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Journal - Office of Legislative Counsel  
Wednesday - 14 April 1971

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11. [redacted] Delivered to Mr. William Sullivan, in the office of Senator Bob Dole (R., Kans.), a series of supplements to the daily report - Soviet Union which were not included in the daily reports forwarded to the Senator's office over the last ten days. I suggested to Mr. Sullivan that in the future any questions on the material or whatever should be referred to me rather than attempting to locate the individual clerks or staff personnel within the Agency who might be involved in forwarding such material to the Hill.

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12. [redacted] Met with Mr. Ralph Preston, House Appropriations Committee staff, and gave him a copy of the Soviet Union daily report supplement 71-67-22 and comments on the 7 April New York Times column on Soviet defense costs.

In discussion Mr. Preston told me that he met with Chairman Mahon late yesterday afternoon and briefed him on yesterday's meeting on the Agency budget. See Memorandum for the Record.

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[redacted]  
[redacted] JOHN M. MAURY  
Legislative Counsel

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cc:  
ER  
O/DDCI

[redacted]

Mr. Goodwin  
Mr. Houston  
DDI  
DDS  
DDS&T  
EA/DDP  
OPPB

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Item # 5 - [redacted]  
Item # 11 - [redacted]

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June 14 - 14  
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STATINTL

Joe [redacted] is the OSR division  
chief on Sov military costing

Kosygin's statement regarding defense spending merely reports the Soviet announced defense budget data of about 80 billion rubles for 1966-70. Our estimates--which include spending for R&D and space programs amount to 113 billion rubles for the same period. Without the full text it is difficult to evaluate Kosygin's comments on national income, but the New York Times article does make the old error of stating that the Soviet defense budget "burden" is twice that of the US. This arises when the share of GNP is calculated in dollars which distorts the internal Soviet price relationships. When calculated in rubles, the share of Soviet GNP allocated to defense is about 7 percent, roughly that of the US.

FBI'S SOV 7/67 22  
Scapp  
Daily Report  
Sov Union

STATINTL


8 April 1971

MEMORANDUM FOR: Deputy Director for Intelligence  
SUBJECT : New York Times Article on Soviet Defense Spending

1. The front page story on Soviet defense spending in the New York Times, is hardly a "disclosure" as claimed by Ted Shabad. In discussing budget allocations over the last five years, 1966-70, Soviet Premier Kosygin yesterday announced that a total of 80 billion rubles (\$88 billion of the official exchange rate) had gone for defense purposes. This is the total of announced Soviet defense spending, exclusive of the research and development portion carried in the allocation for science.

2. Shabad gets into the complicated question of the relative burden of US versus Soviet defense expenditures on the two economies. He does this in a very simplistic fashion -- the overall ratio of defense outlays to GNP, implicitly in dollars. However, "burden" cannot be very meaningfully measured in this way. The relative efficiencies of producing various types of goods must be taken into account, which Shabad does not do.

3. Our impression of Kosygin's presentation of the allocation question is that once again a careful balance is being made between the pressures from the Soviet defense establishment and the need to appease the Soviet consumer. The process of dealing ad hoc with overcommitments will almost certainly continue in the next plan period.

  
Director  
Economic Research

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# Soviet Discloses Extent of Its Defense Spending

By THEODORE SHABAD

Special to The New York Times

MOSCOW, April 7—The Soviet Union disclosed today that its military establishment was absorbing as much as a fourth of all the funds available for the growth of the nation's economy.

This unusual information on the magnitude of the defense burden was contained in the published text of an economic report delivered yesterday by Premier Aleksei N. Kosygin before the current congress of the Soviet Communist party.

It appeared to be one of the most forthright acknowledgments most forthright acknowledgment of the economic effect of the maintenance of the country's armed forces.

"The Soviet state in the pres-

ent international situation," Mr. Kosygin said, "must be steadfastly concerned with strengthening of the country's defense capability. Over the last five years 80-billion rubles [\$88.9-billion at the official exchange rate] has been spent for defense."

The figure itself was not new, for it represented the total budget allocations in 1966-70 for the maintenance of military per-

sonnel and the procurement of weapons systems.

But in the context of national income available for the Premier, it meant that defense activities absorbed 24.4 per cent of the portion of national income available for growth purposes, or 7 per cent of the total national income.

If expenditures for science, amounting to 3 per cent of national income, were to be included in the defense share, it would rise to 10 per cent of national income. This conforms roughly with estimates of Western analysts, who hold that a large proportion of Soviet scientific research and development is for defense purposes.

The Soviet Union is general-

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# Soviet Discloses Extent of Defense Costs

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ly assumed to shoulder defense expenditures roughly equivalent to those of the United States. However, because the Soviet Union's gross national product is only about half that of the United States, the share of the military-oriented sector of the Soviet economy is about twice as large as the share of the defense establishment in the American economy.

Mr. Kosygin's disclosure, made in the context of new national income statistics, appeared to be part of an effort by the Soviet leadership to justify the current economic policy of a better deal for the consumer combined with continued emphasis on heavy industry and defense.

Leonid I. Brezhnev, the party leader, appeared to go out of his way in his keynote speech to the congress last week in affirming that increased attention to consumer welfare in the new five-year plan "does not mean that we are slackening our concern for heavy industry," which is the basis of the defense effort.

Mr. Brezhnev and Mr. Kosygin are believed to have had two pressure groups in mind in stressing the need for further development of heavy industry and defense in what has been generally a consumer orientation at the party congress.

leaders evidently sought to assure the military and other advocates of basic industries that Soviet defense capability would not suffer as a result of somewhat greater allocation of resources to consumer needs. On the other hand, supporters of even more pronounced aid to the average citizen were advised that a heavy defense burden did not permit such a course as long as international tensions remained.

The party leader and the Premier thus appeared to be placing themselves somewhere in the middle between military and civilian claims on the nation's resources.

Mr. Kosygin's disclosure of the defense burden came about in rather technical fashion in a discussion of national income. In the Soviet Union, national income is treated as a value-added measure, representing the difference between the value of goods produced and the costs of production.

In contrast to the traditional breakdown of national income uses that conceal the defense item, Mr. Kosygin presented a new set of categories that identified the defense item as part of the portion of national income available for growth purposes. This is the so-called accumulation, or investment, component of national income.

According to Mr. Kosygin's breakdown, the accumulation component over the last five years totaled 72.5 billion rubles

(\$361-billion), or about 29 per cent of national income, which was 1,166-billion rubles.

Within that accumulation category, the Premier distinguished the 80-billion defense item, amounting to 24.4 per cent of total accumulation or 7 per cent of national income.

The sanctioned "debate" in the party congress continued today, with selected Soviet officials and foreign Communist leaders addressing the 5,000 delegates in the Kremlin's Palace of Congresses.

**Soviet Lofts Cosmos 405**  
MOSCOW, April 7 (UPI)—The Soviet Union today launched Cosmos 405, another artificial earth satellite, the press agency Tass said. Tass said that Cosmos 405 had an initial orbit time of 98.3 minutes and an orbital angle of 81.3 degrees. It was a minimum distance of 419 miles and maximum of 438 miles from the earth.

**Stamp Will Honor Missouri INDEPENDENCE, Mo., April 7 (AP)—**The official first-day cover envelope designed to carry a canceled Missouri Sesqui-centennial 8-cent stamp will go on sale April 19 at the Harry S. Truman Library. The stamp will be the nation's first 8-cent

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