

24 October 1961

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MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Economic Implications of Khrushchev's Speech
on the Party ProgramI. Introduction

The USSR Communist Party Program reviewed by Khrushchev on 18 October at the Twenty-Second Party Congress is a political document couched in the language of Marxian economics and philosophy. Its industrial targets differ little in direction and implied rate of growth from earlier plans, and its grandiose promises to the Soviet consumer, even if carried out, would leave him far behind his Western counterpart.

S.G. Strumilin, the dean of Soviet economists, stated in the September issue of the Soviet journal Kommunist that the program is intended to be "a graphic example and a clear-cut program of action" for the "... two-thirds of mankind who are doomed to chronic undernourishment ... and to rid all the peoples forever of ... the malignant ulcers of capitalism" Strumilin continued: "Dozens of underdeveloped countries are already beginning to utilize the industrial organization which brought the socialist camp such amazing successes ... ," and in summation he predicted that by 1980 the world's population balance will have shifted in favor of the socialist states, mainly through recruitment from the underdeveloped areas.

In his speech on the Program, Khrushchev clearly invites the underdeveloped countries to follow the lead of socialism. He traces briefly the history of the development of the USSR and socialism from 1920 to the present: "... Our country ... which occupied last place economically among the major countries of the world now ranks as the second industrial power ... and leads historical progress." "The socialist system," says Khrushchev, "... increasingly determines the course of world development."

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Thus the challenge to the Western democracies is not only the implied threat of increased economic aid or arms traffic with the underdeveloped countries or possible military adventures; it is also the image of Soviet achievements and methods which Moscow hopes will appeal to the young nations of the world as an attractive and effective model.

The economic characteristics of the program can be summed up in a phrase: "more of the same" -- that is, in general, a continuation of the economic pattern and rate of development of the last 10 years. The primary emphasis of the program is on the development of a heavy industrial base second to none. This base, on the one hand, is to serve as an advertisement of the Soviet "miracle" of rapid growth and, on the other, is to provide the basis for the further extension of Soviet power in the world. Competition with the West is not envisioned in terms of consumer goods or consumer satisfactions but rather in terms of capability to produce still additional industrial and military power. Thus Khrushchev has again defined the competitive area as industrial growth, where he clearly feels that the Soviet Union enjoys a comparative advantage over the United States.

For the consumer, Khrushchev again points to distant objectives which, to the average Asian or African, are indeed grandiose. The speech leaves very great doubt, however, that Soviet industry will be reoriented as would be required to achieve the promises. The data on rates of growth for various subaggregates of industrial production and for specific commodities indicate that in 1980 the consumer will receive an even smaller share of the total output of goods and services than the 60 percent which he is getting in 1961.

The data presented, although far from voluminous, suggests that the problems of how and for what purposes the expected 1980 output will be used have not yet been seriously considered.

II. Catching Up with the United States

Khrushchev again claims that the projected rates will permit Soviet industry to surpass the present level of US industrial output during the next 10 years and "leave it far behind" in 20 years. If the Soviet Union succeeds in increasing industrial output as planned -- and based on the CIA estimate that Soviet industrial production at the end of 1960 was about 42 percent of that of the United States -- Soviet industrial output by 1970 should reach the US level of 1960. However, if the United States achieves an industrial rate of growth of 4.5

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percent, Soviet output would then be about two-thirds of that of the US by 1970 and about equal to it in 1980.

The claims that US per capita total production will be surpassed by 1970 and that the USSR will achieve the world's highest standard of living by 1980 rest on gross distortions of the present Soviet position in the economic race and of Soviet prospects for the future.

III. Aggregates

Soviet industrial production is scheduled to grow by 9 to 10 percent annually throughout the period. This rate of growth is on a par with actual achievement in recent years but is slightly above that called for in the Seven Year Plan (1959-65), suggesting that a somewhat higher rate of growth is planned after 1965. Also, Khrushchev's announcement on 17 October that some heavy industrial goals such as steel, oil, and petroleum have been raised for 1965 probably applies here. The over-all goal for industrial production appears, on the face of it, to be feasible.

As the program recognizes, achievement will require a massive investment effort and a sharp rise in the productivity of labor as well. Investment, as scheduled in the program, appears likely to be adequate and can be achieved by continuing the rapid rate of growth of investment of the past few years. A failure of labor productivity to increase as scheduled or a failure of expected improvements in the use of capital through better planning, production relationships, and equipment utilization would call for either a greater volume of investment in industry than planned or a higher level of industrial employment than planned.

