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DEFENSE AND THE NEW ECONOMY IN THE USSR

The Soviet Union appears at the present moment to be in the midst of a process of dramatic innovation in economic policy. The March 1965 Plenum of the Central Committee offered nothing short of a "new deal" for Soviet farmers. At one or perhaps two approaching Central Committee plena, Soviet decision-makers will, by all indications, consider a far-reaching reform of industrial planning and management and a Five Year Plan for 1966-70. The industrial reform promises to carry the Soviet Union far toward liberalization of central planning through incentive manipulation as opposed to fiat, while Soviet leaders have promised that the new long-range plan will give unprecedented importance to consumer-goods production. These innovations will presumably be ratified by the 23rd Congress of the CPSU late this year or early next.

Those who look forward to liberalization of the Soviet system and improvement in the lot of the Soviet consumer naturally must view these developments with satisfaction. There seem, however, to be some dark clouds visible on the horizon. The decisions being made are difficult ones both technically and politically. They are being made, moreover, in a difficult international atmosphere wherein considerations of defense can be expected to rest heavily on the minds of Soviet leaders. It is certainly pertinent to ask, therefore, whether the problem of military security, as the Soviets currently confront it, might seriously prejudice the liberal developments anticipated above. Considering the evidence on balance, one should probably answer this question negatively.

Concern for Defense

There have indeed appeared recently in the Soviet media, a number of strong signals indicating the weighty role of defense in the deliberations of the Soviet leadership. The lead editorial of Kommunist asserts, for example:

Our Communist Party ascribes enormous significance to the cause of the furthest strengthening of the defense capability of the Soviet Union. The Soviet army is equipped with modern weapons, created on the basis of the latest achievements of science and technology. The Central Committee of the Party and the Soviet government have taken several measures for the further improvement of managing the defense industry. Our military industry operates on that level which is dictated by international conditions and contemporary development of military affairs.

In our times equipping and maintaining the armed forces requires enormous resources. The party and the government would rather direct these resources to civilian (mirnie) branches of the economy. But in the present situation, to economize on defense would mean to compromise the interests of the Soviet state. The price to be paid as a consequence of weakness would be enormous. The Soviet people understand well the need for these expenditures and fully support the measures of the party and the government for the strengthening of our countries defenses.

It is certainly not surprising that this stern reminder of military realities is voiced in the journal edited by V. Stepanov, who earlier this year took pains to point out to the Soviet people that, while their welfare was an urgent concern of the Party, communism is not to be equated merely with goulash and full bellies. As a prominent ideological spokesman, Stepanov has the function of keeping these matters in what the regime considers to be a proper perspective.

1) Kommunist, No. 12, August 1965, Editorial. The administrative reform mentioned is the March 1965 conversion of several state committees concerned with defense to regular ministries.

2) Pravda, 17 May 1965.

The members of the collective leadership have also found a number of occasions to speak pointedly about the need for strong defenses and their cost to the economy. Thus Suslov observed to the Bulgarians in June:

We would like the life of the Soviet people to improve at a more rapid tempo. But we are forced to consider objective reality which poses the necessity of significant expenditures on our national defense.... In conditions where imperialist powers pursue an arms race and unleash military aggression in various parts of the world, our party and government must maintain the defense of the country on the highest level, constantly improving it.... All this, of course, demands from the Soviet people considerable material sacrifices, expenditure on defense of a significant portion of the national income.³

The celebration of Navy Day on 24 July brought forth similar statements from other Soviet leaders. From Kosygin:

In these [difficult international] conditions the Communist Party, its Central Committee, and the Soviet government consider their primary duty to be the strengthening of the defense of the country.

From Shelepin:

...the Central Committee and the Soviet government have devoted and will devote in the next Five Year Plan unceasing attention to the furthest strengthening of the armed forces of the country, to the development of the defense industry.

From Kirilenko:

[The Party and government] consider it to be their most important task to increase constantly the might of the socialist state, to strengthen our armed forces, to provide them with the newest military technology and the most modern weapons.⁴

Pronouncements of this sort are, of course, not unusual, particularly on martial occasions. But their frequent association with allusions to sacrifice and to the goals of the next plan give them an added significance.

3) Pravda, 5 June 1965.

4) Full texts of the Navy Day speeches appeared only in Krasnaia zvezda, 25 July 1965. The texts in Pravda and Izvestiia were abridged.

As might be expected the Soviet military establishment has not refrained from pointing out the continued aggressiveness of imperialism and the consequent need for energetic efforts in the defense field. Particularly noteworthy are the implicit warnings of certain military publicists that the number of Soviet men under arms should not be permitted to decline further and should perhaps be increased. These hints are contained in repeated references to the "multi-million" and growing armies of the Western powers.⁵ Economizing by means of manpower cuts continues to be viewed by large segments of the Soviet officer corps with a jaundiced eye.

