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THE SOVIET SEVEN YEAR PLAN

- I. Substance and Shadow in the Soviet  
Seven Year Plan p. 1  
(Foreign Affairs, April 1959, by  
Oleg Hoeffding)
- II. Comments on Hoeffding Article - r.r.g. p. 12
- III. Manpower and Productivity p. 16  
(Economic Survey of Europe in 1958)

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SUBSTANCE AND SHADOW  
IN THE SOVIET SEVEN YEAR PLAN

Foreign Affairs,  
April 1959  
by Oleg Hoeffding

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Nikita Khrushchev's report on the new Seven Year Plan for 1959-1965, published last November and endorsed by the January Party Congress, is a package remarkable both for its content and for its vivid wrapping. The hard content was provided by the data on past economic achievements of the Soviet Union which Khrushchev reviewed, as well as by what he revealed of his economic program for the seven years ahead. On both counts he had an impressive story to tell. In the 1950s, the Soviet record of industrial expansion, scientific advance and technological accomplishment has been a startling one. Even in agriculture, where the Soviet economic system has been failing

badly, Khrushchev's own vigorous leadership has at last added a creditable page to the record by bringing about a striking expansion of output. This background of fast economic growth has also enabled the regime to let the consumer share increasingly the fruits of his labor and sacrifices. Real incomes, however modest they still are by the standards of the richest Western countries, have been rising fast enough to give both workers and farmers a sense of measurable and continuous improvement. Moreover, Khrushchev has taken care in recent years to channel much of this improvement selectively into the worst areas of Stalinist neglect. He spearheaded a vigorous attack on the housing problem. His minimum wage and pension reforms brought some badly needed relief to the most underprivileged groups of Soviet society.

If Khrushchev's past economic record could well have spoken for itself, his preview of further advances to be made in 1965, and beyond, traced out a program also impressive enough, on its own merits, to cheer his followers and to force the West to take thoughtful notice of the dimensions which the Soviet economic challenge is likely to assume within the coming decade.

Yet Khrushchev was not content to let the record and the economic blueprint for the future speak for themselves. Instead he turned his report into a political manifesto, and garnished it with propagandist embellishment unusually heavy even for Soviet documents of this kind. To the Soviet public, he represented the Plan as a decisive milestone of advance to the final "Communist" state of social and economic development. To be sure, he was as careful as ever not to specify exactly when the Soviet Union might enter this promised land of superabundance and social harmony, but he tried to build up the impression that two or three seven-year strides would take it there.

To the world at large, he painted the Plan as an equally decisive step towards final victory in competition with capitalism. Here he was specific. He predicted confidently that 15 years hence the Soviet Union would "take the first place in the world not only in total output but also in per capita production."

The latter theme was heavily and exuberantly expanded by Soviet comments after publication of Khrushchev's report. "A plan that will shake the world" was one representative headline, over an Izvestia editorial which credited the Plan with "having captured the imagination of mankind," and having "illuminated, like a powerful searchlight, the perspectives of its historical development." This article, and many like it, reported gleefully that publication of the Plan had caused consternation in the capitalist camp.

Soviet economists, in a less lyrical but equally confident vein, proceeded to document Khrushchev's bold predictions with calculations that try to determine the precise point at which Soviet and American production curves will cross. One writer credited Soviet industry with a 1957 output volume half that of the United States - an exaggerated estimate, probably, but one which got the Soviet off to a good start in a projection that assumed for their industry an annual rate of output expansion



of 8.6 percent (as the Plan requires for 1959-65) and accorded its American opponent a modest 2.2 per cent. Having duly noted that the American recession had given the Soviets a head start in 1958, he went on to conclude that Soviet industry would be producing as much as the United States in 1968, and then would need but two or three years more to surpass it in per capita production.

One would be paying too much respect to this kind of political arithmetic, which still substitutes for serious Soviet research on comparative economic growth, if one were to dwell on the various ways in which it stacks the cards in the Soviets' favor, ignores the tough technical problems involved in such comparisons and treats uncertainty as certainty. It would also be too obliging to Khrushchev to become infected with his sporting mood and to accept his challenge to the industrial race on his own terms, by which he himself picks the entries for both sides, matching fast-growing sectors of the Soviet economy against their American counterparts, while disqualifying all the large areas of gross Soviet backwardness, in industry and elsewhere. In some of these "races", indeed, the Soviet entry has hardly appeared on the track.