On the basis of past performance the target for agriculture -- an annual growth of more than 6 percent through 1980 -- will almost certainly not be achieved. Attainment of the agricultural goals would require not only massive investments but also the development of new crop strains and efficiency gains which do not seem to be forthcoming from the present organizational structure.

IV. Labor Requirements -- Productivity and Labor Force

Industrial labor productivity is scheduled to increase at about 7 percent annually during 1961-70 with a speedup to nearly 8 percent annually during 1971-80. The rates somewhat exceed the annual rate of 6.5 percent achieved during the past

5 years. Judging by past planning the industry productivity goal probably is over optimistic, but shortfalls will be made by increasing employment above plan at the expense of the services sector.

The labor force in the Soviet Union is to increase by 40 percent between 1960 and 1980, or about 1.7 percent annually. This rate of growth is consistent with the anticipated growth in that portion of the population reaching working age. Based on this estimate alone, the Soviet labor force would number about 154 million in 1980 compared with 110 million in 1960. Apparently no significant changes in participation rates are anticipated in spite of Khrushchev's admonition that all must work, for the proportion of Soviet adults in the labor force would continue at its present level of about 73 percent.

Implicit in several of the announced long-term goals are major, but somewhat improbable, changes in the distribution of the labor force among the various sectors of the economy. Employment in health, education, and other services, for example, is scheduled almost to triple during the next two decades, and industrial employment will have to increase by almost 80 percent if production and productivity goals are met. By these standards, industry and services alone will employ 90 million persons by 1980, or almost three-fifths of the labor force compared with little more than one-third in 1960. Scheduled changes in agricultural output and productivity indicate no decline in agricultural employment by 1970 but a sharp decline of about 40 percent to 28 million by 1980. Such a decline is very unlikely.

V. Investment

A massive capital investment program -- 2 trillion rubles -- roughly six times the total amount of investment during the entire Soviet period to date, is planned for 1961-80.

This sum should be adequate to support the growth envisioned in the program, if more efficient use of capital occurs as Khrushchev hopes. The investment, which apparently includes investment for collective farming and private housing along with state investment, could be achieved by continuing the past rate of growth of investment -- 10 percent or more per year for the past 5 years -- for the next two decades. Achievement of this rate would mean a rise in the total share of output going to investment.

Machinery

Two important aspects of the investment program -- machine building and construction -- were given considerable attention. An estimated total of 700 billion rubles of equipment will be required -- about a 13 percent annual increase -- and the goals for machinery and equipment that are given match this requirement.

For some categories of machinery, the plans are even more spectacular. The projected expansion of the chemical industry would require production of chemical equipment to grow at nearly twice the average rate for all equipment.

Under the equipment program, 2,800 new machine building plants will be constructed and 1,900 old ones renovated. The plans for increases of labor productivity and for technological improvements indicate that industry will receive more than 12,000 automatic and semiautomatic lines in 1980 -- compared with more than 200 in 1960.

Construction

The main indication of Soviet intentions in the field of construction is embodied in the goal for cement. On the basis of the magnitude of this goal, it appears that construction-installation work is to increase at an average annual rate of 6 to 7 percent, which is considerably less than the rate maintained during the last decade.

In spite of the optimistic outlook for Soviet construction during the next two decades, Khrushchev repeatedly emphasized at the present Congress that the construction program is plagued

with serious shortcomings, primarily the result of poor planning and the failure of the building materials and equipment industries to keep up with the rapid pace of building. Essentially, the problem is one of dispersion of limited investment resources among too many construction projects. Projects generally run substantially beyond their scheduled completion dates, and a large volume of resources is tied up in unfinished work. The core of the problem is the lack of an incentive arrangement that would rationalize new starts in construction and encourage the prompt completion of a construction project once it has been undertaken.

Some improvement has taken place in recent years through such measures as identifying certain projects for priority effort, but apparently progress continues to be unacceptably slow. The latest proposal to attack the problem came from Khrushchev at the Congress. He "suggested" a moratorium on new starts in construction, perhaps for a year, with exception only for especially important projects, subject to the decision of the central government. He also indicated that a decree had been adopted recently which sets out the order of priority in investment.

VI. Heavy Industry

The continued high priority of heavy industry is clearly indicated by the specific commodity goals presented by Khrushchev. The increase in steel production projected for 1961-80 indicates that Soviet planners are more optimistic now than in earlier forecasts.

