

COMMUNIST AREA

*This material was prepared for the use of the
editors and policy staff of Radio Free Europe.*

1210

●USSR: Economy

25 November 1971

KOSYGIN ANNOUNCES MODIFICATION OF 1971-75 PLAN

Summary: On November 24 Kosygin announced to the Supreme Soviet a number of modifications in the draft of the 1971-75 plan approved by the 24th Congress. In final form the plan is now slightly more ambitious than in April, both in the consumer and heavy industrial sectors. But most of the changes are fairly small (with the exception of the fertilizer target), and the shape of the draft, which for the first time in history gave a faster growth rate to Group B than Group A, is retained. The labor productivity targets look unattainable, as does the new target for grain output.

The new targets for the 1971-75 plan, which were announced by Kosygin to the Supreme Soviet on November 24, are in most cases slightly more ambitious than those of the draft plan adopted by the 24th Congress. This seems to support the contention that in 1971 the economy has been doing rather better than was planned, and also perhaps the theory that the draft was deliberately a modest document so that it could be made more ambitious during the finalization process. What are the main changes in the last seven months?

According to Radio Moscow (23 November 1971) and Neues Deutschland (25 November 1971), it appears that the following figures were presented:

	<u>Draft FYP</u>	<u>% Growth over 1966-70</u> Final FYP
National Income	38.5*	39
Gross Industrial Output...	44.0*	47
Gross Agricultural Output (average annual volume)	21.0*	22
Gross Output (Group B)	46.0*	49
Industrial Labor Productivity	38.0*	39
* Mid-point of ranges.		

Although these target figures have gone up since April, even in its amended form the 1971-75 plan is still not as taut in the industrial sector as the results achieved in 1966-70, as can be seen from the following table:

	<u>% Growth</u>	
	1966-70	1971-75 Final Plan
National Income	41	39
Gross Industrial Output	50	47
Capital Investments	40	38

On the other hand the agricultural targets of the final 1971-75 plan are rather more ambitious than in 1966-70, as can be seen below:

	% Growth	
	1966-70	1961-75 Final Plan
Gross Agricultural Output	21	22
Agric. Labor Productivity	35	38
Agricultural Investment	67	68

One of the agricultural targets has been boosted since April in physical terms, as have a number of major heavy industrial targets, e.g.:

	Draft FYP's 1975 Target	Final FYP's 1975 Target
Steel (mill. tons)	146*	150
Oil (mill. tons)	490*	500
Mineral Fertilizers (mill. tons)	72	90
Capital Investments (bill. rubles)	486*	501
*Mid points of ranges.		

But living standards are also scheduled to share to some extent in the general upgrading, as can be seen from a small increase in the real incomes and housing targets:

	Draft FYP Target	Final FYP Target
Real Incomes per capita	+ 30%	+ 31%
Housing (mill. sq. meters)	570*	580
*Mid-points of ranges.		

The labor productivity targets seems to have been slightly reduced, but even so it can be safely predicted that it (like the housing target) will not be achieved:

% Share of Productivity Growth in Industrial Output Growth			
<u>1961-65</u>	<u>1966-70</u>	<u>Draft FYP</u>	<u>Final FYP</u>
54	66	88.5	87

1971 Grain Harvest Below Last Year's Record

Kosygin claimed that the grain crop this year would be about 180,000,000 tons, six million below last year's record figures (about 15% has to be deducted from Soviet official claims to allow for system losses):

Cereals Output in Millions of Tons (Official Claims)						
<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1975 (plan)</u>
171.2	147.9	169.5	161.1	186.4	180.0	200.0

In view of the drop in grain production from last year's all-time record, one can assume that the 1971-75 plan target, as approved in April of 195 million tons (annual average) is well out of reach, but it is clearly possible that Kosygin's new figure of 200,000,000 tons in 1975 will be achieved in view of the higher fertilizer target which was introduced yesterday (see above, p. (1)).

1972 Plan Figures

The 1972 plan looks distinctly modest in terms of the growth rate of national income, when compared with the figures achieved in the late sixties:

Growth Rate of National Income						
<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971 (plan)</u>	<u>1972 (plan)</u>
8.1	8.6	8.3	4.8	8.5	6.1	6.2

This modesty should make it realistically attainable.