Yet Khrushchev's obsession with the Soviet-American economic race cannot be shrugged off as irrelevant byplay to his economic policy, nor can we take lightly his conception of the new plan as a prelude to the defeat of capitalism. The calculations of his economists, however disingenuous and primitive, contain a hard core of disturbing fact, too important for American opinion to ignore with indifference, or to belittle with complacency, as it has largely tended to do so far.

In contrast to the easygoing industrial nations of the West, which expect economic growth to accrue fortuitously from uncontrolled or loosely directed activity in the marketplace, the Soviet Union has made expansion of output a dominant and direct objective of national policy. In 30 years of single-minded pursuit of this objective, it has developed economic and political institutions well designed to attain it. In the 1950s it succeeded in translating these advantages over the hedonist West into industrial growth rates markedly higher than those recorded by most free-world nations, and certainly the United States. The USSR has now shown its determination to go on pressing for maximum industrial expansion in the 1960s. We have no comparable program.

Even if Soviet performance under the new Plan should fall short of its assignments, we should not mistake the fallibility of long-term planning for economic failure. No outside observer to day can detect any economic problems serious enough to prevent industrial growth from proceeding at a pace which is likely to be rapid by any standards other than, possibly, the self-set and exacting standard of Soviet leadership. Whatever discounts may be applicable to Khrushchev's arithmetic, the cold fact remains that, at current relative rates of growth, Soviet industry is steadily narrowing the gap between its output and that of its self-elected main rival. Any comfort to be drawn from the thought that the gap is still wide gets colder year by year.

## II

Khrushchev's motives for presenting the Plan with so much pomp and bombast deserve examination - not as a source of comfort, but its essential background. Two related reasons, probably, go far to account for his tactics.

First, in the eyes of his Party comrades, he must bear a goodly share of the blame for the Plan's embarrassing antecedents. Khrushchev dominated the Twentieth Party Congress which three years ago issued the Party's Directives on the Sixth Five Year Plan for 1956-60. This document bore the stamp of Khrushchev's impatient nature. It demanded ambitiously fast rates of advance in every sector of production, combined with promises of rapid gains in consumption and housing. Before 1956 had ended, it became clear that these demands were over-taxing Soviet resources. In December the Party called the first retreat, by scaling down output and investment targets for 1957. In the course of that year, Soviet production policy concentrated on the acute bottlenecks experienced by industry in 1956. This required revision of earlier output and investment programs, and resulted in much slower expansion in many industries than the Directives had called for. In some, output was actually curtailed. In September 1957 - when the pattern of industrial progress had come to bear but casual resemblance to that required by the Directives - the Sixth Five Year Plan was given a none-too-decent burial. A Party resolution that was a prize exhibit of equivocation instructed the planners to start preparing the present Seven Year Plan. To justify the vacuum in planning left by this fiasco, it was claimed that new possibilities for expansion had been found in the economy through technological advances and the discovery of new mineral resources, and that only a new plan would do justice to the production gains expected from the drastic reshuffling of industrial administration in mid-1957. Much the same camouflage, with a few layers added, was used by Khrushchev to explain to the XXI Party Congress why a fresh start in long-term planning had become necessary.

The other motive for applying an extra coat of propaganda is more important, as it bears on the Plan's substance and on the Soviet leaders' private views of their country's economic prospects. Although Khrushchev pictures the Plan as a program for an unprecedented spurt of industrial expansion, such claims are not borne out by his figures. The growth rates implicit in the 1965 targets for industrial output as a whole, and for many major commodities, are distinctly below those claimed for the last few years. It appears that the vicissitudes of 1956 prompted a serious reappraisal of industry's long-range growth potential. The first result was a 15-year "perspective plan" of tentative output goals for 1972. A few selected data from this document were published in November 1957. They showed that, even then, the leadership was reconciled to a marked slowdown in the rate of industrial growth - compared, as must be stressed, to the outstandingly high rates of the first postwar decade and of the 1930s. This more conservative assessment of future production possibilities, has carried over into the Seven Year Plan.



Its goal is to increase the volume of gross industrial output by about 80 per cent over the 1958 level. Impressive as this is, it represents an annual growth rate of 8.6 percent, compared to the 10 percent per annum claimed by the Soviet production index for 1956-58. An even more modest increase, by 7.7 percent, has been programmed for 1959. One should note, however, that the annual plans for 1957 and 1958 had also scheduled output increases of 7 to 8 percent only, and the 10 per cent increases claimed for both years were attributed to plan overfulfillment. It is none too clear whether it is now Soviet policy to set easier output goals (to avoid high-cost production resulting from efforts to meet excessive targets) or whether the claims of above-plan production are a statistical illusion, reflecting the skill acquired by Soviet plan managers in manipulating production reports. That Soviet authorities suspect the latter is suggested by the findings of a recent investigation by the Planning Commission of plants which had claimed to have exceeded their production quotas. Much of the excess turned out to be due to expedients like valuing new products at inflated prices, producing items not called for by the Plan, or concentrating on products requiring little processing at the plant, but reported at their full gross value.

