

Current Support Brief

A FOOTNOTE TO SOVIET GROWTH



CIA/RR CB 64-13

February 1964

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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A FOOTNOTE TO SOVIET GROWTH

The purpose of this publication is to project the discussion of recent estimates of rates of Soviet economic growth a step forward by considering some possible patterns for the near future, particularly 1964. It is not intended to be a forecast of the growth likely to be achieved in the next year or two.

To set the stage, it is instructive to review the performance of the Soviet economy in 1962 and 1963, using the preliminary estimates for the latter year. A simplified model of gross national product (GNP) by sector of origin consists of agriculture, industry, and "all other." "All other" includes such categories as construction, transportation, communications, services (as for education and health), and domestic trade. To each of these three sectors can be assigned an equal one-third weight, which is not too far from the actual weights used in the more detailed calculations of this Office -- 36.2 percent for agriculture, 30.3 percent for industry, and 33.5 percent for "all other." By using the simplified model, the following percentage changes are determined for 1962 and 1963 (compared with the previous year in each case):

	1962 and 1963 (Percent of Change)
Agriculture	-4
Industry	7
"All other"	4
GNP increase	2.3

Clearly it was the negative agricultural weight that acted as the primary depressant to growth in the Soviet economy in 1962 and 1963. In projecting possible patterns of growth in 1964, the rates of growth for industry and for the "all other" category at a constant 7 percent and 4 percent, respectively, are reasonable first approximations of likely achievement. By varying agricultural performance, the following alternative models* can be constructed:

* These models are not intended to be comprehensive but only as first approximations that reflect possible trends within the economy. As such, no attempt has been made to [footnote continued on p. 2]

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	Possible Percent of Change in 1964 Compared with 1963		
	<u>Model (1)</u>	<u>Model (2)</u>	<u>Model (3)</u>
Agriculture	0	4	8
Industry	7	7	7
"All other"	4	4	4
GNP increase	3.7	5.0	6.3

Under Model (1), agricultural output would be the same as in 1963, but over-all growth of GNP would increase from 2.3 percent in 1963 to 3.7 percent in 1964. Thus if 1964 were to be a year of stagnation in agriculture -- that is, zero growth -- the USSR again could be in the market for substantial quantities of wheat or feed grains from the West. Such circumstances would be a disaster, or near disaster, to the USSR. However, severe shortages of grain would not inevitably accompany an absence of growth in agriculture: production of wheat in the USSR could recover while output of other agricultural products that carry large weights in the index of over-all output, such as livestock, declined sufficiently to neutralize the improvement in output of grain.

Under Model (2), agriculture would recover by a modest 4 percent, to about the level of 1962 -- a level unsatisfactory to the Soviet leadership. However, over-all growth of GNP would be 5 percent, which statistically would look like a respectable upturn. The point is that unless the USSR is able to register an increase of 5 percent in GNP for 1964, it could well be in serious economic difficulties again; an increase of 5 percent in GNP is the minimum performance that could likely be classified as a "get-by" level.

Model (3) shows an increase of 8 percent in agricultural output, which is approximately the increase needed to restore agriculture to the level of 1961, thus providing a modest surplus beyond domestic needs and the need for agricultural exports to the European Satellites if the major recovery were to be in grain crops. Such a level of

analyze the interrelated effects of the growth of one sector on the others. For example, within the industrial sector the food-processing and textile industries would be related to the growth of the agricultural sector. A weighted arithmetic average has been used to compute the growth of GNP.

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production in agriculture would be consistent with an increase of 6.3 percent in GNP for 1964. However, if agriculture in 1965 were to do no more than hold this level while the other economic sectors advanced as they have in recent years, over-all growth of GNP again would fall to 3.7 percent [Model (1)].

Recovery in the rate of growth of GNP in 1964 would not necessarily mean that the USSR was on the road to recovery in agriculture -- indeed, a rate of growth of 4 percent could find domestic wheat supplies again far short of needs. Moreover, unless there is a significant acceleration in the rate of growth in industry or other nonagricultural activity -- which is not foreseen at the moment -- continued substantial increases in agricultural output beyond 1964 would be required to return economic growth to a sustained high level comparable to the 1950's.

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Analyst: [REDACTED]

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