

WALL STREET JOURNAL

DEC 21 1960

# Russia's 1961 Budget Is Peacetime Record Industrial Output Rise of 8.8% Forecast

WALL STREET JOURNAL Staff Reporter

WASHINGTON—Russia unveiled its 1961 budget which as usual, is more a Communist propaganda document than a disclosure of specific spending plans.

The budget and its accompanying economic production figures, nevertheless, disclosed to experts on Russia here an admittedly growing Soviet economy with some problem areas. Diplomats here said their first reports on the figures from Moscow confirmed their belief that Soviet production of heavy industrial equipment continues to boom, that consumer goods production continues to get only fringe attention, and that farm output is falling short of Premier Khrushchev's demands.

The Associated Press reported that the Soviet government presented a record peacetime budget of 77.5 billion new rubles to finance an 8.8% increase in industrial output in 1961. The new ruble becomes the basic Soviet currency January 1. Technically, it is worth 10 old rubles, which had an official value of 25 American cents each. In purchasing power, however, the old ruble has been worth about 10 cents, meaning that the new ruble will have purchasing power of about \$1. The Russians have previously recognized this lower-than-claimed value of the old ruble this fall in some monetary sleight of hand which amounted to a devaluation of the official value of the old ruble. The value of the new ruble is officially pegged by Russia at \$1.11.

### \$86 Billion Budget

On the basis of the official dollar value of the new ruble, the 1961 Soviet budget would be equal to about \$86 billion. In contrast, the U.S. budget for the year ending next June 30 is about \$80 billion.

According to the Associated Press in Moscow, Finance Minister Vasilii Garbuzov told applauding deputies of the Supreme Soviet, the Soviet parliament, that defense expenditures are being cut "thanks to the unilateral reduction of the Soviet armed forces" this year. They make up 11.9% of the total budget, compared with 12.9% for 1960.

Mr. Garbuzov said, however, that defense costs will remain relatively high "until agreement of general and full disarmament can be reached."

The 1961 cost of the armed forces was put at 9,220,000,000 new rubles, compared with 98,100,000,000 old rubles, or 9,610,000,000 new rubles, in 1960.

Experts on Soviet Russia here consider the defense figures meaningless. This portion of the Soviet budget covers the costs of feeding and housing troops and other housekeeping expenses. It does not, however, include spending on the tools of modern warfare—atomic warheads, intercontinental ballistic missiles, nuclear submarines and the like. Spending for these items is hidden away unreported in other parts of the budget. The U.S. defense budget of \$15 billion, on the other hand, includes all military outlays, including military foreign aid and atomic arms.

### Defense Costs Cut

Because of this Soviet secrecy, the Russians can claim they lay out much less for arms than does the U.S. Red propagandists are especially loud with these claims in underdeveloped nations, often unacquainted with the ways of multiple bookkeeping.

According to the Associated Press, Premier Khrushchev studied the figures in a light blue notebook as Mr. Garbuzov pointed out that the

total budget is 6.7% higher than last year's previous record of 745.8 billion old rubles.

Mr. Garbuzov said scientific expenditures would be 15% higher this year at 4 billion new rubles.

American authorities noted scientific expenditures often cloak outlays for missiles and weapons research. The reported figures indicate the Soviets spent more on research in 1960 than the 32.6 billion old rubles planned a year ago.

### Rise in Heavy Industry Output

Plans for the 8.8% industrial expansion were outlined by Deputy Premier Vladimir Novikov, chairman of the State Planning Committee. He predicted a 9.5% rise in the output of heavy industry and 6.9% higher output of consumer goods. He claimed the Soviet Union already has surpassed the U.S. in production of timber, iron ore, wool cloth, fish, sugar, milk and butter.

Production goals he listed for 1961 are: Pig iron, 51,200,000 tons; steel, 71,340,000 tons; rolled steel, 55,270,000 tons; oil, 184,000,000 tons; and electricity, 327 billion kilowatt-hours.

Mr. Novikov said this year has brought production increases of 5,000,000 tons of steel, 18,000,000 tons of oil and 80 billion kilowatt-hours of electricity. Cultivated land will increase by more than 7,400,000 acres in 1961, he said, bringing the national total to more than 508,500,000 acres. He predicted a substantial increase in grain over the 1958 record crop, but gave no figures.

Mr. Novikov forecast a 6.5% rise in foreign trade, including a 22% increase in trade with newly independent nations. Capital investment, he said, will rise 81% from 1960 in the steel industry and will be three times the 1960 figure in the chemical industry. The Soviet Union will participate under technical aid programs in building 380 plants in other countries, he said.

### Trouble in Agriculture

After analyzing these reports from the news services and early embassy cables, diplomats here noted the Russians avoided much talk about 1960's agricultural feats. This indicates Premier Khrushchev continues to have trouble producing the increased amounts of food he seeks. Experts on Russia believe the premier puts a premium on raising food production so he can keep happy the growing number of Soviet citizens living in urban and industrial communities.

Housing construction has apparently fallen off, according to Moscow messages. That's

apparently the result of the Kremlin's recent clamp-down on home loans to private individuals; experts here think the Soviets found that private home building in cramped urban areas was diverting supplies the Moscow bosses wanted to use on other projects.

By planning a continued increase in foreign trade and aid at about the recent rate, Mr. Khrushchev makes clear he intends to follow his so-called, "peaceful coexistence" campaign, despite Chinese Communist objections. Aid statistics quoted by the Kremlin aides will obviously be used as a Cold War talking point by the Reds, U.S. diplomats figure.

U.S. officials think the Russians are meeting their goals, as claimed, for the current seven-year economic plan that began in 1958. In a speech in Fort Worth last night, prepared before the Soviet budget figures came out, the deputy director of the Central Intelligence Agency, Air Force Gen. C. P. Cabell, said:

"Like us they have a farm problem. Their problem, however, is the exact opposite of ours. They need to increase farm production. With respect to industrial goals which they have set for themselves, we believe that they will meet them, and that the regime will not be greatly hampered by domestic pressures for more consumer goods."