

CONFIDENTIAL

No. 737

Current Support Brief

CIA/RR CB 62-90

No. Pages 7
31 December 1962

MEASURES BY THE NOVEMBER PLENUM TO IMPROVE
SOVIET ECONOMIC MANAGEMENT AND CONTROL



CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

CONFIDENTIAL

GROUP 1
Excluded from automatic
downgrading and
declassification

W A R N I N G

This material contains information affecting the National Defense of the United States within the meaning of the espionage laws, Title 18, USC, Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.

C-O-N-F-I-D-E-N-T-I-A-L

MEASURES BY THE NOVEMBER PLENUM TO IMPROVE
SOVIET ECONOMIC MANAGEMENT AND CONTROL

Khrushchev presented proposals for a sweeping reorganization of Soviet economic management to the plenum of the Central Committee of the Communist Party of the USSR held from 19 to 23 November. 1/ This reorganization, which affects to some degree all levels of management of both Party and government, was presented only in outline form. Although most of the provisions of the reorganization affecting the government were enacted into law at the Supreme Soviet held from 10 to 14 December, many of the details of the reorganization have yet to be made public.

I. Main Features of the Reorganization

The reorganization seeks to strengthen Party guidance and control of economic management; to tighten control of economic crimes such as mismanagement, embezzlement, and falsification of statistics; and to improve planning and administration of the economy, particularly in the fields of new technology and construction. The major provisions of the reorganization are described below.

1. Division of the Party

To strengthen Party guidance and control of economic management, the Party at all levels down to the oblast has been divided into two separate organizations -- one to guide industry and one to guide agriculture. In the USSR Central Committee, new bureaus have been established for (a) heavy industry and construction, (b) the chemical industry and light industry, and (c) agriculture. Khrushchev also proposed in his speech to the plenum that bureaus for RSFSR industry, for RSFSR agriculture, and for Central Asia be established in the USSR Central Committee, but as yet these bureaus do not appear to have been formed. In the central committees of each of the union republics, separate bureaus for industry and agriculture also have been established. These bureaus are to function under the presidiums of the republic central committees, and new presidiums are to be established

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

in those republics that do not now have them. At the oblast and kray level, separate party committees have been established in most oblasts and krays to control industry and agriculture. In those oblasts and krays where either industry or agriculture predominates, however, a single committee will be retained.

2. Joint Party-State Control

To strengthen control over economic crimes, a new Committee of Party-State Control under the Central Committee and the USSR Council of Ministers has been established. The new committee combines under direct Party control the function of routine checking on the implementation of state and party directives and the function of investigating economic crime -- functions formerly carried out by governmental bodies. The former function was performed by the now-abolished State Control Commission of the Council of Ministers, and the latter function was performed by the Committee on State Security of the Council of Ministers and by local governmental bodies.

3. Top Planning and Administrative Agencies

The principal change at the top level of planning and administration provided for by the plenum is the establishment of a new USSR Sovnarkhoz to take over the functions of Gosplan, the short-term planning agency, together with some unspecified administrative duties with respect to the republic and regional sovnarkhozes previously exercised by the Current Affairs Commission of the USSR Council of Ministers. Other changes in top-level planning and administration include (a) a change in the name of the State Scientific-Economic Council (Gosekonomsovet), the long-term planning agency, to "Gosplan," (b) the establishment in the new Gosplan of a technical-economic council composed in part of the chairmen of the state branch-of-industry committees (of the USSR Council of Ministers) for the purpose of planning a coordinated program for the development and introduction of new technology, and (c) a sharp elevation of the status of the state branch-of-industry committees and an expansion of their number to cover the fields of electrical equipment, light industry, food industry, and domestic trade. Khrushchev in his speech to the plenum also expressed an intention to transfer to the republic gosplans and

C-O-N-F-I-D-E-N-T-I-A-L

sovnarkhozes some of the short-term planning functions now exercised by Gosplan, but no specific provision for this transfer was included in the plenum resolutions. 2/

The provisions relating to the state branch-of-industry committees consist of charging them with full responsibility within their respective branches for the coordination of production with investment plans, the introduction of new products and new technology, the elimination of obsolete products, and the determination of what enterprises are best suited to produce given products. To facilitate the discharge of these responsibilities, all research organizations engaged in developing new products and new technology, most of which are now subordinate to the regional sovnarkhozes, are to be transferred to the respective state committees.

