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SOME ECONOMIC ASPECTS OF THE KHRUSHCHEV SPEECHES

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Agriculture

(Politicheskoye Samoobrazovaniye,
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Introduction

As expected, Khrushchev's speech (Radio Moscow, 18 October 1961) lays heavy emphasis on economic development, and stresses the "direct cooperation in production" of the socialist countries."

"The main thing now", Khrushchev says, "is to achieve by steadily developing the economy of each and every socialist country the preponderance of the world socialist system over capitalism as regards the absolute volume of output."

The highway for the further growth of the world socialist economy, Khrushchev said, is a combination of development of the national economy of each socialist country with general efforts to strengthen and expand economic cooperation and mutual aid. These admirably internationalist sentiments would perhaps have sounded more convincing had it not been for the test cases of China and Albania, which must have been in the minds of many European delegates. In 1960 the Soviet trade turnover with China fell by no less than 19%,¹ bringing an ally of 700 million people to a point below that of E. Germany in the list of Khrushchev's trade partners. As regards Albania, whose representatives were unique in that they appear not to have been invited to hear Khrushchev, no figures have been made available, but numerous reports from both Western and communist sources, together with the absence of official statistics, suggest that in fact Khrushchev has for the past year applied economic sanctions against one of his smallest allies in an endeavor - so far vain - to bring it to heel.

In the domestic section of the speech, Khrushchev reported that there is "every possibility of over-fulfilling the seven-year plan", a statement which is true of the industrial sector, but overlooks the perennially backward state of agriculture. As regards the vital question of heavy industry he used the formulation:

¹Recent Changes in Europe's Trade, E.C.E., August 1961.

"In the creation of the material-technological basis for communism a decisive role is played by heavy industry as the foundation of the whole national economy."

This was perceptibly stronger than the wording of the Draft Program, which avoided the adjective "decisive", but was also notably weaker than Khrushchev's own phraseology at the 21st Party Congress in 1959, when he was still using the Stalinist formulation "preponderant development of heavy industry."

It is now clear from his 18th October speech that Khrushchev is following a centralist course which reasserts the priority of heavy industry, but at a much lower rate than in the past and for different reasons. On 17th October he said (Pravda, 18 October 1961):

"We planned to smelt 65-70 million tons of pig-iron in 1965, and now calculate that we shall have 72-73 million. Of steel we shall have not 86-91 million tons, but apparently 95-97 millions or more.

"Some people have suggested increasing the output of steel to 100 million tons a year, but we held them back, we said that it is necessary to develop uniformly all branches of the economy, and to remember housing, kindergartens, shoes, clothes etc. as well as metal. In this question we should strictly adhere to the directive given by the 21st Party Congress" (Applause)

"Production of rolled metal should be raised not to 65-70 but to 73-74 1/2 million tons a year..."

When it is recalled that the 21st Congress target for steel was 95,000,000 tons in 1965, it will be seen that Khrushchev has in fact raised his sights scarcely at all since early in 1959.

On the second day of the congress (Radio Moscow, 19th October) Khrushchev swept away a good many of the oversimplifications in the heavy versus light controversy by saying:

"It is well-known that heavy industry includes two types of factory: first those which are producing means of production for enterprises, including those making the means of production. Secondly there are factories making means of production for enterprises in the light and food industries, for agriculture, housing and services for the population.

"During the period when our heavy industry was only being built, we were compelled to direct our investments primarily for the development of factories of the first type and to restrict investment in the second group of factories. Now we have the opportunity to increase considerably capital investments in factories of the second type which will accelerate the rate of growth of consumption.

"In 1980 output of the first type of factory will have grown, by comparison with 1960, approximately 6 times, but of the second type about 13 times. Moreover heavy industry plants will more and more deliver goods for the service trades and domestic use, to satisfy the growing needs of the population..."

"In the 20 year plan, the general outlook is for a considerable rapprochement between the rates of growth of heavy and light industry. Whereas from 1929-40 the average rate of growth of production in heavy industry was almost 70% higher than in light, in the 1961-80 period, the excess will be about 20%.