The Soviet military press and statements by Soviet leaders indicate that, on the whole, the present regime has chosen to adhere to a balanced strategic doctrine envisaging a significant role in general war for all branches of the armed forces, even though the decisive role will be played by ICBMs. This doctrine makes a great deal of strategic sense in the Soviet case. It has the added advantage, as opposed to Khrushchev's rather more pronounced reliance upon strategic missiles, of pleasing a wider range of interest groups in the Soviet armed forces. It is, however, a relatively expensive doctrine promising few if any technological short-cuts to military superiority.

Commitment to Reforms

As ominous as these military rumblings sound, in context they fail to convey any strong indication that defense considerations, whether simply in the minds of the collective leadership or in the form of institutional pressure, will divert the regime from making the liberal innovations in economic policy that have been impending over the course of the past several months. With the curious exception of Kosygin, all the speakers on Navy Day alluded to preparations for industrial reform along the lines of Libermanism and to the enhanced role consumer goods will play in the new Five Year Plan. Kirilenko stated explicitly that the new plan envisages the growth of consumer-goods output at the same rate as that of producers' goods.

Some observers in the West label Brezhnev as a conservative defender of the traditional heavy-arms-industry emphasis and an opponent of management reform.⁶ Yet his most recent speech on internal Soviet developments and plans yields no evidence

5) See G. Miftiev in Krasnaia zvezda, 4 June 1965, and P. Kurochkin, Ibid., 9 July 1965.

6) See Wolfgang Leonhard in Die Zeit, 27 August 1965.

whatsoever for this assessment. Addressing the graduates of Soviet military academies in early July, he struck a remarkably liberal tone. He indicated that industrial management would be reformed to permit greater plan for incentives and economic stimuli. Alluding to the new Five Year Plan, he picked out the light and food industries as the industrial sectors which would receive particular emphasis. While he naturally touched on military themes, he stressed past achievement and present strength rather than future needs and sacrifices.⁷

It is apparent that the Soviet leaders do not see the problem of defense as posing a critical obstacle to initiatives in the economy. Reorganization of industrial management and redefinition of production goals are not seen as incompatible with an adequate defense program. Their case was comprehensively formulated by Doctor of Economic Science, D. Allakhverdyan in, significantly, the military daily Krasnaia zvezda.⁸ His theme is planned proportionality in the economy. In early stages of Soviet development, the author writes, economic backwardness and international pressure necessitated primary emphasis on certain basic branches of heavy industry. Since planning always proceeded in practice on the basis of the economic proportions prevailing in preceeding years, this emphasis has tended to perpetuate itself in spite of declining economic effectiveness. What the Soviet economy must find is a method whereby the most effective proportional development of various branches of the economy can be determined. Future plans, particularly the next Five Year Plan, will stress certain "progressive" branches of industry such as electronics and chemistry. Technical progress in tune with scientific advances will be achieved through rearrangement of management and more extensive reliance on economic stimuli and incentives. Doctor Allakhverdyan's cardinal point is that present economic conditions in the Soviet Union permit a shift in the proportional emphasis given to the two basic economic divisions, producers goods and consumer goods. In the future, investment in consumer industry will rise sharply and output of this subdivision will grow as fast as output of capital goods. He concludes by noting that the new proportionality will not adversely effect arms production, but rather that Soviet defense posture will profit from the new emphasis given to the progressive industrial branches upon which modern weapons depend. Thus both defense and welfare will be maximized in the new Five Year Plan.

7) Pravda, 4 July 1965.

8) 13 August 1965.

Now it is elementary economics that, at any given moment, resources expended on one goal, such as defense, are not available to other sectors, such as investment and consumption. Over time, however, the relationship between these sectors is much more complex. The conflict between guns and butter, in other words, is not as violent as it once was in the Soviet economy. Thus, for example, as Doctor Allakhverdyan points out, both the marshals and the Soviet consumer have an interest in expanding the chemistry and electronics branches of Soviet industry. Increasing the production of high-grade steel, for some time a priority of Soviet planners, is demanded by both defense and consumption.

In past years one of the sharpest conflicts between defense needs and consumer welfare centered on machinery investments in agriculture. The problem was that the tanks and trucks required in large numbers by the Soviet army were produced in the same factories which produced tractors and trucks for agriculture. Thus, during the tense years of the Korean war, machinery deliveries to agriculture fell off dramatically. Today the plant for producing agricultural machinery has expanded while the onset of the missile age has reduced the military demands on this type of plant.⁹ Brezhnev's program for agriculture, which if successful will directly benefit the Soviet consumer, does not conflict directly with his demand for a high level of defense readiness.

