

MUNICH, 28 September 1967 (Communist Area Analysis Department - USSR - Fritz Ernarth)

Reports attributed to diplomatic observers in Moscow strongly support the impression conveyed by laconic, but in this case revealing, Soviet announcements of the decisions of the latest plenum of the CPSU Central Committee: On the eve of the anniversary celebration of the October Revolution, the collective leadership of Brezhnev and Kosygin has had the disheartening task of suspending, for all practical purposes, "their" Five-Year Plan in mid-stride.<sup>1</sup> Shelved, suspended, jettisoned, or scrapped -- the vocabulary employed is probably not important. The fact is that the original control figures, which have already waited more than a year without being confirmed into state plan, have by now been so modified that it makes little sense to continue speaking of the Five-Year Plan, which the protocols of the plenum notably do not do.

The main indicator that the Soviet economy will not be on a five-year plan for the next three years at least, but rather on a series of annual, presumably more flexible, plans was the presentation by head of Gosplan Baibakov of the outlines of Soviet plans for 1969 and 1970 after he had presented the required annual plan for 1968. On several occasions in the past, this procedure has revealed that a longer-range plan has been discarded.

It is also very significant that, apparently, the Central Committee refrained from specifying in detail what the fill-in plans for 1969 and 1970 will look like. There may indeed have been a dispute within the leadership about these plans into which the full membership of the Central Committee was drawn. The final communique on the plenum reports that the Central Committee approved the reports of Baibakov on the plans for 1968, 1969, and 1970, and Garbuzov's budget for 1968 "in the main" or "in principle". This suggests that

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1) Reuter and the New York Times, 27 September 1967.

further definition of these plans may be necessary. Time is growing short for the 1968 plan and budget, however, which must be approved by the Supreme Soviet session due shortly to convene.

The reasons for the misfiring of the Five-Year Plan are multiple. Rising defense costs without doubt played an important role. Soviet military aid to North Vietnam ran, according to Soviet figures, at about 500 million rubles in 1965. Now, according to U.S. estimates, it runs at about 1000 million rubles a year. This element of the defense burden has not been nearly as weighty, however, as the USSR's own military programs. In the wake of Khrushchev's fall, the Brezhnev-Kosygin leadership decided to accelerate the deployment of late-model ICBMs and also to advance the serious deployment of some sort of anti-missile defense system. As has been the experience in the West, Soviet costs in these extraordinarily sophisticated realms of technology have probably grown faster than anticipated. In addition, there is evidence that the leadership has been unable to agree within itself on the level of the defense effort for the immediate future. Such indecision or unresolved dispute about the highest quality physical and labor resources, just the inputs required for development of advanced civilian industrial sectors, have rendered it impossible to finalize the draft projections of the Five-Year Plan presented to the XXIII CPSU Congress in April 1966.

Some might be tempted to blame the planning and allocations difficulties confronted at the plenum on the American decision revealed a week ago to deploy its own thin ABM system. Naturally, the Soviets must take into account American military decisions, but it is unlikely that the ABM decision announced by McNamara in San Francisco had much impact on the plenum's deliberation. The Soviets surely anticipated this decision for some time, especially in view of the fact that they had shown so little public interest in negotiating a moratorium on ABM deployment as President Johnson proposed. Those who follow the exotic ABM competition, as the Soviets surely do, realized that some U.S. deployment was only a matter of time in the absence of negotiations. Nevertheless, over a period of time, the questions of how large an ABM system to deploy and how to respond to U.S. proposals for a moratorium may well have complicated Soviet economic planning.

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Defense problems have, however, not been the only ones burdening the Soviets in their efforts to define their longer-range plans. Allocations within the civilian sector have been subject to debate. Last year Polyansky revealed that "some comrades" were eager to trim planned investments in agriculture which had been specified in March 1965 by Brezhnev. But agriculture has so far managed to hold its own in the face of competing claims. As a result of investments, reasonable weather, and -- of no mean importance -- initially sober goals, agriculture, the "Achilles heel" of the Soviet economy, has exceeded so far the basic goals laid down in 1966.

Other problems have emerged in the course of the new economic reform. While the reformers have by no means lost confidence in the wisdom of their scheme, its implementation has been slow and its payoffs perhaps less dramatic than expected. Part of the problem has been bureaucratic opposition by those who find their powers contracted by the new reform. Yevsei Liberman writes candidly in the current issue of Foreign Affairs, "...superior agencies frequently have been incapable of freeing themselves fast enough from old habits and from superfluous regimentation of the work of plants and factories. The inertia of thought, views and ideas which was so characteristic of some executive agencies over a long period of time has proved more persistent than had been expected."<sup>2</sup>

No doubt the Soviet leadership hopes that the final departure from the original Five-Year Plan which was revealed at the plenum will be overshadowed in Soviet public eye by the decisions on wages, pensions, and taxes taken at the same time. The latter were clearly designed to demonstrate to Soviet citizens how deeply their leaders are concerned for their welfare. Yet one can readily see that the total impact of these decisions in themselves will not be dramatic in terms of the standard of living. The Soviet leadership, for all its public devotion to raising this standard, has repeatedly pointed

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2) Foreign Affairs, October 1967, p. 62.

out in the fine print of its pronouncements that basic improvements will come from increased productivity within the context of overall planned growth. Yet the collective leadership has now been forced to discard its original plan. This is not a catastrophe; plans have been discarded before. But it must be discouraging to the Politburo at just the time when everyone wants to emphasize achievements, not difficulties. Official Moscow has a hard time getting used to the fact that politics and economics do not take a vacation for the 50th anniversary of the October Revolution.

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