

Radio Free Europe/Munich
Evaluation and Analysis Department
Background Information USSR

11 February 1960

SOVIET CENSUS RESULTS (II)

All economic and demographic observers of the USSR will study with intense interest the first official figures on the age distribution of the population to be published for many years (Pravda, 4th February 1960). Those who view the USSR as suffering progressively from a serious "labor shortage" are already interpreting them as confirming this view.¹ While the theory is undeniably attractive from the propagandistic point of view, it has twice in the last two years - 1958 and 1959 - led to underestimates of the Soviet rate of growth. There is a serious danger that the lessons of the past have not yet been learnt, and that 1960 may also be viewed with an unjustifiably bearish eye.

For example in 1957 (October 7th) the Financial Times was arguing that, due to the demographic losses of the war years, "the total increase in the number of workers in the 6th Five Year Plan now seems likely to reach only 5,000,000." The figures below show what has happened so far: -

No. of Workers and Employees
Average during year

1955	48.4
1956	50.5
1957	53.1
1958	54.6
1959	56.32

The table above indicates that the 1959 total was already 7.9 million higher than 1955, despite the fact that it had been artificially reduced by the transfer of more than 2,000,000 former MTS workers to kolkhoz status. Had it not been for this statistical sleight of hand, the Financial Times estimate would now be seen to have been at least 50% too low. However if it is recalled that about 2,100,000 men were demobilized from the Red Army during the period, a possibility which the paper might have overlooked, its estimate still works out at 3,000,000 too low, since by no means all the former veterans went into the non-agricultural labor force. But the Financial Times is an eminently pragmatic newspaper, and Appendix II below, p. 5, shows that it has been quick to correct its earlier analysis.

¹See H. Schwartz, New York Times, February 7, 1959.

²Izvestia, 22 January 1960. Figures for earlier years from "National Economy of the USSR in 1958", Moscow, 1959, p. 656.

Then in 1958, the New Leader, for example (June 16th) was no longer quite so confident about the labor "deficit" and it was announced that the "shortage" might be postponed until 1959. Background Information³ reviewed the demographic supplies available at the time, recalled the flow of peasants from the land to the cities, and remarked

"one should perhaps not be surprised if in 1959 Western observers find themselves postponing the labor shortage to 1960."

1960 is at last here, and it proves that in 1959 the real in-⁴take into the Soviet non-agricultural labor force was 2,450,000. This was rather more than 3 times as great as the increase of the total US labor force in 1959 (see Economist, February 6th, 1960, p. 521). It was also exactly what the USSR needed to fulfill the 1959 target of the 7-year plan (+1.7 million), after the artificial transfer of 750,000 MTS workers to the kolkhoz category.

Thus for the first two years of the demographic decline, actual performance, in sharp contrast to the pessimistic predictions referred to above, was as follows:

	Real Increase in Soviet non-agri- cultural labor force	Increase in total US labor force - approx.
1958	2,700,000	600,000
1959	2,450,000	700,000
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Two year total:	5,150,000	1,300,000

Sources: Pravda, 16 January 1959
Pravda, 22 January 1960

Economist Feb. 6, 1960
p. 521.

Note: 1958 Soviet figure was artificially reduced to 1,400,000 for reporting purposes by transferring 1,300,000 ex-MTS workers to kolkhoz status.

Thus in the first two years of demographic decline the real growth of the Soviet non-agricultural labor force was more than four times as fast as that of the US total labor force.

For the present and future the vital figure published by the C.S.A. is the size of the 10-15 years age group, which is shown as 17,133,000.⁵ Consequently in 1960-1965 the average annual

³Background Information, June 20th, 1958 "Demographic Dialectics".

⁴January 22, 1960 Pravda.