The Soviet Union has sufficient reserves of raw materials resources to support such an effort, but the program would require substantially increased capabilities on the part of the construction industry and the producers of equipment.

The goals for production of electric power occupy a leading position in the Program and continue Soviet adherence to Lenin's oft quoted dictum that "Communism is the Soviet power plus the electrification of the entire country".

Production of electric power in the USSR is to reach 2,700 billion to 3,000 billion kilowatt-hours (kwh) by 1980 -- 86 percent of one forecast of US electric power production at that time. To achieve this goal the industry must continue the 12 percent average annual rate of growth of recent years.

Installation of new capacity in 1980 alone would have to approximate the capacity planned to be installed in the entire Seven Year Plan period. The annual investment required for the electric power industry would reach about 10 billion rubles in 1980; total investment for the 20 year period would be about 100 billion rubles.

Khrushchev announced a series of goals for petroleum, natural gas, and coal that appear to be illogical. The rates of increase for the most economical fuels -- natural gas and petroleum -- would slow down, particularly after 1970, whereas that for coal is planned to increase more rapidly after 1970 than in the present Seven Year Plan.

Such a projected pattern of growth in fuels would be consistent with a belief that reserves of natural gas and petroleum will be more difficult to find after 1970 and that greater reliance must therefore be placed in high-priced coal.

An element of Khrushchev's effusive description of future power plans was his failure to mention the development of nuclear energy, concerning which there was considerable propaganda at the Twentieth Party Congress. The greater utilization of natural gas in the European USSR and of open-pit coal in Siberia will continue to make electric power available at much lower cost than can now be expected of nuclear power.

Chemicals

Output of the chemical industry in 1980 is scheduled to be 17 times that in 1960, almost 3 times the planned growth of industry as a whole and an almost straight line projection of the rates of growth stipulated for chemicals in the Seven Year Plan.

It is likely that the same constraints which have created doubt that the Seven Year Plan for chemicals will be achieved -- chiefly lags in technology and equipment -- also will hold for the Twenty Year Plan.

Implied but not stated by Khrushchev in these ambitious goals is the continued heavy reliance on imports of chemical equipment from Western Europe.

VII. Great Projects

Soviet "great projects" -- long under consideration for supporting the expanding economy -- were included in Khrushchev's outline of the Twenty Year Program. Vast new hydroelectric projects and systems of waterways for irrigation as well as for transport are envisioned.

The plans for changing the face of nature through the construction of hydroelectric powerplants are reminiscent of the Stalin era but do not imply the necessity for the capital allocation that drained the economy in the early 1950's. The hydroelectric powerplants mentioned by Khrushchev (previously lacking the imprimatur of a major speech) have long been discussed in Soviet technical literature and have even been reported as planned for construction by 1980. In the years since Khrushchev's speech in 1958 at Kuybyshev, in which he called for the priority construction of less capital-intensive thermal-electric powerplants, hydroelectric powerplant engineers have redesigned the major hydroelectric projects, thus cutting the capital costs by 50 percent or more. For the 100 million kilowatts of hydroelectric capacity to be installed in the 1961-80 period, this redesigning could result in a saving of 10 billion rubles. Khrushchev's emphasis in the program on the "inexpensive hydroelectric power" of the Volga-Kama and Dnepr Rivers suggests that he has reconsidered in favor of the long-term efficiency of investment in hydroelectric stations, especially as their construction can be correlated with gains in water transportation and irrigation.

The Khrushchev speech adds few details to previously announced plans for developing new metallurgical bases. The intention to construct new plants in the Eastern Regions was first emphasized in the Sixth Five Year Plan and was restated in the Seven Year Plan. Construction of new capacity has been started in Kazakhstan and in West Siberia, but at neither location has the construction schedule been maintained. Plans for other new plants proposed as parts of the new metallurgical bases are in the initial stages. Although new capacity undoubtedly will be built in the Eastern and Central Regions, the Ukraine and the Urals will continue to be the principal sources of steel production during the 20-year period. The Soviet Union seems at the moment unwilling to bear the "social overhead" costs of industrial development on a large scale in the Eastern Regions -- for example, the construction of whole new towns with all the communal services needed.

The great projects outlined by Khrushchev also include lengthening the system of artificial waterways in the European USSR from 11,000 kilometers in 1960 to 23,000 kilometers in 1980. The old project for a deep-water passage from the Baltic to the Black Sea by way of the Volga and Don Rivers and connecting canals is to be completed and a new shorter route by way of the Dnepr, Pripyat, and Neman Rivers is to be initiated. The Volga-Baltic waterway, final link in the first of these systems, is currently underway with completion planned for 1964.

