

# RADIO FREE EUROPE *Research*

## COMMUNIST AREA

USSR: Economics

31 October 1967

### INVESTMENT LEAGUE REVISED

The figures given by N.K. Baibakov, the Chairman of Gosplan at the recent Supreme Soviet session<sup>1</sup> point to some interesting changes in the 1966-70 investment plan as compared with the 1965 draft. Until now the only investment change which has attracted comment in the West has been the figure for state centralized productive agricultural investment, which has been discussed in isolation from the other agricultural investment headings and even in isolation from other industries (e.g. Die Welt, 27 October 1967 and New York Times, 29 October 1967). Understandably this methodology has led to some debatable interpretations.

#### Light Industry

Baibakov was reasonably precise on this topic. He said:

State centralized capital investments for light industry alone will increase 25% in 1968 and almost two times in the five years.

A reasonable interpretation of this would seem to be that he expects the 1961-65 achieved figure to be nearly doubled in 1966-70. The 1961-65 achieved figure was 2.4 billions,<sup>2</sup> so in 1966-70 almost 4.8 billions are presumably now planned. But according to N. Tarasov, the Minister of Light Industry USSR, "130% more capital investment would be channelled to the development of light industry than in the proceeding years." (Tass, 5 July 1966).

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1) Pravda, 11 October 1967.

2) Narkhoz 1965, page 534.

He was probably referring to centralized investments, and he implied a level of 5.5 billions in 1966-70. It now seems that the new target is appreciably more modest, and has been firmly pruned.

### Chemical Industry

Baibakov said on 10th October 1967:

The volume of capital investment in the chemical industry during the 5 years will increase by 72%.

Yet Kosygin at the 23rd Congress had said that it would be "almost doubled."<sup>3</sup> A considerable lowering of sights, by about one-quarter, has evidently taken place. Both Baibakov and Kosygin were giving percentage figures on the 1961-65 achieved base, which was 7.7 billions. Normally speaking chemical investment seems to achieve only about 81% of the planned level (see Pravda, 11 May 1967), leaving a routine "slippage" of some 19%, which appears to be a more or less annual affair. For example, back in 1962 only 82% of the money destined for chemicals investment was actually spent, so that it will not be far wrong to assume that roughly four-fifths of the money projected in the first draft of the present 5-year plan will actually be spent. On Baibakov's showing total investment in 1966-70 should be about 13 billion rubles, and a "slippage" of some two billion rubles compared with the Kosygin plan would be merely routine, not due to any political defeat of the "chemical lobby" or of Kosygin.

### Ferrous Metals

On this subject Baibakov said:

We reckon that the volume of state capital investment in 1968 will increase by almost 23% and in the five-year period by 54%.

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3) Pravda, 6 April 1966.

He was deplorably lacking in precision, but presumably he means that in 1966-70 ferrous metals investment will be running at a rate 54% above the 1961-65 level.

Total investment in ferrous metals in 1961-65 was 7.3 billion rubles and therefore total investment for 1966-70 in the industry is now expected to be about 11.0 billions. But the original draft of the five-year plan provided for a total of 12 billions (see Pravda, 7 April 1966). Here too, it is clear that the investment program has been trimmed back by about 1,000,000,000 rubles, almost 10%.

There is therefore a case for thinking that the apparent reduction in the state centralized agricultural productive investment plan (from 41 billion rubles in 5 years to 35 billions in the same time) is by no means unique or unusual, even if it is eventually proven that part of the money has not been shifted to agricultural non-productive investment or to kolkhoz decentralized investment. In 1966 alone state agricultural investment "slipped" by more than one billion rubles.

Polyansky is understandably distressed that the original plans are not being carried out, but so are the Ministers of Light Industry, the Chemicals Industry and the Ferrous Metals Industry. That they are less vocal might well be due to the fact that they are also less powerful. It remains true that state agricultural centralized productive investment is losing more billions, in absolute terms, than any other branch, but this is mainly due to the fact that its share of the total cake was so much larger.

Finally it is often forgotten that investment in housing (at about 8 billions a year) and in the building of stores, communal enterprises, schools, etc., is running at a combined rate of more than 16 billion rubles a year (see Vestnik Statistiki, No. 8, 1967, page 82-85).

This program is usually underfulfilled by about 10% p.a. compared with the plan, which implies "slippage" of about 1.6 billion rubles a year on the building front. But it does not necessarily follow that the "housing lobby" has been defeated. In point of fact, it is receiving more money (in absolute terms) than any other except agriculture, but it has fewer vocal spokesmen at Politburo level to raise the alarm whenever its investments are not made fast enough.