⁵As at January 15, 1959.

intake into the economy from demographic sources alone will be about 2,855,000, nearly as many as the US economy receives at present. It is certainly a relatively small figure as compared with the past - only 60% of the numbers in the same age group in 1939. But the important fact to remember is that in 1939, each cohort in the 10-15 age group numbered more than 4,000,000. In other words, a country which was exceptionally wealthy in children is being reduced to a more normal level - by no means a starvation level - of adolescent intake. -

In the first two years of demographic squeeze, Soviet industrial output grew by 10% (1958 over 1957)⁶ and 11% (1959 over 1958) respectively. Mr. Allen W. Dulles has warned that the 1959 figure might have been in reality only 9.6%, due to statistical padding and ballast. But he has also stated that:

"We believe it likely that the Soviets will continue to grow industrially by 8 or 9% per year" (speech of November 13th, 1959).

This puts the demographic decline exactly in perspective: it might result in a drop from a 9.6% annual growth rate to an 8% annual growth rate. In Great Britain, however, a highly authoritative body of responsible economists has just warned that the country's growth rate may be reduced in 1960 from 5% to 4%, mainly as a result of the labor shortage. Britain of course was fortunate in suffering almost no demographic squeeze as a result of the war. In the US, where again no important demographic losses occurred, Mr. Dulles has pointed out in the same speech that the best post-war growth rate has been 4%, and it is not expected that this figure will be exceeded before 1965.

The Demobilization Scare

It is surprising to find that even a scholarly publication such as "The World Today" (February 1960, p. 48-49) can attempt to explain the fourth demobilization in terms of the demographic decline, although it hastens to add: "the prospects of a labor shortage should not be exaggerated" (our emphasis - r.r.g). While agreeing wholly with the belated qualification, it may well be asked what, if this were the case, was the reason for the first two demobilizations (1,840,000 men)? They affected a significantly large number of men, and they took place long before the demographic decline began. Could the reason not have been simply that the Red Army was too large for the atomic age? And could that not equally well have been the reason for the third and fourth demobilizations?

As Sir Anthony Eden has said, he was told by Khrushchev and Bulganin in April 1956:

"in confidence and in advance, of action they proposed to take later in the reduction of conventional weapons."
(London Times, January 20th, 1960).

⁶ Pravda, January 16th, 1958.

Since the decision itself was taken in principle more than four years ago, is it really convincing to argue that a transient, prospective, and as yet unproven demographic shortage is a main reason for one single part of a major return to rationality which has been in progress ever since?

Secondly is it seriously suggested that when Gosplan was completing its work on the 7-year plan two years ago, it was allowed to draw it up on the assumption that one-third of the Red Armed Forces would be made available to complete it? It seems appreciably more prudent to assume that Gosplan's predictions were based on:

- a. the known demographic supplies
- b. the known rate of transfer from the land to industry.

Here "The World Today" is on its weakest ground. It argues that the

"considerable influx of labor from the countryside... is probably coming to an end. The implementation of virgin land projects and Mr. Khrushchev's pledge to catch up with the USA in agricultural production per head of population will require a vast labor force.

"Moreover there have been numerous complaints in the Soviet press about a shortage of labor on the collective farms, as well as a number of references to ex-peasants returning to the countryside from the towns, now that conditions in rural areas show a marked improvement..."

To begin with the "vast labor force" required is already there. Khrushchev indicated to the 21st Party Congress that he has more than 45,000,000 peasants.⁷ It would be entirely contrary to all historical experience, both in the USSR and in every other industrialized country, if most of this gigantic peasant army suddenly ceased to do everything in its power to attain the urban way of life. It is true that individual complaints of labor shortage on kolkhozy do occur, and in a country as large as the USSR it is not surprising. But against the background of 45,000,000 peasants they cannot be taken as indicative of anything but a narrowly localized problem.

As for the stories of peasants returning to the country from the towns, these too are not infrequent; they do not represent a net economic flow back to the land, but communist regime propaganda designed to reduce the pressure of over-population on the overcrowded cities of the European areas of the RSFSR. Conditions in the countryside have shown an improvement, just as they have in the USA, W. Germany, Britain, France and Italy in recent years. But in none of these countries has the flight from the land yet ceased, and it is reasonably safe to predict that in the USSR it will continue at the rate of at least 1,000,000 p. a. for the next six years.