4. Administration of Industry

The plenum provides for an amalgamation of the regional sovnarkhozes, which reduces their number from 100 to about 40. The over-all reduction includes a reduction in the RSFSR from 67 to 22 or 24, a reduction in the Ukrainian SSR from 14 to 7, and the substitution of a single Central Asian Sovnarkhoz for the present four in the central Asian republics -- Turkmen SSR, Kirgiz SSR, Tadzhik SSR, and Uzbek SSR. With regard to Kazakh SSR, it was proposed that its seven regional sovnarkhozes be amalgamated into one.

Khrushchev spoke with favor on the trend toward combination of small and medium-sized enterprises into production associations, or "firms," and it is probable that this trend will continue. The plenum also provides for the transfer of all enterprises engaged in manufacturing that are now subordinate to local soviets to be transferred to the sovnarkhozes, leaving only enterprises such as public utilities and those providing personal services subordinate to local soviets.

5. Administration of Agriculture

The plenum made only minor changes in the administrative structure of agriculture that was established at the plenum of March 1962.

31 December 1962

CIA/RR CB 62-90

Page 3

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

These changes are (a) abolishment of the rural rayon Party committees and the assumption of their duties by newly formed Party committees of the territorial production directorates and (b) a reduction in the extent of the area supervised by the territorial production directorates -- the governmental bodies supervising agriculture -- established by the March plenum, which increases their number from 961 to about 1,500. The reduction in the extent of the area supervised by the territorial production directorates is designed to reduce their cumbersomeness and does not alter their responsibility for administering agriculture. The plenum did not discuss the fate of the joint Party-governmental agricultural committees that were established last March on the oblast, republic, and national levels.

6. Construction

In the field of construction, the November plenum has acted generally to tighten central control. The role of USSR Gosstroy has been strengthened, and building organizations formerly subordinate to the regional sovnarkhozes have been removed from sovnarkhoz control. To centralize control of standards for building design, institutes and other organizations engaged in building design work -- many of which formerly were subordinate to the regional sovnarkhozes -- have been made subordinate to Gosstroy. Other provisions relating to Gosstroy, which have not been made clear by the plenum, appear to give Gosstroy an increased role in the setting of over-all levels of construction activity in line with the capabilities of construction organizations and to increase its authority to determine priorities for individual projects.

II. Evaluation of Changes in Administration

The reorganization contains no single guiding principal but rather several motifs. A theme that underlies much of Khrushchev's speech is that government bureaucrats cannot do the job alone -- that they are slow to accept new ideas and are prone to illegality and fraud -- and therefore must be guided by the "creative initiative" that can be supplied only by the Communist Party. Accordingly, Khrushchev has strengthened Party involvement in economic management and at the same time has injected the Party into the investigation of economic

31 December 1962

CIA/RR CB 62-90

Page 4

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

crimes. Although for the most part the shift of the Party organization simply elevates the status of existing departments and personnel, it could result in some increase in the amount of Party participation in resolving planning disputes, breaking supply bottlenecks, and correcting managerial deficiencies. The changes hold little prospect for an improvement in the quality of this participation, however, and thus may increase the extent of both arbitrary intervention in economic affairs and "petty tutelage" of economic enterprises. The measure to establish the Committee of Party-State Control by placing the control functions directly in the hands of the Party is designed to strengthen the apparently unsuccessful measure of 1961 that established the State Control Commission.

A second theme basic to Khrushchev's speech is that present Soviet difficulties in the fields of technological progress and construction, although attributable in part to inadequate Party supervision, are primarily the result of too little centralized governmental control. Khrushchev argues that the "superior" form of Communist economic organization surely ought to be able to obtain by increased centralization what he believes to be one of the benefits of the "destructiveness" of capitalist competition -- rapid technological progress. To correct the difficulties in these fields, therefore, Khrushchev proposes a sharp increase in the centralization of top-level procedures for conceiving and introducing new technology and, to a lesser extent, for construction. This shift restores to a substantial extent the degree of centralization in these fields that prevailed before the reorganization of 1957 and thus tends to alleviate present problems at the cost of returning to pre-1957 problems.

Although the territorial principle on which the earlier reorganization was based is retained, the present reorganization, by its sharp elevation of the status of the state branch-of-industry committees, provides some shift in the direction of the functional principal of organization underlying the pre-1957 structure.

The proposals for changes in Gosekonomsovet and Gosplan are confusing and fail to display a coherent theme. The stated objective of these changes is to obtain a more precise differentiation of function and to eliminate conflicts and duplication between long-term and short-term planning. Neither Khrushchev's speech nor the plenum resolution, however, reveal

31 December 1962

CIA/RR CB 62-90

Page 5

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

much information on how the announced changes in the two planning organizations could be expected to accomplish these objectives.