These and other uncertainties attaching to Soviet statistics preclude any appraisal of the exact degree to which the sights of industrial expansion have been lowered. However, the slowdown can be traced clearly for many commodities for which physical data on current and planned 1965 output are available, and the tendency is more clearly reflected in these data than in the ever-suspect index of total industrial output. There has been no discussion in Soviet sources of this implication of the Plan figures, a silence offset by the propaganda campaign that asserts sustained expansion at record pace. This silence, however, probably testifies to nothing more serious than a strong allergy of the political leaders to any admission of even the possibility of a slowdown in what they are convinced is the world's most dynamic economy.

Beyond this, they can have little cause for concern. The growth rates which are still deemed feasible by the Soviet planners are quite high enough to justify much of Khrushchev's exuberance. Moreover, with good reason, he has emphasized that, at the output levels now attained by Soviet heavy industry, the growth rates programmed for 1959-65 signify very formidable additions to output in absolute terms. The prospect of having 30 to 35 million tons of steel added by 1965 to a present output of 55 million, with commensurate additions in other industries that spell national power, cannot be disheartening to Khrushchev, even if three years ago he had hopes of doing even better.

### III

But have the planners carried realism far enough and are the industrial goals truly feasible? The meager published data rule out anything like an independent audit of the Plan. There can be little doubt, however, that this time the targets for industry - and this goes for the other non-farm sectors, too - are backed up by a serious attempt to balance output schedules with resource availabilities. Khrushchev's report, for all

its 125 pages, is but a glossy publicity release abstracted from what must be many volumes of sober and technical calculations compiled over 15 months by Gosplan and the 30 special committees that worked in detail on every aspect of the Plan. Their joint product probably adds up to a much more thorough and critical assessment of the economy's growth potential than the ill-starred Sixth Plan benefited from. It would be strange indeed if the planners had not worked hard to save Khrushchev, and themselves, for a repetition of the recent error of overplanning, by drawing up a program that, in their best judgment is feasible.

On the other hand, the planners' judgment was seriously constrained by Khrushchev's insistence that expansion be maximized, to "gain time," as he puts it, in the race with capitalism. They could not afford to turn in a soft plan, certain of realization in every detail. Khrushchev did not ease their task by also insisting on objectives distinctly in conflict with the goal of maximizing output. The planner's dilemma is best illustrated by their handling of the labor supply problem, perhaps the most serious resource bottleneck confronting them in the immediate future.

The problem stems mainly from the harsh demographic fact that, for the next five years or so, the Soviet labor force will depend for its young recruits on the war-depleted age group born in 1942-46. Recently the state labor force (which excludes collective farmers) has grown by about 2,000,000 workers annually. An increase of only 1,300,000 expected in 1959 shows that the lean years of labor supply have arrived. To make things more difficult, because of Khrushchev's energetic and badly needed measures to expand agricultural output, the non-farm sector cannot draw as freely as before on its traditional labor reservoir, the farm population. The Plan demands a formidable production effort from agriculture, and much of this effort is concentrated in branches of farming which, in the Soviet Union, are still extremely labor-intensive and have been barely touched by mechanization. Thus the villages may not be able to spare significant reinforcements for the non-farm labor force.

Confronting these prospects, the Plan budgets for a seemingly modest 21 percent increase in the state labor force over the seven years, or by 1,600,000 workers per annum. Actually, this is quite an optimistic expectation, given the stringency of the demographic bottleneck. It suggests that the planners place considerable reliance on several measures built into the Plan and designed, in part at least, to ease the labor supply problem.

Wage policy is one: wage increases in the seven years will be largely reserved for the lowest-paid categories of labor, where they will be substantial. This measure not only effectively builds up Khrushchev as the friend of the underdog, but also adds to the labor force over the seven years, say by 1,500,000 workers per annum. Actually, this is quite an optimistic expectation, given the stringency of the demographic bottleneck. It suggests that the planners place considerable reliance on several measures built into the Plan and designed, in part at least, to ease the labor supply problem.