Within this target, the growth rate for real incomes per capita is to be slightly accelerated next year, to the 1970 level:

Real Incomes Per Capita - % Growth						
<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971 (plan)</u>	<u>1972 (plan)</u>
7	6	6	5	5.2	4.7	5.2

On the other hand, the housing target is going down again, to below the level of the 1971 plan:

Dwelling Construction (mill. sq. meters, total living space)							
<u>1961-1965</u>	<u>1966-1970</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971(pl)</u>	<u>1972(pl)</u>
491	518	104	102	104	105	118	115

The housing targets are annually underfulfilled by about 10%, so there is little likelihood that the 580 million sq. meter goal for 1971-75 will be achieved.

Use of New Labor

One major new turning-point in the final plan is that for the first time in Soviet history more than half of the 10,000,000 new workers coming into the economy will be deployed in non-industrial branches such as education, the service trades, the health service, etc. For these non-production activities 5.3 million are to be recruited; leaving 4.7 million to expand the industrial labor force.

Inflation Still Rampant

V.F. Garbuzov, the Finance minister, told the Supreme Soviet that the monetary income of the population in 1971 will be 7.2% above the planned figures. Since nominal wages were planned to grow by 2.8%, it seems likely that the number of rubles in consumer hands is now about 10% above the 1970 level, although the 1971 retail trade plan provided for a growth of total sales of 6.4% - 7.4%. The inflationary implications are clear enough.

Inflation Control Measure: Auto Sales

The final plan foresees the sale of 2.6 million cars to the population, an average of just over 500,000 a year. The majority of these vehicles will largely be paid for in advance, and therefore Garbuzov has a major anti-inflationary weapon at hand. Even though the target is unlikely to be met in full, it may well result in virtually doubling the number of private cars now on the roads by 1975.

1972 Capital Investments

Although the capital investment target for the 1971-75 plan has been raised by comparison with the April draft, the 1972 target shows a growth of only 5.7% as against 1971, which should be attainable in the light of performance in the latter half of the sixties.

Growth of Fixed Investments - % Change over Previous Year						
1966	1967	1968	1969	1970	1971 (plan)	1972 (plan)
7.6	8.2	8.3	3.5	9	8	5.7

Capital investments in agriculture (state and kolkhoz) in 1972 are scheduled to be 22.9 billion rubles, out of a total of 92.5 billions, i.e. approximately 25%.

The distribution of investment by sectors in 1966-69 under Brezhnev's and Kosygin's planning has shown agriculture as obtaining only 18% of the total investment cake:

Distribution of Fixed Investment by Sectors		
	1961-65	1966-69
Industry	36.1	34.7
Construction	2.7	3.3
Agriculture	16.2	18.1
Transport, communications	10.0	9.4
Housing	18.2	16.7
Others (including trade)	16.8	17.8

The decline of the industrial and housing shares shown above is as marked as the increase in the agricultural and trade shares. These trends are expected to be seen continuing in the 1971-75 plan, when the sector breakdown eventually becomes available.

Foreign Trade

The final plan provides for the expansion of trade with Comecon by 50% to a total value of 77 billion rubles spread over the five year period. Since the draft FYP allowed for foreign trade turnover growth by 33-35% in 1971-75, it can be seen that a determined effort is being mounted to reverse the trend of the past decade, during which time trade with capitalist nations has consistently grown faster than trade with "socialist" countries. Whether the aim will be achieved is another matter altogether.

Political Aspects of the Kosygin and Garbuzov Speeches

On 24 November 1971, Kosygin chose to adopt a severely modified formulation vaguely reminiscent of Khrushchev's unsubstantiated boast that the USSR would "catch up and overtake the most developed capitalist countries within the historically shortest period of time" (Pravda, 14 November 1958).

The new pitch claims that by 1975 the USSR will have attained the present (i.e. 1971) level of US production. This is much more modest, in that by 1975 the US economy will have grown further (its expansion in 1971 alone is expected to be about 3.5% in real terms), and moreover it sets no target date for the actual "catching up" process, which appears to be about 8-10 years away in Kosygin's mind.