III. Prospects

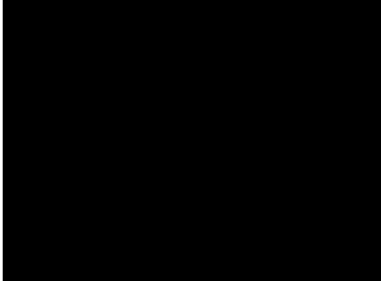
The provisions of the reorganization fail to deal with the numerous problems of parallelism and duplication in the economic administrative structure and of poor coordination of supply with production planning about which there has been much complaint in the Soviet press. Moreover, the plenum deferred a decision on various proposals currently being made in the Soviet press that call for reduced centralization of economic management of enterprises, more rational price setting, and improved material incentives. Two proposals -- those made by economists Liberman and Berg -- were referred by Khrushchev to the planning organizations and to the Academy of Sciences for further consideration. The Liberman proposal advocated that detailed central regulation of enterprises be reduced and that central control be exercised by imposing on enterprises a single success criterion of profitability (the ratio of profits to total capital employed in the enterprise). The Berg proposal advocated that wholesale prices be set "scientifically" on the basis of true costs of production as determined by linear programming methods.

The preoccupation of the plenum with strengthening Party control and with a governmental reorganization limited mainly to top-level changes, together with its failure to face the basic problems of strengthening material incentives and clearing administrative confusion, suggests that the present reorganization will not be of much help in improving overall Soviet economic performance.

C-O-N-F-I-D-E-N-T-I-A-L

C-O-N-F-I-D-E-N-T-I-A-L

Analyst:



Coord:

25X1A

Sources:

1. FBIS. Daily Report (USSR and East Europe), Supplement, no 12, 21 Nov 62. U.
2. FBIS. Daily Report (USSR and East Europe), no 229, p. CC 5-13, 26 Nov 62. U.

31 December 1962

CIA/RR CB 62-90

Page 7

C-O-N-F-I-D-E-N-T-I-A-L

Approved For Release 2000/06/14 : CIA-RDP79T01003A001400200001-3

CONFIDENTIAL

CONFIDENTIAL

Approved For Release 2000/06/14 : CIA-RDP79T01003A001400200001-3

Analyst: [REDACTED] A/MM

Approved For Release 2000/06/14 : CIA-RDP79T01003A001400200001-3 25X1A

OFFICE OF RESEARCH AND REPORTS

Control Staff

Control Sheet

CONFIDENTIAL

GROUP 1
Excluded from automatic
downgrading and
declassification

Series Number CIA/RR CB 62-90
Date of Document 31 December 1962

Classification _____
Number of Copies 250

Copy No.	Recipient	Date	Returned
102 - 143	Rec'd in St/P/C		
102	[REDACTED]	25X1A 2 Jan 63	
103	[REDACTED]	3 Jan 63	8 Jan 63
104	[REDACTED]	4 Jan 63	
105	[REDACTED]	"	
106	[REDACTED]	25X1C 1	
107	[REDACTED]	"	
108	[REDACTED]	"	
109	[REDACTED]	"	
110	[REDACTED]	"	
111	[REDACTED]	"	
112	[REDACTED]	"	25X1A
113 - 116	[REDACTED]		
117 - 143	Filed in St/P/C		
117	[REDACTED]	3 Jan 63	25X1A
118	[REDACTED] A/F	3 Jan 63	
119	[REDACTED] ST/P	3 Jan 63	25X1A
120	[REDACTED] Du. Neilson (webwise) NSC via ocr	7 Jan 63	
102	[REDACTED] o/c/r	7 Jan 63	25X1A
121	[REDACTED] CIA Liaison for AFCON	9 Jan 63	18 Jan 63
122	[REDACTED] State Information System	10 Jan 63	
123	[REDACTED] OTR	11 Jan 63	18 Jan 63
124-130	[REDACTED] A/F 3624	14 Jan 63	25X1A
203 - 210	[REDACTED] Received from Records Center	17 Jan 63	25X1A
203	[REDACTED] ST/IR	17 Jan 63	25X1A
33	[REDACTED] Received from OAC/IR	18 Jan 63	25X1A
204	[REDACTED] ST/IR	23 Jan 63	25X1A
122	[REDACTED] MS/M	23 Jan 63	25X1A
131	[REDACTED] OCF/R	28 Jan 63	25X1A
132	[REDACTED] OCF/ABFS for [REDACTED]	5 Feb 63	
135	[REDACTED] OCF	14 Feb 63	28 Feb 63
136	[REDACTED] OCF	14 Feb 63	
133	[REDACTED] OCF/IR/IT	13 Mar 63	25X1A
205	[REDACTED] Charles Cooper, Council of Economic Advisors to the President	1 April 63	
206 - 207	[REDACTED] Sent to Records Center	23 April 63	25X1A
141-143	[REDACTED] Received from ST/IR	9 May 63	25X1A
35	[REDACTED]	17 May 63	
135	[REDACTED]	17 May 63	25X1A
208	[REDACTED]	20 May 63	
134	[REDACTED]		