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...will be maintained. This policy... builds up Khrushchev as the friend of the worker. But, it also may add to the labor force. Since women make up much of the low-paid labor contingent, it should draw more women into industry. At the same time, the virtual freezing of wages of the better-paid workers should deter their working wives and daughters from leaving employment. Similarly, the Plan's pension policy is designed to keep older workers at work. They have been warned not to expect increases in retirement pensions - still very low after the 1956 pension reform - until 1963, when the worst of the impact of the low wartime birthrates on labor recruitment will have passed.

The school reform synchronized with the Plan is another timely device to assist labor supply, though this may not be its primary motive. In a move not without irony at a time when Americans, in the wake of sputnik, had started looking enviously at the high standards of Soviet education, the Soviet leadership decided that their youth was being over-educated. Students will now be encouraged to leave school and start work at 15 years of age. Those who stay on to compete for university admission will combine academic studies with training for industrial work. In contrast to the time-wasting "shop" courses of American schools, this training is evidently conceived as serious and systematic apprenticeship. Thus, Soviet industry will be able to recruit young workers already trained to some extent, and adolescents may be more willing to leave school and seek employment at the better starting wages now offered.

These measures may ease the labor problem, though to an extent that cannot be precisely predicted by Soviet planners. At the same time, their efforts to back up the Plan with an adequate supply of labor came into conflict with Khrushchev's decision to yield to labor's desires for more leisure and to offer it psychological incentives on the long road to "Communism." After some reductions in working hours in recent years, the average work-week in non-farm employment is still in the neighborhood of 45 hours. Now the plan promises to make a 41-hour week general by 1960 (with shorter hours for miners and juveniles) and to reduce it to 40 hours by 1962. Looking even further ahead, it envisages a gradual transition to 30-35 hours, starting in 1964 - that is, again, once the lean years of labor recruitment have passed - and to be completed by 1968. This, Khrushchev claims, will give Soviet workers the shortest hours in the world, another long-range prophecy not capable of verification at this date. However, together with other long-deferred promises, such as pension reform, it illustrates the technique used to impress working-class opinion at home and abroad with Soviet concern for social welfare.

For the planners, however, the modest cutting of working hours scheduled for the next few years spells another important limitation on labor supply. Even if industry receives a little more than its proportionate share of the one-fifth increase in the state labor force hoped for by 1965, its output per man-hour, allowing for the shorter work-week, will have to rise by more than one-half if it is to realize that 80 per cent output increase assigned to it. This means that productivity

must increase at a rate even faster than the impressive 6 per cent per annum claimed to have been maintained in recent years

The planners evidently hope that such a spurt in productivity can be generated, but they cannot count on it. The surest way of raising output per man is to provide him with more and more equipment and power to work with. As far as can be judged from the fragmentary data on the Plan's investment program, industry - and heavy industry in particular - is once again due for the lion's share of investment, something like one-half of the total.

This means that industry can expect a massive influx of new equipment and new construction. But there are signs that the industrial planners have had to husband prospective investment resources very carefully in trying to satisfy all of industry's voracious needs, and make hard decisions in apportioning investment within industry. This much can be inferred, first, from the fact that published information on industrial investment is confined mainly to preferred sectors of heavy industry - such as metals and ores, chemicals, petroleum and natural gas - where investment is due to increase considerably faster than in industry as a whole. This necessarily implies that other sectors of industry will have to be content with much less generous investment programs.

Then there is heavy emphasis on the need to economize investment resources and put them to the best possible use. Stress will be laid on replacement and modernization of equipment in existing plants, to save on new construction - an indication that Khrushchev's housing program is impinging on industrial expansion. In power plant construction, there has been a switch from hydro-electric to thermal plants - explicitly to economize on investment. The new Plan has very little to say on the Soviet atomic energy program, which was announced with much publicity in 1956. This appears to have been heavily cut in response to the investment squeeze, although technological second thoughts, such as have also arisen in the West, undoubtedly had something to do with it.

These strenuous efforts to make the most of investment resources may bespeak the planner's uneasiness as to whether the inflow of new capital will be adequate to achieve the steep increase in industrial labor productivity that is required. One has the impression that they are banking to a large extent on other and less tangible sources of productivity increases, intractable to prediction and planning. Considerable faith is being placed, clearly, in the future fruits of technological advance in general and automation in particular. Probably there are similar expectations of improved productivity resulting from the better educational levels of the present industrial labor force, the ample supply of engineers and industrial scientists, and from organizational and managerial improvements. There is nothing reckless about making some allowance for these effects in a long-term program. Soviet industry, no doubt, still has large reserves of inefficiencies amenable to energetic treatment. Moreover, past experience of other industrial nations has shown that labor productivity often tends to increase faster than is accounted for by an increasing provision of physical capital per worker alone.