In fact, compared with Khrushchev's plan for 1961-70, the USSR seems to be running about five years behind schedule as the following figures suggest:

<u>Annual Rates of Economic Growth</u> (per cent p.a.)			
	<u>1961-70</u> (plan)	<u>1961-65</u> (actual)	<u>1966-70</u> (actual)
Gross Industrial Product	10.2	8.6	8.5
Gross Agricultural Product	9.6	2.3	3.9
National Income	9.6	6.5	7.6

<u>Industrial Production (million units)</u>			
	<u>First 1970 plan</u>	<u>1970 (actual)</u>	<u>1975 (plan)</u>
<u>Producer Goods</u>			
Coal (tons)	688	624	690
Oil (tons)	390	353	500
Electricity (000 kw/hr)	950	740	1,000
Gas (000 cu/m)	317.5	200	310
Steel	145	116	150
Cement	122	95.2	125
Mineral Fertilizers	75	55.4	90
<u>Consumer Goods</u>			
Textiles (000 m.)	13.6	10.1	11
Leather shoes (000 prs.)	0.7	0.68	0.83

It is clear that most of the 1971-75 plan's targets for 1975 are reasonably close to those set up under Khrushchev in 1961 for the year 1970. This bears out the theory that the economy is about five years behind schedule, and helps to explain the much less bombastic form of Kosygin's new slogan. Agriculture, as usual, is in a much worse state than industry.

US calculations show that in 1969 the Soviet GNP was about 47% of the US GNP, having crept up from 34% in 1950. (1) At that rate (thirteen percentage points in 20 years) it would take about 80 years for the USSR to "catch up," but any such comparisons are almost meaningless in view of the different aims of the two societies. Kosygin may have to eat his words, as Khrushchev did in 1964.

Unchanged Overt Defense Budget

Once again the published defence budget is to remain at 17.9 billion rubles, which suggests a real spending level (when all secret outlays on armaments are included) of about \$55,000,000,000, according to the estimates of the I.S.S. in London.

According to Garbuzov, the defense budget will take 10.3% of planned 1972 expenditures, down from 11.14% in 1971. Western experts agree that Soviet defense expenditure is about 11% of GNP, (2) but in view of the huge concealed outlays the figure given yesterday can only be regarded as a signal of Brezhnev's willingness to pursue the Salt talks, the MBFR discussion and the proposal for a limitation of the "blue water" navies in earnest. His peace offensive would probably look less credible against a backdrop of actual Soviet defense expenditures.

Conclusion

While it is true that two "hard-liners" (i.e. Shelest and Masharov) spoke at the CC Plenum which preceded the Supreme Soviet meeting, it must be noted that they spoke on behalf of their Republics, as did Kunayev from Kazakhstan, not in their capacity as troublemakers. Shelest, who two weeks ago denounced Western radios, Ukrainian nationalists and Zionists all in the same breath, (3) also attacked "consumerism" in that speech, but he was not opposing Brezhnev's version of goulash communism so much as those who will not work to obtain these benefits. His speech in fact was a replay of Brezhnev's homily in December 1969 about laziness, idlers, slackers and the like, rather than a pitch for heavy industry.

In any event, both the foreign policy resolution of the Plenum and the new shape of the 1971-75 plan can be described as prudent. The unchanged defense budget shows that the hard-liners have not gained much ground, although the increase in some heavy industrial targets for 1975 shows that they were not merely given the brush-off. The delicate balance in the Politburo looks more stable than for years past, now that Brezhnev has packed it with his supporters at the 24th Congress, and added Solomentsev, as a candidate member, at this Plenum. But the intellectual paralysis at home is by no means matched by immobilism in foreign policy. On the contrary, Brezhnev is mending his fences with the West faster than Khrushchev ever did, still looking warily over his shoulder at the seemingly endless power struggle in Peking, which has dangerous implications for the Kremlin, and perhaps even for the Soviet Union.

r.r.g.

-
- (1) Economic Performance and the Military Burden in the USSR, Joint Economic Committee of Congress, 1970, p. 14.
 - (2) See The Military Balance 1971-72, Institute for Strategic Studies, London, p. 60.
 - (3) Pravda Ukrainy, 11 November 1971.