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AN ACCELERATING SWING TOWARDS CONSUMPTION, 1965-1967

Some rare figures for the breakdown of the Soviet national income as between consumption and accumulation have just been released by Moscow. An article by P. Krylov, the deputy chief of a Gosplan section,¹ shows that since Brezhnev and Kosygin took over the reins of power, they have increased the proportionate propensity of the USSR to consume and reduced its willingness to plough back wealth into accumulation.

Breakdown of National Income

(in comparable prices)

Expressed as percentage

	<u>1965</u>	<u>1966</u> (Prelim. data)	<u>1967</u> (plan)
Consumption Fund	73.4	73.8	74.8
Accumulation Fund	26.6	26.6	25.2

From these figures it can be seen that the trend towards a faster rate of consumption is being accelerated during 1967. Until 1964, i.e. in the Khrushchev years, before Brezhnev and Kosygin came to the top, it was usual for the USSR to allot about 27% of national income to accumulation. The change to a 25% ratio may look small on paper, but in practice it involves about 4 billion rubles a year, a large sum by any standards.

1) Planned Economy, No. 6, 1967.

Krylov notes that the 1966 decline in the accumulation ratio was in fact sharper than planned, because it was partly due to the underfulfillment of the plan for capital investments. For 1967 the position is somewhat different, in that the rate of growth of capital investments is being deliberately increased (from 6% in 1966 to 8% this year). The reduction in the share of accumulation this year is to be achieved, according to the plan, by speeding up the turnover of working capital and by making better use of surplus stocks of materials, equipment etc., for productive purposes.

Krylov does not expect to see any further substantial reduction of the share of national income devoted to accumulation in the remaining years of the current plan, because of the rapid growth of the capital investment program (about a third of which is devoted to housing, schools etc.). He thinks that a better return on investment can be obtained with the present ratio of accumulation, but admits that this theory is offset by the increasing development of the low-yield, capital-intensive, extractive industries and by the need to open up Siberia.

Both for industry and for agriculture, Krylov writes, the rate of return on investment was slightly better in 1966-67 than had been foreseen in the 5-year plan, and to some extent this was the result of the excellent 1966 harvest. On the rural side, therefore, the improvement can scarcely be maintained in 1968 (if the 1967 harvest is somewhat lower than last year's bumper crop, as expected), but for industry the outlook is relatively good. Last year industrial productivity rose faster than the average industrial wage (by 5.2% cf. 3.6%), and industrial profits increased by 10%. In 1967 profits are expected to grow still faster (by 14%), which implies a better return on capital employed, since total investment is supposed to go up by only 8 percent.

The conclusion from Krylov's article seems to be that although Brezhnev and Kosygin have tried to swing the consumption-accumulation ratio by two percentage points in favor of the citizen during the three years 1965-67, they have now gone as far as they wish to along this road. Nevertheless the consumption fund, if the 1967 plan is fulfilled, will have gained to the extent of about 4 billion rubles, by comparison with 1964, which is about as much as the present annual investment in the coal and steel industries combined. Or to put it another way, the increase

in the consumption fund since Khrushchev was overthrown is enough to pay for the annual upkeep of ten of Castro's Cubas (now costing about 400,000,000 rubles a year).

For 1955 the position is somewhat different. In that the rate of growth of capital investment is being deliberately increased (from 8% in 1954 to 8.5% this year). The reduction in rate of accumulation this year is to be achieved, according to the plan, by speeding up the turnover of fixed capital and by making better use of surplus stocks of materials, equipment etc., for productive purposes.

Krylov does not expect to see any further substantial reduction of the share of national income devoted to accumulation in the remaining years of the current plan, because of the rapid growth of the capital investment program (about a third of which is devoted to housing, schools etc.). He thinks that a better return on investment can be obtained with the present rate of accumulation, but admits that this theory is offset by the increasing development of the low-yield, capital-intensive, extractive industries and by the need to open up Siberia.

Both for industry and for agriculture, Krylov writes, the rate of return on investment was slightly better in 1954-55 than had been forecast in the 5-year plan, and to some extent this was the result of the excellent 1954 harvest. On the other side, therefore, the improvement can scarcely be maintained in 1955 (if the 1954 harvest is somewhat lower than last year's bumper crop, as expected), but for industry the outlook is relatively good. Last year industrial productivity rose faster than the average in the national wage (by 5.3% of 3.5%), and industrial profits increased by 10%. In 1955 profits are expected to grow still faster (by 14%), which implies a better return on capital employed, since total investment is supposed to go up by only 8 percent.

The conclusion from Krylov's article seems to be that although Brezhnev and Kossygin have tried to swing the consumption-accumulation ratio by two percentage points in favor of the citizen during the three years 1952-54, they have now gone as far as they wish to along this road. Nevertheless the consumption fund, if the 1955 plan is fulfilled, will have gained to the extent of about 4 billion rubles, by comparison with 1954, which is about as much as the present annual investment in the coal and steel industries combined. Or to put it another way, the increase