These effects, however, are easier to observe, ex post than to anticipate ex ante. Time soon will show whether the Soviet planners' judgment on productivity gains has not been pushed a bit too far by Khrushchev's insistence on "gaining time."

#### IV

In agriculture too, the proof of planning is in the eating, and more literally so. The history of Soviet five-year planning of farm output contains a dismal record of setting grossly excessive and seldom-realized production targets. On the face of it, the Seven Year Plan suggests more of the same. There must be newspaper readers even in Moscow with memories long enough to compare the grain output target for 1965, 164-180 million tons, to the goal for 1960 of the Sixth Plan, 180 million tons. Actual grain production in 1956-58 has averaged some 120 million tons, though last year's bumper crop may have been as high as 140 million tons. Striking increases are also scheduled for other farm products, including a doubling of meat output - a major benchmark toward Khrushchev's coveted and distant goal of surpassing the carnivorous standards of the United States.

What is one to make of these figures? On past form, one is tempted to write them off as another flight of wishful fancy. Yet one cause for hesitation, and a weighty one, is provided by the reforms and new policies instituted by Khrushchev since 1954. Apart from raising output to a significantly higher level, they have produced an atmosphere in Soviet farming greatly different from the stifling air of bureaucratic regimentation and short-sighted exploitation under Stalinism. These measures have probably not yet run their course in freeing the production potentialities of land and peasantry from the shackles of a system that could not have been better designed to discourage effort, thwart initiative and breed inefficiency. One is not surprised that Khrushchev, at the remarkable meeting of the Party's Central Committee in December 1958, chose his farm policy record as the stick with which to beat his defeated opponents of the "anti-party faction". Possibly in order to counter skepticism evoked by the Plan's agricultural goals, he reviewed this record at great length, and spiced it with charges such as that against Malenkov, who was accused of having publicly exaggerated grain production in 1952 by more than 40 percent. By this performance Khrushchev may have sought to establish his unique competence for leading agriculture in another rapid upsurge of output, now no longer obstructed by the "faction".

On this occasion, as in his Plan report, Khrushchev acknowledged that this surge will be no easy task. The production gains since 1954 have rested very largely on extensive additions to output, through the daring "virgin lands" drive which has added 50 million acres sown in grain. Now, as Khrushchev has stressed, further expansion of crop production will have to come from more intensive cultivation, by raising yields per acre rather than bringing more land under the plow. The need is no longer to produce more food grain to assure the people's

daily bread; Khrushchev can take much of the credit for this comforting situation, as his farm policies have raised wheat production by some 50 per cent since 1952. The main problem now is to grow more feed grain and other fodder in order to expand livestock herds and thus to add to meat and dairy output, as well as to produce more vegetables and fruit to vary the urban diet, and to supply more cotton, sugar beet and similar crops to the processing industries.

Soviet industry is due to bring considerable success to



What is the import of the Plan for East-West relations? In traditional fashion, Soviet comments depict it as evidence of pacific intent: so sweeping a program cannot but absorb all the energies of the Soviet Union in "peaceful construction." Yet the Plan presents no evidence of any reorientation of economic policy towards more urgent concern for consumer welfare and less emphasis on building up the power of the Soviet state. For another seven years, the time-tested formula of expanding the output of heavy industry (which in Soviet terminology includes military hardware) more rapidly than consumer goods is to govern the pattern of Soviet industrial development and speed its pace.

Khrushchev's report notes that the Plan will "further strengthen the defense capability" of the USSR. Such strengthening need not necessarily mean expanding munitions output. The Soviet budget for 1959, with its trivial reduction in overt defense outlays and very sizeable increase in appropriations to "science", serves as a reminder that much of the contest for military superiority has shifted to the arena of research and development. At the same time, the vigorous pursuit of the Soviet economic offense underscores the other important fact that "peaceful" capital equipment now serves as ammunition in the vital contest for the allegiance of the underdeveloped nations. Undoubtedly, the Plan has made sure to curb domestic demand for investment resources by the small margin required to assure an ample supply of these high-yield weapons of diplomatic warfare.

