

the average wage increase, due to factors which have nothing to do with us, should be higher than the increase in labour productivity. We have the resources for this, and we can earn the profit. But, it turns out that we cannot hand out all the money we earn, since there is a strict limitation: if the fixed correlation between average wage growth and increased productivity is broken, then the bank will "freeze" part of the resources you have earned and the workforce will not be allowed to have them. So wages fall and people's indignation at the injustice of this instruction increases. (The instructions in question are contained in USSR Gosbank's letter dated 2 February 1989).

In fact, if the country needs what we produce (which it does very much), then why should the workers have to pay for worsening natural conditions? They don't work any less than they did before, but they are getting paid less. Is this really fair?

We do understand that in principle wages should not increase faster than labour productivity. But we must consider each individual case.

The USSR Gosbank instruction also undermines the employees' efforts to reduce production costs. What happens is that, when production costs are down, this naturally means higher profit, which in turn means more for the labour remuneration fund. Wages increase, but productivity doesn't, since there is no increase in the amount of production. In this case, a restriction on wages growth comes into play. The wages-productivity correlation is broken, and the bank "freezes" part of the resources. Paradoxically, whereas lower production costs benefit the country, the enterprise, the employees, and in fact everybody,