19 Held from 5/10 6 24 May 63
209 A/mm 18 Feb 63
210 Appro [redacted] BA004400200001-3
102, 35 235 Records Center 10 Jan 64
140 17 [redacted] ODDI for white house 6 Feb 64
138-139 RC 11 Jan 65

25X1A

25X1A

25X1A

25X1A

~~S-E-C-R-E-T~~

SUBJECT: Distribution of Current Support Brief No. 62-90,
Measures by the November Plenum to Improve Soviet Economic
Management and Control (Confidential)

<u>Copy No.</u>	<u>Recipient</u>
1	O/DDI - Attn: [REDACTED] Room 7E32 Hq. 25X1A
2 - 3	NIC
4 - 11	OCI Internal
12 - 14	ONE
15 - 20	St/CS/RR
21	O/DDI - [REDACTED] 25X1A
22 - 30	NSA [REDACTED] 25X1A
31	NSAL
32 - 250	ORR/St/I/D Distribution

(Distributed by OCI)

S-E-C-R-E-T

GROUP 1
Excluded from automatic
downgrading and
declassification

OSR/St/I/D Distribution of Current Support Brief No. 62-90, Measures by the
November Plenum to Improve Soviet Economic Management and Control (Conf)

<u>Copy No.</u>	<u>Recipient</u>
32	AD/RR
33	DAD/RR
34	Ch/E
35	St/PR
36-40	D/A (1 each branch)
41-46	D/MS (1 each branch)
47-56	D/R (1 each branch; 3 for R/FU)
57-64	D/M (1 each branch)
65-73	D/I (1 each branch; 2 for I/TF)
74-76	D/GG
77-80	St/I (1 each branch)
81	EIC/S
82	St/FM
83	Analyst/Branch [REDACTED] A/MM) 25X1A
84	GR/CR
85	BR/CR
86	IR/CR
87	Library/CR
88	IFI/CR
89	VMR, [REDACTED] 25X1A
90	AD/OO
91	Chief, FDD
92	CD/OO
93-95	RID/AN, Unit 4
96-98	OSI
99	OBI
100	OTR/IS/IP, Room GC11 Hq.
101	NPIC/REF, Room 502, Stewart Bldg.
102-143	St/P/C, Room 4F41 Hq.
144	Commandant Nat'l War College, Ft. Leslie McNair, Attn: Classified Records Section, Rm. 26, Nat'l War College Bldg., Wash. 25, D. C.
145-155	ACSI/Army, R. 1D479, Pentagon
156-169	Navy, Director ONI, Room 5B659, Pentagon
170-179	HQ. USAF, Attn: AFCIN-3D1, Room 4B137, Pentagon
180-181	Ass't. Secretary of Defense, ISA, Room 3D220, Pentagon
182-185	USIA, Attn: W. Phelps, IRR/D, Room 701, Walker Johnson Bldg., 1734 New York Ave., N. W.
186-197	State, INR Communications Center, Room 7818, State Dept. Bldg.
198-199	DIA, Services Division, Publications Section, Room 2C230, Pentagon
200-201	Dr. Neilson Debevoise, NSC, Room 365, Executive Office Bldg.
202	Dept. of the Treasury, Office of International Finance, Mrs. E. D. Downing, Room 5421, 15th St. & Pennsylvania Ave., N. W. Attn: William Turpin, Special Ass't. to Secretary of the Treasury, Room 3330, Treasury Bldg.
203-250	Records Center

CB 62-90

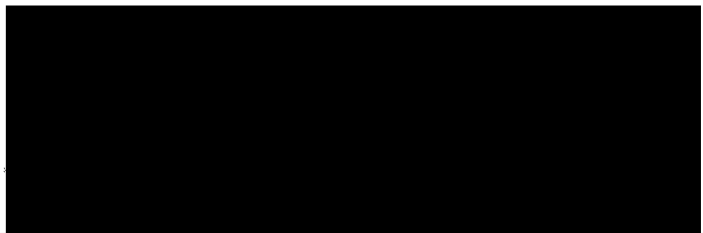
C-O-N-F-I-D-E-N-T-I-A-L

25X1A

Analyst:

Coord:

Sources:



25X1A