"Heavy industry has always played and will play a leading role in the growth of production. The party will henceforth be ceaselessly concerned for its growth, seeing in it the decisive condition for the establishment of the material-technical base, for swift technical progress, the basis for the strengthening of the socialist state. At the same time the party will make every effort so that heavy industry to an ever-growing degree shall ensure an increase in output of consumer goods..."

Thus the original Khrushchev formulation at the January plenum (see Appendix 1, page 1 below), "all branches of the national economy must develop uniformly", which seemed to imply equal growth rates for groups "A" and "B" has been modified in such a way that while heavy industry maintains its priority (desirable to satisfy the dogmatic economists), the ground is cut from under their feet because they will have to see their sacred calf increasingly sacrificed to the output of consumer goods. It is a compromise solution clearly designed for both the neo-Malenkovs and the neo-Stalinists. Neither of the extremes will be wholly satisfied, but Khrushchev's centralist formula has all the ear-marks of a policy which is here to stay.

Labor Productivity

Khrushchev boasted that labor productivity in industry has grown by "almost" 70% since 1955, but the productivity growth target for the 7-year plan is higher still, at the 75% mark. The introduction of the seven-hour day has reduced the current annual increase in productivity to 4%,² or less than some dynamic free economies³ are now reporting. This failure is not crucial in that so far it has been compensated for by recruitment of new labor over and above the planned targets, but it does involve a reduction in the potential rate of growth of living standards.

The shortage of capital investment resources, a long standing bottleneck in the Soviet economy, led Khrushchev to make the novel proposal that no new enterprises should be founded during the coming year. At present there are 100,000 building sites of which 50,000 are intended for production purposes. The dispersal of material and capital resources is such that factories are two or three years late in coming into operation, and Khrushchev's moratorium on building is designed to

²Pravda, 14 October 1961.

³e.g., Germany, Japan, Italy.

accelerate the rate of completions. The main drawbacks to this conservative avoidance of "overheating" are that firstly it might slow down the growth rate of the economy if it is maintained too long and secondly it is by no means certain that the existing enterprises and building sites can efficiently absorb all of the labor which will become available during the year (probably at least 1 1/2 million new workers for industry alone).

In his discussion of the competition in living standards with the West, Khrushchev introduced a significant qualification into his proclaimed goal of "outstripping the most advanced capitalist countries." He said:

"When we set ourselves such a task, we have in mind those spheres in which our country should in reality catch up or overtake the capitalist countries."

These "spheres" will undoubtedly be selected by the Presidium in accordance with its judgement of what is good for its subjects. For example it is known that Khrushchev is no believer in cars for the masses, and the Draft Program's promise of increased automobile output notwithstanding, only 112,000 cars were built in the first nine months of 1961 - the equivalent of 28 days output from the Volkswagen works alone.

Khrushchev was justly proud of the progress now being made by his housing drive. He claimed that in the past five years more houses had been built than in the previous fifteen (five of which were war years, though he failed to note the fact). He also said that per thousand inhabitants, twice as many flats are being built in the USSR as in the USA and France, but he omitted to mention that the floor space of Soviet flats provides probably less than half the area averaged in America. Living space per resident in the Soviet cities has not yet risen above the 8 sq. meter mark, although 9 sq. meters is the minimum sanitary standard recognized by the US Bureau of Prisons. As Khrushchev said in one of his franker moments: "the housing problem remains very acute".

An outside observer might add that at the present rate of progress, rapid though it is by comparison with the Stalin years, it remains doubtful whether there will be a room for every Soviet citizen by 1975.⁴

To sum up, it appears that the real problems for Khrushchev's economic planners, as described in the speech, are agriculture, the slow rise in productivity due to cuts in working hours, the

⁴ World Today, October 1960. Background Information, 18 October 1960.

shortage of capital investment resources caused by excessive dispersal of new construction, and the continuing failure to house the people adequately. It will be difficult to find short-term solutions for any of these perplexities, but 1962 should begin to see a revived growth of industrial productivity. If not, the outlook for any swift improvement in the standard of living must be considered unpromising, due to the Draft Program's dogmatic insistence that wages should always lag behind productivity.