In short, no matter how the Soviet Union chooses to employ economic resources to build up national power and back up its foreign policy, it can look forward to disposing of a growing flow of resources to this end. It is this prospect, no doubt, which makes Khrushchev so confident in equating Soviet gains in industrial output with progress towards the defeat of capitalism. Clearly he does not expect the Western democracies to strike their colors simply because a statistical comparison, in 1972 or any other year, has shown them that Soviet and American production curves have crossed. Nor can he count on Soviet production successes "to enhance the attractive power of the great ideas of Marxism-Leninism" to the point of setting off an unassisted landslide into the Communist fold. But he has good reason to be pleased with the rate at which industrial progress is providing Soviet political strategy with the material means for helping history along towards the outcome postulated by Marxism-Leninism.

## COMMENTS ON HOEFFDING ARTICLE

The treatment of the demographic influences on the 7 year plan in Mr. Hoeffding's article (p. 6 above) represents several great strides towards realism which deserve to be given the emphasis they deserve, although in toto the article continues to stress the "labor shortage" view of the Soviet economy.

To begin with, his calm understatement that "recently the state labor force (which excludes collective farmers) has grown by about 2,000,000 workers annually" needs a little clarification. The first year in which this was true was 1955-56,<sup>1</sup> since when the dynamics of the industrial labor force have appeared as follows:

Year	Average No. of workers	Increase
1955	48.4	
1956	50.5	2.1
1957	53.2	2.7
1958	54.6	1.4

The 1957 figure of 53.2 million is based on Pravda, (16 January 1959) which states that

"the average number of workers and employees in the Soviet economy in 1958 amounted to 54.6 million, and increased during the year by 1.4 million... The number of workers in the MTS decreased by 1,300,000 because as a result of the reorganization of the MTS, workers in the tractor brigades and a part of the agricultural specialists were transferred to work on the kolkozy."

The conclusion logically to be drawn from this highly authoritative statement by the Central Statistical Administration is that the real, as opposed to the net, increase in the number of industrial workers during 1958 must have been 2.7 million, i.e., the same figure as for the previous year. In his article Mr. Hoeffding has omitted a key phrase from the case for the "labor shortage" theory. All students of the Soviet economy remember that in 1956, 1957 and 1958 they were constantly being told that the labor shortage was supposed to begin in 1958, when those born in 1942 reached the age of 16 and therefore entered the ranks of the labor force. But 1958 is now past history, and the record shows that the labor growth in that year has never been exceeded<sup>1</sup> since the war. Hence it is understandable that Mr. Hoeffding's article omits all mention of that awkward year, 1958, which stubbornly refuses to fit the "shortage" theory.

On the other hand the great merit of the Hoeffding approach is its realist view of 1959, when "an increase of only 1,300,000 workers expected in 1959 shows that the lean years of labor supply have arrived." The figure 1,300,000 for 1959 was also

<sup>1</sup>National Economy of the USSR, Moscow, 1956, p. 203.



suggested in Background Information, 3 December 1958. The fact that it has now been supported by Mr. Hoeffding is significant because the only other published estimate available here for 1959 was 300,000<sup>2</sup>. The Hoeffding 400% increase on this meagre opening bid would appear (on the basis of 1958 performance) to be much the more convincing of the two estimates. Moreover it allows an average estimate to be made for the first two years of the demographic gap, which can more rationally be assumed to be the year 1958-1963 than the 1959-64 period suggested in the "Foreign Affairs" article above.

Year	Average No. of Workers	<u>Real Increase</u> <u>During Year</u>
1958	54.6	2.7
1959	55.9	1.3
	Total	4.0

Thus for the first two years of the gap, the average real increase in the industrial labor force each year looks like being in the area of 2,000,000. Few economists will need to be reminded that the 7-year plan, as amended by Khrushchev at the 21st Party Congress, only calls for an average annual growth of 1.7 million. Thus by the end of 1959, if Mr. Hoeffding's estimate proves right, Gosplan will have plenty of labor in hand (six hundred thousand workers approximately).

On p. 7 above the comments on pensions policy omit to mention that Soviet workers receive the pension at the age of 60 for men, and 55 for women. In both cases these limits are five years less than is the normal practice throughout the Western world. It is undeniable that if Gosplan thought that there were any likelihood of a labor shortage it would at once raise the age limits to conform with Western practice, and with the increased expectation of working life resulting from the achievements of modern medicine.