In historical perspective as well as economic impact, the impending industrial management reform may be more dramatic than the goal redefinitions contained in the new Five Year Plan. It is possible that interests in the defense industries regard the reform with suspicion. They have long operated within more centralized frameworks than those applied at any given time to the civilian economy. At the same time, the priority nature of their output has assured them special consideration with regard to inputs and has tended to insulate them from the supply bottlenecks plaguing the rest of the system. Thus the defense industry managers may not be as acutely aware of the need for change as are their counterparts in the civilian branches. But it is relatively unlikely that these defense interests will have an overriding influence on the reform. A key role in planning the reform is clearly being played by the Soviet Union's top defense manager, D. Ustinov; were he in serious opposition, his appointment in March to the Central Committee secretariat and to alternate membership on the Presidium would hardly be compatible with the current leadership's seemingly united support for reform. In any event, the March reorganization of the defense industries on a ministerial basis assures them a large measure of administrative isolation from the rest of the economy. It is quite likely that the reform's impact on the defense industry itself will be kept limited, at least until the new measures prove themselves on a wide scale.

9) See Current Economic Indicators for the USSR, Washington, 1965, p.4.

Outlook for Stable Defense Effort

It is impossible to judge with any precision what the level of the impact of defense on the economy has been in past & what direction it will take in the future. The present and future impact of the Soviet defense effort is therefore a matter of speculation. Yet such information that is available leads speculation toward the conclusion that this effort will remain relatively stable in the near future. Between 1953 and 1957 the Soviet defense effort (including hidden expenditures) appears to have held to a range of 15-17 billion rubles per annum. Between 1958-1962 defense outlays rose sharply to the order of 20-24 billion rubles annually. This rapid increase resulted from the Soviet decision to seek a strategic breakthrough in advanced weaponry such as the ICBM and an anti-missile system. Since 1962 the official Soviet defense budget has remained relatively constant and there has been no evidence of any dramatic increase in hidden outlays. One may thus surmise that the total defense effort has remained more or less stable. A large proportion of defense expenditures over 1957-1962 period were devoted to establishing a research and production base for missile-age weapons. This base is now in action and outlays can presumably be permitted to level off or climb at a slower pace.

Stability of the present Soviet defense effort could be upset by any one of three factors: 1) The regime's decision to develop rapidly a radically new and expensive weapons system, perhaps to exploit a sudden scientific break through. 2) A dramatic alteration in strategic doctrine which would force development of a whole new order of military power, comparable to President Kennedy's program for expanding American limited-war capabilities. 3) The development of a threatening international climate which would force a sharp acceleration of all military programs.

The appearance of factor number 1 would be impossible to anticipate and very difficult to identify immediately. Number 2 should be ruled out for the present. The broad contours of Soviet strategic doctrine appear to be quite firm and the basic force structure for executing that doctrine is substantially in being. The main task of Soviet defense production appears to be expansion and modernization of existing weapons categories.¹⁰ The emphasis of the current leadership on balanced,

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- 10) This effort includes, of course, a large and growing research and development program. Expenditures on "Science", which include significant military outlays, were slated to rise 8.7% in 1965 over 5.2 billion rubles in 1964.

"scientific" military planning has probably brought about increased attention to conventional weapons and aircraft development, but the impact of this diversification on the total military program is probably marginal.

The possible role of factor number 3 must, of course, be assessed in the light of the Vietnam conflict. The statements on Soviet defense efforts quoted earlier in this paper were made without exception in some connection with Vietnam. For the present, the direct budgetary impact of this conflict on the total Soviet defense program appears to be relatively small, in contrast to the situation in the United States. Public information indicates that Soviet involvement in Vietnam is confined largely to supplying conventional arms, such military goods as fuel, and SAM II anti-aircraft missiles. None of these contributions would seem to impose an undue economic burden on the Soviet Union. The SAM II is nearly a decade old and in abundant supply. While it is still operational in the Soviet armed forces, it may well be due for replacement by newer systems which are accurate at a wider altitude range.

The critical imponderable is how likely the Soviet leaders regard the possibility that they will become more deeply involved in Vietnam. In their public statements they are bound to declare an unlimited solidarity with the North Vietnamese. Their actual policy has been extremely cautious, however, and it is clear that they would go to some length to avoid a more direct confrontation with the United States. It is probable that Moscow regards the strategic threat in the Vietnam conflict to be of a somewhat lower order than that of, for example, the Berlin crisis of 1961. No doubt, by reinforcing Soviet attitudes toward "Western aggressiveness," the Vietnam situation lends a certain urgency to the overall military program. But it appears unlikely to produce an acceleration of that program which would adversely impinge upon present civilian objectives.

The Vietnam conflict might, over a protracted period, produce a reassessment of Soviet strategic doctrine on limited war. The Soviets have indicated a willingness to think about limited war in theory but have done little in practice about preparing to fight such wars, especially at any distance from their territory. This aspect of Soviet doctrine appears to be in a state of flux. The lesson of Vietnam could well be that Soviet political influence will suffer in the future if Soviet military power can not be more effectively projected on a local conflict situation distant from home. Such a lesson would presumably dictate an expansion of limited war capabilities, especially air and naval power. On the other hand, Vietnam may well confirm the Soviets in their belief that local confrontations with the West are too dangerous to undertake. Only the future course of the conflict will determine how its long-range lessons will be read in Moscow. For the moment, the conflict promises to have only marginal impact on Soviet internal policy.