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PROBLEM OF GROWTH RATES OF HEAVY INDUSTRY AND AGRICULTURE

By B. Miroshnichenko
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...The socialist national economy is the totality of branches among which are established definite relationships, reflected in the state plan. The planning of production by branches demands especially great attention under the territorial system of management. The industrial-branch cross section of the plan determines the most important proportions in the development of the means of production -- between the production of machines and production of ferrous and nonferrous metal, between the volume of capital construction and its material supply, metal, cement, lumber, equipment, etc. It is of great significance for the bases of the program for raising the material welfare of the workers and for specific satisfaction of the constantly growing demand by the populace.

N. S. Khrushchev directed attention to this side of planning in his speech at the January 1961 Central Committee Plenum. He said: "All branches of the national economy must develop equally so that agriculture does not lag in its development and so that the production of consumer goods and agricultural products outstrips the growing demands of the people." This is all the more important since in connection with fulfillment of the Seven-Year Plan and the growth of the workers' welfare the demand for products will grow to a greater degree.

The leading role in the socialist economy belongs to heavy industry. It has given and will be given great attention in the future; but at the same time, the huge role of agriculture in the solution of the historic tasks of Communist construction and especially in raising the popular welfare cannot be ignored. Khrushchev said: "If much metal will be produced but other branches lag, their growth will be hindered; for instance, little grain, butter, and other products will be produced, and that will be one-sided development. Therefore, there is no need to be like a flounder which can see only one side."

Without a rapid and continuous growth of production of the basic types of agricultural raw material, it is impossible to guarantee the normal work of enterprises of the light and food industries as well as the uninterrupted trade in all food products and industrial goods for which the populace is showing an ever greater demand....

"KOMMUNIST" EDITORIAL SUPPORTS EXPANSION OF LIGHT
INDUSTRY AND CONSUMER GOODS PRODUCTION IN OPPOSITION TO
VIEWS OF "SOME" ECONOMISTS

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...Soviet economists must study more thoroughly the peculiarities of expanded reproduction in the period of full-scale building of Communism and shifts in proportions among the branches and spheres of the national economy. Unfortunately, the theoretical research works of economists in this field are limited, as a rule, to the most general instructions on the need to heed the law of planned, balanced development of the socialist national economy. Instead of specific investigations on how and in what measure proportions may change and which of these proportions are more rational, our economists often merely declare the proportions which have taken shape as the solely possible and correct ones.

As is known, Marxian economic theory has shown that for proper functioning of the production system there is essential the preeminent development of the first subdivision in relation to the second. Heavy industry is the basis of growth of production forces, the basis of the socialist economy, increase of popular welfare, and strengthening of the defense capability of the Soviet state. But this does not mean that when heavy industry has attained the essential scope in development, there is no need to pull up the rates of development of light industry. Nevertheless, some economists depict as the solely permissible proportions of development of various branches of the national economy those proportions which correspond to the primary period of socialist construction, the period of development of the USSR in capitalist encirclement, which it was essential to force maximally in the very shortest time the creation of a powerful industry.

The party has uncovered the country's growing material possibilities, which allow without harm for the interests of the state and its defense capability and without harm for heavy industry, to direct more resources and forces to development of agriculture and light industry and to achieve a full (vsemernyy) growth of consumer goods production...Production is development in our country, as N.S. Khrushchev emphasizes, not for the sake of production itself, but for man, for the people's welfare. In a report on the results of the Conference of Representatives of Communist and Workers Parties, N.S. Khrushchev said: "You cannot build Communism offering only machines and ferrous and non-ferrous metals. People must be able to eat and dress well and have housing and other material and cultural amenities."...