Mr. Hoeffding's questionable statement that "the school reform synchronized with the plan is another timely device to assist labor supply" has been contested by Mr. G.L. Kline, an expert on Soviet education, who reasonably argued as follows:

"Khrushchev indignantly repudiates the charge, made by 'foreign critics', that his educational reform is primarily an attempt to meet an incipient labor shortage. This disclaimer is probably justified. The wartime drop in birth-rate will be reflected in the reduced ranks of young people entering the labor force (aged 16) between 1958 and 1962, whereas the effect of the reforms will not be fully felt until 1962 or 1964. The transfer to the new universal eight year school is to begin in 1959-60, but students now in grades 8-10 will be permitted to complete the 10-year school - with an increased dose of vocational training." (New Leader, March 16, 1959, Background Information, 1 April, 1959).

<sup>2</sup> Sotsialistichesky Vestnik, No. 4, 1956, p. 72.

Moreover it is simply not the case that "students will now be encouraged to leave school and start work at 15 years of age." The reverse would be nearer the truth. The seven-year schools are to be transformed into eight year schools, and the plans for Kazakhstan and Azerbaijan show that it is intended in future to pass more than 40% of eight year school graduates through 11 year schools.<sup>3</sup> There is no reason to think that these 2 republics are to be privileged in this respect. At present, as Mr. Kline rightly reported in the New Leader, (March 16, 1959), only 30-35% of seven year school graduates pass through ten-year schools. An example of the trend in the RSFSR was given in Pravda recently,<sup>4</sup> when the head of a raion education department from Stalingrad oblast wrote that:

"While there are now 837 persons studying in the 8th and 9th grades, in the 1965-66 year, 1,460 persons will be studying in the senior grades of secondary schools. About 400 persons will receive their education in evening and correspondence schools without loss of work time.. The period of obligatory study by pupils in schools is increased by a year.."

The same author also said:

"Our calculations show convincingly that talk about the impossibility of finding jobs in the local economy for all school graduates is without foundation."

Thus his concern is not with any possible labor shortage, but with those among his colleagues who feel that a surplus is the main danger. In view of Mr. Hoeffding's estimate (1,300,000 new industrial workers in 1959, more than double the number expected in the US)<sup>5</sup> there is reason to think that the Stalingrad pessimists are the more likely to prove right.

In this connection Mr. Hoeffding's paragraph on the Soviet shorter work week (41 hours, planned for general introduction in 1960, p. 7 above) is relevant. Mr. Hoeffding sees this scheme as due to "Khrushchev's decision to yield to labor's desires for more leisure and to offer it as psychological incentives on the long road to 'Communism'." Although this view cannot be disproven, it seems far more probable that the 41 hour week is really meant to have exactly the same effect in the USSR as Mr. George Meany's plan for the 35 hour week in

<sup>3</sup> Alma Ata Radio, 28 March 1959, Radio Baku, 27 March, 1959 see Background Information, 1 April 1959, More on Soviet Education.

<sup>4</sup> 22 February 1959.

<sup>5</sup> Professor Paul A. Samuelson has estimated US net intake at 600,000 p.a. (for agriculture as well as industry) Financial Times, 15 January 1959.



the USA. Why Khrushchev should feel it wise to reduce the Soviet work week considerably below the average number of hours worked in W. Europe is otherwise hard to explain. Since when has Soviet labor been so influential as to be able to obtain greater concessions than those granted to W. German, British or French workers?

Izvestia (15 March 1959) has just prominently reported yet another case of a factory changing over to a five day week (a cellulose-paper combine in Volzhsk, RSFSR). Although the new system involves four shifts in the main production shops, so that 8 free days a month can henceforth be given to each worker, the plant was formerly so overstaffed that workers for the fourth shift have been found without hiring new labor. Obviously this avoidance of hiring will not be possible in many cases, as and when other plants go over to the 5-day week, and the suspicion therefore remains that four-shift working is being introduced largely to absorb labor. What other economic reason could there be for it? It seems most improbable that any paper plant in the free world finds it worth while to employ four shifts.

The best check possible at present on the validity of the "labor shortage" theory is provided by the results for 1958, the first year of demographic decline. ECE's survey of the year<sup>6</sup> reports that:

"In the USSR both labor intake and productivity rose faster than had been foreseen...In the USSR and E. Germany large productivity increments were obtained in spite of reductions in the working day."

Thus 1958 has seen no ill effects as a result of the demographic decline. It would therefore be premature to forecast now that supplies of new labor will be a serious hindrance to the Soviet economy in the next few years.

r.r.g.

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<sup>6</sup> See Appendix below.

