

Non-Target Communist Area Analysis Department  
Background Information USSR

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KHRUSHCHEV ON THE SOVIET ECONOMY

In his wide-ranging speech on 24th April, which lasted three hours and was addressed to the building and industrial officials of the RSFSR, Khrushchev outlined many of the real problems facing him at present, and laid down how they should be overcome. In the process he sharply criticized Ministers of the Soviet Government, the managers of his armaments industry, a number of Sovnarkhoz chairmen, and the usual group of dissident writers and film producers. Altogether it was not the speech of a man who is uncertain of his position or authority. It was not an apologia, nor did it have the appearance of a farewell address. Yet the most interesting section of it was the passage in which Khrushchev described his long-term plans for departure from power.

Whenever Mr. Harriman comes to Moscow, Khrushchev begins to feel old. It was with Harriman in the summer of 1959 that Khrushchev not only discussed his succession problems, but also disclosed that Kozlov had already been chosen as heir-apparent. Thus the idea of impending retirement in Khrushchev's mind is at least four years old, and the new feature in this speech is his willingness to discuss it publicly. But it is important to notice the context in which he discusses it.

Here Khrushchev is defending himself against unspecified radical intellectuals and "anarchists" who argue that the Party does not need "authorities" with their inevitable cults. Khrushchev's reply is that a leading nucleus, "to which the most experienced and worthy leaders are elected", is essential. But this argument was put forward at length by Ilyichev at the 22nd Congress, and it at once led to the suspicion that Khrushchev was using it to bolster his own cult of personality. Hence Khrushchev is now concerned to show that his defence of "authority" is not on his own behalf, but on that of the regime, since he personally cannot occupy his present posts "for all time".

Undoubtedly the statement was calculated to pave the way for his eventual retirement. But in view of the fact that Khrushchev chose to discuss for 3 hours the problem of investment, productivity, labor and much else it would be premature to expect that this retirement is scheduled for the near future - even from his less important post of Chairman of the Council of Ministers. If he intended to retire from the Government, at the May Plenum for instance, it would have been logical to depute Kirilenko or Kosygin, perhaps, to make this detailed and laborious speech for him.

## Economic Problems

Discussing the first results of the November Plenum, Khrushchev warned his party organizations that they must not take over economic functions not within their sphere. They are to provide political and organizational leadership, he said, but not to become substitutes for industrial management.

He also revealed that some Chairmen of the State (industrial) Committees have been engaged in empire-building in the form of attempts to regain control over individual factories at the expense of the sovnarkhozy. Some of these chairmen are ministers, "but even good ministers are some times not free from bad impulses." He criticized their excessive centralizing tendencies, and defined their aim as "wanting to be responsible not only for science and design, but also for the management of the factories."

These remarks make it evident that two of the tendencies apparent at the November Plenum, the encroachment of the Party on industrial management and the recentralization implicit in the establishment of Ustinov's economic empire, are being pushed further than Khrushchev wants by some of his influential subordinates.

## The Campaign for More Engineering Shifts

While recommending the reduction of the number of night shifts worked in the textile industry, where the labor force is predominantly female, Khrushchev returned to a year-old campaign of his for more shift work in the engineering industry. A survey has shown that at present 24% of machine-tools are idle in the first shift, 39% in the second, and 78% in the third. Fuller utilization of the available machine-tools would require the provision of more housing for the factories concerned, but Khrushchev is convinced that even so, the scheme would be cheaper than the building of new engineering factories. However, during the past year little progress has been made in this direction, and it may be that the real bottleneck is the shortage of skilled labor, as well as the notoriously low productivity of the night shift, which is one of the reasons for its deemphasis in the textile industry.

## The Attack on the Arms Industry

After criticizing the slowness of industry in specialization, standardization, the modernization of machine-tools and numerous other areas, Khrushchev launched into a most unusual and intriguing attack on the managers of the arms industry. He accused them of slackness and of concealing their errors behind the aura of secrecy which surrounds the defence plants. This passage seems to have been a warning not only to the defence industry potentates but also to D. F. Ustinov himself, because Khrushchev stressed that until very recently Ustinov had been responsible for the sector, and then added:



"Therefore we shall hope that he will bring still better order into its affairs."

Then, after saying that Ustinov had been given his new post as Chairman of the Supreme National Economic Council simply because he was fit for the job, not in order to "militarize the country", an extreme foreign interpretation which Khrushchev rightly labelled "absurd", the latter again renewed his criticism of the arms industry. He observed that it could do a better job more cheaply than at present, and added that its capacity should be more fully utilized.

All this demonstrated clearly enough that if there is any truth in the speculative report in today's Guardian about a "debate" in the Soviet leadership concerning allocation of resources as between the arms and civilian industries, it is certainly not Khrushchev who is on the defensive.

Granted that there may be pressure for increased investment in armaments, Khrushchev seems to be saying, almost certainly with the backing of a majority of the Presidium, that more effort by the industry would improve its results without any major new diversion of resources to it.

As for the chemical industry, Khrushchev announced that a special plenum of the CC is to be devoted to its difficulties, but he did not say when. It is one of the industries which have fallen behind the seven-year plan targets, partly because bad planning has led to a dearth of sulphuric acid.

In wages policy Khrushchev made the sensible proposal that some of the more sophisticated industries should begin to switch over to payment by the hour instead of on a piece-work basis, but his other innovation in labor relations, the theory that holidays should be varied in accordance with the quality of a worker's output, seems likely to cause more discontent than progress - if it is ever applied.

It seems likely that this year's labor productivity target will be unfulfilled. Khrushchev pointed out that the 7 Year Plan requires an annual increase of 6.5%, and then listed five Sovnarkhozy by name, in addition to others unidentified, which have demanded a stand-still for productivity in 1963. Since Soviet productivity at present is probably only about one-third of the US level, any further lag in this sector would be serious.

The single economic failing on which Khrushchev laid the greatest stress is the dispersal of investment resources. For years he has been demanding concentration on priority sites, but the situation is growing worse instead of better. (in 1959 there were 160,000 sites under construction and in 1962 195,000, involving some 27 billion rubles). He criticized I.T. Novikov, the head of Gosstroi, and P.F. Lomako, the head of Gosplan for their part in these "anti-state" activities, and instructed Ustinov as well to work on the problem. The seriousness of it can be judged from the fact

that he described the dispersal of resources as "near-wrecking", akin to the political "wrecking" of the past.

The ideological section of the speech was interesting for the stress laid by Khrushchev on the dangers of freedom. Some intellectuals, he complained:

"have even begun to assert that the time has come when each person can himself determine his line of conduct and the direction of his work, without taking account of the interests of society."

This ideal of personal freedom seems mere anarchy to Khrushchev, who argued that Marx, Engels and Lenin had all shown the need for "authority" to direct the production of goods. Moreover even under communism, when the state has withered away, Khrushchev believes there will still be agencies for administration, coordination, planning and accountancy. He made it sound a grimly bureaucratic affair.

Towards the end of his speech, he returned to the problem of the generations, and denied that there is a conflict between "fathers and sons". He had earlier pointed out that he is of pensionable age, and at this stage he asked:

"What should we consider young or old? In our opinion he is young who stands on the position of the most progressive ideas of the eternally young and vital Marxist-Leninist teaching."

This "opinion" is no proof whatever of the absence of a conflict between "fathers" and "sons", but it is another good reason for being sceptical about the likelihood of impending transfer of power by Khrushchev. He may be 69, but he is younger than Mr. Harriman or Mao Tse-tung, and he still has a lot of unfinished business with them.

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