⁷Based on subtraction of the known size of the state labor force from 100,000,000 workers, employees and peasants mentioned by Khrushchev.

For those who find this figure on the high side, a glance at Soviet Studies (July 1959, article by Mr. J.A. Newth) will show that in the three years immediately preceding the census the flight from the land was running at 2,200,000 per annum.

In the light of that fact, the recent interview given by Mr. Alexander Volkov, Chairman of the State Committee for Labor and Wages of the USSR, seems at least partly credible. It was published in Neues Deutschland (2 February 1960), and is translated below; its key sentence claims that when the labor balance sheet of the 7-year plan was drawn up, demobilization of part of the armed forces was not taken into account.

If Mr. Volkov proves to be telling the truth, the fourth demobilization means that the manpower side of the plan may well be over-fulfilled. It would be unwise to predict that yet, but the possibility should be borne in mind. Every student of the USSR recalls the words of Mr. Oleg Hoefding in Foreign Affairs (April 1959):

"Recently the state labor force has grown by about 2,000,000 workers annually. But an increase of only 1,300,000 expected" (our emphasis - r.r.g.) "in 1959 shows that the lean years of labor supply have arrived."

In fact, as has been shown above, the real increase in the state labor force in 1959 was 2,450,000. When one of the best informed American economists could be more than a million out in a forecast published only ten months ago, the magnitude of the Western tendencies toward under-estimation are easily appreciated.

The Educational Reform Gambit

Fortunately at least two students of the USSR in the West have recognized that "the manpower shortage" is not here yet. Mr. A. Poplujko, writing in Radio Liberty's Daily Bulletin, (28 January 1960) rightly observes that:

"The consequences of the decline in the birth-rate during the war years have not yet been reflected in the progress of the labor force, or at any rate not in industry." (our emphasis - r.r.g.)

Similarly the Christian Science Monitor (February 8, 1960) has succeeded in stating the fact correctly, but motivating it with a questionable cause:

"Manpower shortage, which normally would have resulted from the low birth-rate during the war, has been offset by the new school program. Ninetenths of the young people who were graduated from high school last year went directly into production. Admissions to institutions of higher learning have been curtailed sharply."

Although this is a logical argument for those who may still believe that the school reform was designed to overcome a "man-power shortage", any investigation of it causes it to seem implausible. 1,400,000 children graduated from the

"high schools", i.e., the secondary schools, in 1959, and therefore, if the Christian Science Monitor is right, 1,260,000 went straight into production. If this is compared with 1957, the year before the demographic decline began, it will be seen that then 1,500,000 adolescents graduated from the 10-year schools,⁸ of whom 220,000 were admitted to H.E.E.'s.⁹ Consequently in that year 1,280,000 children went straight into production, 20,000 more than last year.

Moreover the Christian Science Monitor has overlooked the fact that in 1959 the transition from 7 year schools to 8 year schools, and from 10-year schools to 11-year schools had already begun, in accordance with the Khrushchev reform. Certainly this change was only in its initial stages, but nevertheless it must have had the net effect of keeping a substantial number of children out of production and in the classroom.

The "Depopulation of the Countryside" Gambit

As has been shown, some scholarly publications still lend occasional credence to the mystifying theory that the Soviet countryside is becoming so depopulated as to prevent its serving as a labor pool in future. There is no statistical justification for this idea. Apart from Khrushchev's statement to the 21st Congress on the 45,000,000 peasants now employed, Voprosy Filosofii (No. 1, 1960) observes that there are 18.8 million peasant households - i.e., not including state farmers - comprising 35.5% of the total population of the country. Therefore there are 74,190,000 members of peasant households, making Khrushchev's figure seem entirely plausible. Background Information, June 29th, 1956, "The Kolkhoz Labor Force" gave the following table, which can now be brought up to date:

