairman of the ESSR Council of Ministers, Arnold Veimer, however, insisted that the aim of the reorganisation was not to return to the old system, but to take management to a new level, with a focus on the economic factor.¹¹⁴

By the end of 1965, of the 160 enterprises belonging to the ESSR *Sovnarkhoz* system, 31 had been handed over to all-union ministries, 112 to union-republic ministries, and 17 to the Ministry of Local Industry. Because of the organisational adjustments in management, in 1965 the ESSR Council of Ministers' control over the industry located on Estonian territory was reduced and the changes were reflected in the structure of total industrial output (Table). The Deputy Chairman of the ESSR Council of Ministers, Hendrik Allik, insisted that the transition was well organised and did not disrupt the execution of the plan.¹¹⁵ The ESSR *Sovnarkhoz* liquidation commission led by Veimer worked from 5 January to 1 March 1966.¹¹⁶

Conclusion

In the course of the liberalisation of economic policy in the USSR, the reform for improvement of the industrial and construction management was initiated in 1957. Through decentralisation of the management of industry, which was the most important economic sector of the Soviet Union, central government and communist party leaders expected to overcome industrial stagnation and guide the country to economic progress. The territory of the Soviet Union was divided into economic regions and the new management bodies, *Sovnarkhozy* (National Economic Councils), were established for the management of industry and construction in these regions. The branch principle in planning and management was replaced by the territorial principle. However, this management reorganisation only embraced one sector of economy: industry, and not even the whole of industry. Local soviets and some all-union ministries retained their positions alongside the *sovnarkhozy*.

The ESSR *sovnarkhoz* like others had high expectations of the reform which provided them with greater decision-making power and created new opportunities for regional economic development and for the improvement of standards of living. *Sovnarkhoz* were given the right to compile the plans for industrial development, specialisation and cooperation, to implement plans for and supply of materials and technologies, and to control the economic and financial activities of enterprises. They also had to bear full responsibility for the fulfilment of plans. The centralised planning categories were supposed to be broader, leaving detailed decisions up to the *sovnarkhoz*. Nevertheless, the centralised categories

114 ENSV Ülemnõukogu 6. koosseisu 7. istungjärg (see note 66), p. 12.

115 ENSV Ülemnõukogu 6. koosseisu 8. istungjärg (see note 81), p. 5.

116 ENSV Rahvamajanduse Nõukogu likvideerimiskomisjoni protokollid [Protocols of the Liquidation Commission on the National Economic Council of the ESSR], [5 January 1966, 28 February 1966], in: ERA, f R-1809, n 1, s 581, l 1, 22.

gradually expanded and the role of the National Economic Council narrowed. *Sovnarkhoz* preserved the right to plan and allocate only those products which were entirely produced and used within the Estonian administrative region. General industrial development trends and production volumes were prescribed centrally.

Since the economic system as a whole did not change and the new managerial bodies gave preference to administrative methods over economic methods, the problems inherent to the earlier era of five year plans, persisted. For example, legal acts, including the plans for the national economy, both short and long term, were adopted in retrospect, with major delay; plans were changed frequently, often in retrospect; the quantitative growth of heavy industry was prioritised; the total gross rather than net output was the most important indicator of success. Changes in industrial administration did not change investment priorities. Heavy industry continued to absorb the vast majority of investments and this badly affected the growth of the consumer goods industry.

During the implementation of the reforms, industry faced many problems. One of the biggest problems was planning, which was characterised by a shift towards complexity and detail and based on past statistics. The large number of plans: gross output, commodity production, rise in productivity, putting capital assets into operation, implementation of new technology, supply of materials and technology etc. made co-ordination difficult. The plan targets were often changed, causing a great deal of confusion because some targets were adjusted while other related figures remained unaltered. Enterprises had very little say in the planning process (with the exception of the 1958 plan). The numerous and overly detailed targets were approved by higher authorities, whereas enterprises only functioned as executors.

Another major problem was related to supplies to industry. The existing system of supplies did not function properly and was unable to provide enterprises with the raw materials, technology and equipment needed for normal production processes. The enduringly dysfunctional supply system caused work stoppages and hindered the launching of new products. On the upside, however, it encouraged inventiveness and creativity, both in technology and general management.

Industrial management reform had positive effects too. First of all, industrial growth was impressive, especially in heavy industry. However, the Soviet practice of inflating the results must be kept in mind. Shortage of labour and the need to develop and implement new technologies shifted the focus to training qualified specialists for the national economy. The Estonian machine-building, apparatus and electronics industries developed as a result of innovative production and technological advances and were able to create and effectively produce complex, knowledge-intensive products. Devolution of decision-making power to economic region level encouraged local initiative in exploiting resources and introducing new technologies. Many young, educated and enthusiastic people came to work in the system of *sovnarkhoz*. All this boosted the economy and living standards.

Liquidation of the *sovnarkhozy* in 1965 and transition of industrial management back from the territorial to the branch principle and restoration of the all-union and union-republic ministerial system put an end to the short-lived experiment and increased the degree of centralisation.

Zusammenfassung

In dem vorliegenden Artikel wird die Reform der Verwaltung von Industrie und Bauwesen in der Estnischen SSR behandelt – die Einführung des Volkswirtschaftsrats (*sovnarchoz*), die in der UdSSR in den Jahren 1957 bis 1965 umgesetzt wurde. Die Reform zielte auf eine Dezentralisierung der Verwaltungsstrukturen ab, um das Entscheidungsrecht der Unionsrepubliken in Wirtschaftsfragen zu stärken. Mit der Reform hoffte man auf ein schnelles Wirtschaftswachstum und eine Verbesserung des Lebensstandards.

Im Mittelpunkt stehen Veränderungen in Industrie und Bauwesen, infolge derer das bisherige auf Produktionszweigen basierende Prinzip der Produktionssteuerung durch das territoriale Prinzip ersetzt wurde. Auch wird veranschaulicht, wie die Reform die Industrieentwicklung in der ESSR beeinflusste. Zudem werden die daraus entstandenen Probleme, die Gegenmaßnahmen und die Ergebnisse der Reform analysiert.

Zusammenfassung aus dem Estnischen übersetzt von Heli Rahkema, Bielefeld