

# RADIO FREE EUROPE *Research*

## COMMUNIST AREA

USSR: Economics

17 November 1967

### CONTROVERSY OVER THE 1971-75 PLAN

In July 1967 an exceptionally interesting debate took place in the Bureau of the Economics Section of the Academy of Sciences USSR concerning the shape of the 1971-75 plan.<sup>1</sup> The main report was delivered by A. N. Yefimov, the Director of the Scientific Research Economics Institute (S.R.E.I.) of Gosplan USSR. He was discussing not only 1971-75 but also the entire time-span between 1971 and 1985. His four main prerequisites were: first, the achievement of a high standard of living to overcome the lag in this sphere behind the developed capitalist countries; secondly, intensive rather than extensive development of the economy -- including a further rapprochement between the rates of growth of production and consumption; thirdly, complete mechanization in all spheres, particularly in agriculture; fourthly, a better system of finance with more independence at all levels but with state interests still uppermost, and better material incentives.

In the ensuing debate one orthodox economist (F.I. Kotov) criticized the report for arguing that the lag of consumption behind production should be overcome. The report advocates a closer correlation between the rate of growth of labor productivity and of the standard of living. He thought that this was a mistake, and that it would be better to aim for a substantially higher rate of productivity growth, which would outstrip the rise in real incomes.

---

1) Voprosy Ekonomiki, No. 10, 1967, p. 148.

L.M. Gatovsky, the editor-in-chief of Problems of Economics, criticized the report for advocating the "stabilization of capital investments," but he was immediately followed by E.I. Kapustin, who noted that the USSR's greatest lag behind the USA is in the sphere of organization and management. To catch up with the USA in these fields would not require large capital investment. On the other hand, he believed that the report's recommendation for the stabilization of capital investments would lead to increased problems in the provision of employment. He pointed out that directors can now choose between the use of low-wage labor or investment in expensive machinery accompanied by higher wages for mechanized labor.

In closing the debate the Secretary of the Economics Section of the Academy of Sciences, T.S. Khachaturov, said that the S.R.E.I. had performed much interesting work. The report contained a number of principles which he found were extremely important in the initial stages of the work. Eventually it would be possible, after making the needed corrections, to present a model of the 1971-75 plan to Gosplan.

He noted that everyone is agreed on the desire to accelerate the growth of consumption, but the question now is to determine how best to achieve this aim. He, too, felt dubious about the proposal for the stabilization of investments, and said that it is not a question of the share of accumulation but of the absolute magnitude of capital investments. "If we stabilize our investments," he asked, "how can we maintain the high rates of growth of the economy and accelerate the production of consumer goods? How can we solve the problem of the use of labor resources? I think that we shall need very great capital investments to carry out the program of economic growth laid down in the report. Merely to express a wish for the stabilization of capital investments is not enough. We also need preliminary calculations and recommendations as to how to carry out the proposal."

From these brief excerpts it is clear that the report on the 1971-75 plan drawn up by the S.R.E.I. is an exceptionally "liberal" document. Not only has it upset the orthodox by proposing a still further closing of the gap between the growth rates of productivity and real incomes, but also it has broken with all Soviet planning tradition to date by proposing the stabilization, albeit at a very high level, of capital investments. In 1966-70 capital investments are expected to total about 302 billion rubles, and presumably the S.R.E.I.'s "stabilization" would take place at the 1970 investment rate, rather than at the average rate of the present plan. In this case, the 1971-75 plan, as drawn up by the S.R.E.I., would provide for about 350 billion rubles worth of capital investments.

This is an impressive target at which to aim, but it still seems most unlikely to satisfy the more conventionally-minded economists (and political leaders), as the criticisms during the debate suggested. According to McGraw-Hill, US spending at home on new plant and equipment is likely to be worth about \$65 billion in 1968,<sup>2</sup> in which case an average of 70 billion rubles in capital investment for the years 1971-75 in the USSR is not likely to be adequate even to keep up with the US in this sector, let alone to overtake. Here is one Soviet investment plan which looks likely to be revised upwards before it is accepted by Gosplan; but when it comes to performance the S.R.E.I.'s relatively cautious projections will probably prove more accurate than the ambitious schemes which Gatovsky, Kapustin and Khachaturov have in mind.

r.r.g.

---

2) Financial Times, 10/11/67.