Selected Population Data

	1939	1956	1959
Rural	114.6m	113.2m	109.0m
Urban	55.9m	87.0m	99.8m
Kolkhoz households	18.5m	19.7m	18.8m
Kolkhoz population	75.6m	78.8m ¹⁰	74.2m
Persons per kolkhoz household	4.1	4.0 ¹⁰	3.9

Thus in 20 years the urban population has increased by 44,000,000 while the number of collective farm population has fallen by 1,200,000. There is plenty of room yet for further progress in the same direction.

⁸ 28 January 1958, Pravda.

⁹ National Economy of the USSR 1958, Moscow, 1959, p. 835. In 1959 200,000 were admitted.

¹⁰ Estimates by cz.

Conclusion

Many other theories could be examined, such as the cart-before-the-horse idea that by cutting working hours the Kremlin is deliberately making itself short of labor, "in view of popular pressures for an easier life." This humanist view of the Kremlin's character seems to overrate its beneficence, just as it overrates the degree of influence that the long-suffering Soviet people can exert on major economic policies. By the end of this year it is claimed by the USSR that at least 56,000,000 people will be working a seven-hour day - i.e., a shorter week than is customary in Western Europe. A nation in a hurry to overtake the US would scarcely go so far except for compelling reasons, among which the need for four shifts at many factories was certainly one. S.G. Strumilin, the veteran Lenin prize-winner, probably came close to giving the real reason for the 7-hour day in his recent broadcast (Moscow Radio, December 22, 1959):

"The shortening of the work-day is already an economic necessity. We are progressing with 7-league boots toward the automated system of machine production... Further application of automation will provide such rates of growth of labor productivity as would lead to considerable surpluses of labor, granted the scale of production possible in the next few decades, were the working day to remain unchanged."

In conclusion, it should be noted that the 7-year plan has been drawn up, as A. Volkov points out in Appendix I below, to allow for a larger proportion of workers in the service trades. This is in no way surprising since it is a normal feature of any society where embourgeoisement has already begun. Voprosy Ekonomiki (January 1960, p. 105, see Appendix III below) reports that the 7-year plan allows for an increase of 15.5% in the number employed in the national economy (i.e., to 115.5 million, using Khrushchev's base figure, referred to in Footnote 7 above, p. iv),¹¹ while the number in non-productive work is scheduled to increase by 22.7%. It is clear that a society in which labor was in short supply would not plan to expand the service trades faster than the productive sector, particularly in view of the ambitious targets fixed for the latter.

Indicently, Voprosy Ekonomiki's statement makes it possible for the first time to calculate the number of peasants planned for 1965. Since there will be 115,500,000 employed in the national economy then, and since the 7-year plan provides for 66,000,000 workers and employees, the Kremlin evidently expects to have 49,500,000 peasants at the end of it - 4,000,000 more than in 1959.

r.r.g.

¹¹ Obviously Voprosy Ekonomiki does not refer to expansion of the state labor force, since that is scheduled to grow by 21% in the 1959-65 period (Khrushchev on Theses for the 7-Year Plan, Tass, 14 November 1958.)

2.4 MILLION MORE HANDS FOR THE SOVIET ECONOMY

Neues Deutschland
2 February 1960

In connection with the reduction of the Soviet armed forces, by 1.2 million men, our Moscow correspondent, Werner Goldstein, has put two questions to Alexander Volkov, Chairman of the State Committee for Labor and Wages of the Council of Ministers of the USSR.

Question: How do you view the large additional number of 1.2 million strong young veterans in the realization of the 7 year plan targets?

Answer: Of course every additional worker is welcome to us, and we can also use any number of people ready to work in the economy. The fears which are voiced in Western countries to the effect that a major demobilization of their troops might lead to unemployment are of course quite unknown to us. When I think of Kazakhstan, one of our greatest sources of wealth, I am certain that the consolidation of this immeasurably rich area, which as yet has scarcely begun, would be possible appreciably quicker with more labor and that the overfulfillment of our plans will be further stepped up.