Economic Survey of Europe in 1958  
United Nations, Geneva, 1959  
pp. 6-7

Three countries of the region (the Soviet Union, Poland and Eastern Germany) are at the present time confronted with the demographic problem of a reduced intake of new entrants to the active labor force.<sup>21</sup> The Soviet Union and all the countries of eastern Europe planned in 1958 to increase industrial employment in the state sector by some 1 to 4 per cent - in Albania by much more - and everywhere by less than the previous year's increment (save in Hungary and Rumania, where no rise was registered in 1957). In all the Balkan countries and Hungary,<sup>22</sup> more workers were recruited than had been originally planned, though in Hungary and Rumania productivity still contributed more than employment to the growth of total output. In the Soviet Union both labor intake and productivity rose faster than had been foreseen.

In two countries, the Soviet Union and eastern Germany, these large productivity increments were obtained despite reductions in the standard working day. Soviet industrial labor productivity per man-hour rose by 9 per cent (compared with the rise of 6 per cent on a yearly basis), the working day having been curtailed by an hour in ferrous metallurgy, coal-mining and the cement and concrete-component industries during 1958. A decree of 4 November 1958 stated that the first stage of the current programme of reductions - the curtailment of hours in the armaments, aviation, shipbuilding, radio, fuel, metallurgical and chemical industries - was to be completed by mid-1959, and that hours in the remainder of engineering and metal-working would be reduced from eight to seven by the end of 1959. The average statutory working week would thereby become 42.1 hours, as compared with 45 hours in 1957 and just over 44 hours by the end of 1958.<sup>23</sup> The directives on the Seven-year Plan voted by the XXI Congress of the Communist Party of the Soviet Union<sup>24</sup> foresee the later extension of the seven-hour day (five hours on Saturday) to all other sectors, with a five day working week of 30 to 35 hours as the rule by 1968. A reduction of statutory working hours in eastern Germany averaging three hours per week was accompanied by a rise in productivity per man-hour by 11 per cent in 1958. In Czechoslovakia, Hungary and Poland, work attendance improved, and in Czechoslovakia was the best for many years (in industry 91.6 per cent of duty hours in the first ten months of 1958 compared with 90.1 in the same period of 1957), and in all three countries the improvement was largely attributable to a reduction in absences due to illness and

<sup>21</sup> See the Survey for 1957, Chapter VII.

<sup>22</sup> In Hungary, manpower in cooperative and private industry also rose in 1958, by 8 per cent.

<sup>23</sup> 47.2 hours in 1955. These data are based on statistics for 1955-57 in Trud, 22 January, 1959 and, for 1958-59, on employment in the affected industries (Promyshlennost, SSSR, 1957, p. 24.)

<sup>24</sup> Pravda, 8 February 1959.



accident. Nevertheless, Sunday shift working in Czechoslovakia was extended from mining to building in September.

There has been much recruitment for specific agricultural projects, usually under the aegis of the official youth movement. In 1955-58, 1,950,000 Soviet young people went, under Komsomol arrangements, to Kazakhstan, Siberia, etc., for the virgin lands and other development campaigns;<sup>25</sup> and in February 1959 a new campaign was launched to encourage girls to migrate so that permanent households could be founded in the new areas. The Congress of the Czechoslovak Youth Union resolved in December 1958 to encourage 40,000-45,000 youths annually to take up permanent work in agriculture; and in the first seven months of 1958 the Albanian Union of Working Youth sent 3,560 youths to work on livestock farms.

The contrary movement from farming to other occupations is still, in most countries, a major source of industrial recruitment; and in Hungary the industrial labor lost by emigration after the uprising was compensated, mainly from this source, by early 1958. Movement out of other non-farm sectors is continuing; and administrative services, already curtailed in recent years, are being further compressed. The abolition of industrial ministries in Bulgaria in 1959 will be accompanied by re-direction of many of their employees to production jobs; and in 1958 administrative employment fell by nearly 100,000 from its 1957 level of 1.3 million in the Soviet Union, while 300,000 men were released from the armed forces. Soviet railway staffs have long been frozen, and will continue to be throughout the Seven-year Plan; in 1958 the exploitation staff was only 1 per cent above that of 1955, although traffic (in ton-kilometers) had risen by 30 per cent, and by 1965 it will increase by only 4 per cent.<sup>26</sup> The Plan also foresees the release of 400,000 workers from forestry.

<sup>25</sup> Komsomol letter to the Party Central Committee (Pravda, 30 October 1958.)

<sup>26</sup> M. Linkov, Gudok, 14 January 1959; for the nature of the rationalizations proposed, see *ibid.*, 20 December 1958.