Such an unplanned access of labor (we are dealing for the most part with new labor which either learned a trade in the army or obtained further training) is of course a major productive force which can only be welcomed. Moreover the savings of 16-17 billion rubles in defense costs will be of particular advantage to the non-productive branches of the economy such as health, and education.

But all these advantages are not the privilege of the Soviet Union alone. Western countries which follow our example could profit greatly for the welfare of their people from a reduction of their armed forces, and it is obvious that this peaceful measure would become a foundation of the happiness and security of the people concerned.

Question: Western newspapers state that the unilateral reduction of the Soviet armed forces is economically necessary and that the Soviet government, in order to fulfill the 7 year plan and because of alleged difficulties, was compelled to carry it out. Could you say something about this?

Answer: The exact statement on the fulfillment of the economic tasks for 1959 has been published. From it one can see that the economic tasks of the huge labor force composed of our workers were carried through with unusually great success - an overfulfillment of about 50 billion rubles in the first 12 months of the 7 year plan. Moreover it is clear that productivity rose more than had been expected and that further successes were attained which strongly contradict the statement of certain Western papers mentioned by you.

The fact is that despite two world wars which meant the sacrifice of millions of lives for the Soviet people and

a temporary drop in the birth rate, the population has grown by about 50 million since 1913. The increase in the population in recent years has been more than 3 million annually. From 1950 to 1958 the number of those employed grew by about 2 million annually. Unfortunately, we must admit, and there are similar signs in Germany, that because of the second World War and as one of its most frightful consequences, certain cohorts in these years dwindled. . Our labor planning took that into account and the growth rate of 1.5 -1.7 million workers per year until 1965 was selected, so that we shall then have at least 12 million more workers than in 1958.

We can rely on various reserves not only to attain but also to exceed this growth rate. But the Soviet armed forces were never taken into account during this planning or in these calculations.

One of the sources of labor is the fact that we not only have a high birth rate but also a low death rate, lower than in the USA or West Germany. Moreover, there is a readjustment of labor as between the cities and the countryside, which was particularly strong in past years. Above all the increase in productivity is one of the richest sources. It is not only that a high rate of mechanization and automation will release labor for new tasks. But the transition to a 7 hour day in a number of industries, which is connected with a fundamental improvement of labor organization, has allowed further labor to be found for our growing tasks.

The transition to a 7-hour day and as from 1964 to a 35 and then 30 hour week completely contradicts that "argument" in the Western press. For he who is short of labor would scarcely reduce working hours, which is taking place in our case of course without a reduction in pay. Moreover the fact that we are increasing the number of workers in those branches of industry which are not material producers - the number of those employed in the health service will increase from 3.1 million in 1958 to 4.7 million in 1965 - is completely contrary to this "theory" of the "economic necessity" in the reduction of our forces.

Financial Times
January 15, 1959
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Mr. Khrushchev's speech to the Supreme Soviet yesterday was primarily intended to give maximum publicity to the important pre-Summit Soviet moves effecting a 1.2m. reduction in the armed services and also a promise about future atomic weapon tests. It was significant, however, that despite some of the disappointments encountered in the economic sphere during 1959, Mr. Khrushchev spoke in glowing words of the year as one that would go down in history "as the first year of the full-scale building of a Communist society in the Soviet Union."

Industrial Output Up 11 per cent.

Industrial production, it was claimed, had risen by more than 11 percent, compared with a planned amount of 7.7 percent - an overfulfilment which has been a persistent feature of Soviet industrial performance since the 1956-60 Plan was thrown aside and more rational target figures substituted. The Soviet Premier has in the last 18 months or so become identical with a "new deal" for the Soviet public, but he himself put this in its proper perspective yesterday when he said that "the Leninist principle of the priority of heavy industry was invariably adhered to in the Soviet Union's economic development, just as before."

Thus the output of capital goods rose by 12 per cent during the year (compared with a planned 8.1 per cent) and of consumer goods by 10.3 per cent (compared with 6.6 per cent in the plan). Nonetheless, "the light and food industries are also making rapid headway... and the Soviet people regard with joy and a feeling of rightful pride the triumphs gained in agriculture."

Mr. Khrushchev is a skilled speaker - even if he tests the endurance of his listeners and readers to the limits - and in a speech aimed just as much at the world at large as at his home audience he could be expected to be less forthright about shortcomings in a generally successful economic story than when talking to members of the communist Party. But even allowing for the possible undue "weighting" of some statistics, the expansion in Soviet industry continues at an exceedingly fast rate.

Capital and Consumer Sectors

The diagram shows the results of some capital and consumer sectors in the first three quarters of 1959 compared with 1958. Final figures for 1959 are now coming out and these show, for example, that 43m. tons of pig-iron were produced in 1959 compared with 39.6m. tons in 1958; 60m. tons of steel compared with 54.9m. tons in 1958. In all these sectors the 1959 plan was well over-fulfilled, and, if the results for the first nine months of 1959 are anything to go by, an actual fall in production last year was limited to a few sectors only - lorries and buses, goods wagons, tractors and silk textiles.

But there is no doubt that the major economic disappointment in the past year was the grain harvest. The agricultural picture

was a bright one where meat and dairy produce were concerned, but grain deliveries to the State in 1959 amounted to 45.7m. tons, compared with an average of 48.4m. tons in the previous four years and with the record deliveries of 57.4m. tons in 1958. Drought was indicated as the major reason for the fall, but during the Central Committee meeting last December the Soviet Premier launched a heavy attack on the leaders of the Kazakhstan Republic - a major granary in the "virgin lands" - for incompetence which resulted in the destruction of considerable quantities of grain.

Much of the strength of Mr. Khrushchev's feelings on this issue are due to the fact that the "virgin lands" scheme is his own creation - but recent statements by him and others on the state of Soviet agriculture seem to indicate that major reforms in agriculture are not far away.

A reduction in the prices paid to the collective farms, to bring them more into line with those paid to the State farms, has already been indicated; and it looks as though the drive to make Soviet peasants into paid agricultural workers, living in what have been called "agro-towns", will be increasingly pressed forward. Agriculture has always been one of the least successful sectors of the Soviet economy, and it is considered doubtful in many quarters whether the policy of organization of agriculture in the way proposed would in fact have the results expected of it - though there is no doubting the very high productivity of the present State farms compared with the kolkhozes - the collective farms.

Although there have been numerous complaints that the massive expansion of the Soviet chemical industry has not been going as smoothly as planned, the other major industrial sector which seems to have run into trouble recently is electrical power production. At the end of last year this had got to the stage where it necessitated an appeal by the Central Committee of the Communist Party for stringent economy in the use of electrical power. In particular, power stations were accused of using too much of their total output for their own consumption and the industry generally "for under-capacity", idle running of equipment and lack of maintenance," as well as other abuses.

Increasing Power Capacity

Under the long-term electric power plans recently announced, the capacity of power stations will have to be increased seven or eight times over the next 15-20 years to meet the expected increase in demand. There has been a shift in favor of thermal power stations against hydro-electric since they are built far more quickly. Oil, too, is to play an increasingly important role and, although very few references have been made to it in Russia, some Western observers believe that the Soviet Union has as big a surplus coal problem as the U.K. and other European countries.

Inevitably, however, the feature of the Soviet economy attracting most attention - both within Russia and outside - has been the undeniable move to give Soviet consumers a new deal. The

promise of this has long been held out, and mention of more durables, clothes, houses and food figured in the Seven Year Plan launched at the end of 1958. The promise received an extra impetus in October when the Central Committee ordered not only an increase in the production of such items as television sets, washing machines, sewing machines, refrigerators and children's cycles, but, perhaps more significant, an improvement in quality. It has long been known that with the absence hitherto of anything approaching consumer preference, Soviet factories have cared very little about quality, the primary consideration being to meet output targets - such as they were.

Although the exact reasons can only be conjectured, the introduction of a hire purchase scheme in Moscow, after a try-out in the provinces, may well have been due to the development last year of a stiffening attitude on the part of Soviet consumers, and may have been introduced in an attempt to shift lines which had not been selling well. The choice is still comparatively limited - television sets, refrigerators, and motor-cars are not among the goods obtainable on credit and the conditions of the contract are a good deal stiffer than in the UK, but the new scheme is reported to have been very successful. GUM, the State department store in Moscow, sold 1,000 radio sets on the first day of the new scheme last October.

Another benefit which the Soviet workers have to look forward to is the shorter working week. By the end of this year all workers should be enjoying a 42-hour week, compared with an average 48-hour week in the period from 1940 to the middle 1950s. By 1962 a 40-hour week should be general and by about 1968, it is planned, a 35-hour week. At the same time as the change to 42 hours, it is promised that minimum wage rates will be increased.

The reduction in the length of the working day together with the effects of the recent educational reform (which has meant that some students will spend more time at extension courses than they would have done) seems to have provided an effective answer to western critics who have diagnosed that the Soviet Union was suffering from a "labor shortage". It is true that the labor force is not expanding as quickly as it was, but the new moves would scarcely have been taken if the fall was really serious. Certainly in some places in Russia there has been evidence of unemployment, and it may well be that in some ways the promised addition of 1.2m. ex-servicemen to the labor force will provide problems as well.

As production of a wide range of industrial and consumer goods increases in Russia, an increasing export potential - in some sectors, at least, will follow. The Seven-Year Plan scheduled an approximate 25 per cent increase in foreign trade in 1959-60, and exports in this period were expected to be boosted by selling more industrial products, especially equipment and machinery, which in 1960 will account for about 21 per cent of Russians total exports. This drive is reflected in the Soviet wish, for example, to export increased machinery supplies to the U.K.

But while Russian competition within even the West European countries will increase as the quality of Soviet exports and sales know-how improves, it is still in the less developed countries that the West will find the greatest competition - the recently concluded \$200m. trade pact with Brazil and the presence of a group of Chilean trade experts in Moscow at this moment is an example of this. The oil agreement just signed with a Japanese company is yet another example of the competition which Western exporters will increasingly face. It is in these markets that Mr. Khrushchev's professed desire to compete with the West will be most keenly felt.

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Appendix III

Excerpt from "Social Economic Problems of Technical Progress" Problems of Economics, No.1, January 1960, p. 105.

At a scientific session of the Bureau of the Department for Economic, Philosophical and Legal Sciences of the Academy of Sciences of the USSR, E. S. Rusanov devoted his speech to the problem of distribution and use of labor in the light of technical progress. Technical progress, he said, introduces fundamental alterations into the structure of employment and the quality of labor. In this connection he criticizes the point of view of certain economists, particularly Ya. A. Kronod, regarding the need for a change in the existing correlation between the number of those employed directly in the sphere of material production, and the number in the non-productive sphere, in favor of the productive sector. Rusanov states that it is natural that as production forces develop more swiftly and as the productivity of labor rises, so a greater proportion of labor can be devoted by society to the non-productive sphere. Thus, according to calculations, granted an overall growth between 1958 and 1965 of 15.5% in the number of those employed in the national economy, the number of those in the non-productive sector will grow by 22.7%. At the same time the proportion employed in the administrative apparatus will decline.

Noting that the proportion of those employed in the non-productive sector will gradually increase (particularly in such branches as health and physical culture, education, communal housing, art and science), comrade Rusanov emphasizes that in the decisive branches of production the number of those employed will grow faster than in the non-productive sphere.