Khrushchev also spoke of a plan, discussed for a number of years, to reverse the flow of the Pechora and Vychegda Rivers for irrigation purposes and to divert part of their water into the Kama-Volga River system. This project, survey work for which probably began in the spring of 1961, is feasible both from an engineering and an economic point of view. Completion of this project will greatly increase the annual generating capacity of the hydroelectric powerplants on the Volga River, stabilize or reverse the falling water level of the Caspian Sea, and improve river transportation out of the northern timber regions.

VIII. Agriculture

Khrushchev devoted considerable attention to his goals for agriculture. He said, "at the present stage of Communist building, the CPSU considers its main tasks to be in the sphere of agriculture." Probable increased investment in agriculture, together with new technology, promises substantial increases in output in the next two decades, but results probably will fall far short of the targeted increase to 3.5 times the 1960 level. Although, in the long run, agriculture is to receive a higher priority than in the past, Khrushchev is still placing emphasis on the "bootstrap" type of operation of raising the lagging farm enterprises to the productivity level of the leading enterprises by bringing into play the "tremendous unutilized reserves" of Socialist agriculture.

Large increases in production are planned for all agricultural commodities that are listed separately in the Program. The planned levels of output for such important commodities as grain, meat, and milk are not likely to be approached by 1980. The special emphasis currently being given to irrigation could result in the fulfillment of the production plan for cotton. The establishment of specialized vegetable zones around cities could permit the attainment of the goals for vegetables and potatoes.

Khrushchev's statement concerning changes in crop patterns and land use are confined largely to a restatement of earlier proposals, although peas, beans, and other leguminous crops are to play a larger role. Leguminous crops appear to have received the sanctification by Khrushchev hitherto reserved only for corn. Not only do the former have fairly large yields per acre, but also they produce nitrogen elements and thus act as a natural soil builder.

Khrushchev repeated the familiar slogans concerning the general need to increase mechanization; to produce more powerful tractors; to create new types of machines; to emphasize machinery for the harvesting and growth of corn, cotton, flax, sugar beets, and potatoes as well as for animal husbandry; and the need for considerable improvement in care and maintenance of the tractor and agricultural machinery inventories. However, he revealed no new programs in these fields. Continuing a program already underway, facilities for production of tractors and agricultural machinery are to be enlarged.

A tenfold increase in production of mineral fertilizer and a fourfold increase in irrigated area above that of 1960 is planned for 1980. Substantial progress toward these goals is likely. The goal for mineral fertilizer goal of 125 million to 135 million metric tons, however, appears to be much too high both with respect to reasonable requirements and to likely achievements. Current emphasis on expansion in irrigation may result in the goal of 28 million hectares of irrigated farmland being attained as planned.

Khrushchev devoted little attention in his speech to questions on agricultural organization. He brushed aside the question of converting collective farms into state farms by reiterating that these two types of farming units would continue to develop side by side. Although this policy has been repeated often since March 1958, the state farm system nevertheless has grown tremendously at the expense of the collective farm system in the past several years. A continuation of this trend for another several years would result in the state farm replacing the collective farm as the dominant type of production unit in Soviet agriculture.

A thread of discontent with present agricultural management runs throughout the agricultural section in the party program and suggests that Khrushchev intends more revisions and personnel changes, possibly in the near future, in his as yet ineffectual search for the touchstone of

agricultural success. Although a comprehensive reorganization of the Ministry of Agriculture and the new institutions for machinery supply and farm procurement were decreed in January, the Soviet press implies that the new arrangements are plagued with many of the defects of the old -- bureaucratic inefficiency, lack of initiative throughout the system, and the strong desire of many agricultural officials to avoid, as much as possible, any contact with the farms themselves.

At the Congress Khrushchev further suggested that regional exhortation meetings such as were called after the agricultural plenum in January, which formalized this year's reorganization, may again be necessary before the year is out.

IX. Consumer Program

The consumer goods industry by 1980 is to increase five-fold, whereas industry as a whole will grow by six times. This means that both light industry, which produces most of the consumer goods, and heavy industry are expected to grow at approximately the rates claimed in recent years -- 8 percent and 10 to 11 percent, respectively. Although Khrushchev implied that by 1980 the consumer will be receiving a greater share of total industrial production than at present, actually the share will decline.

Khrushchev also attempted to prove the consumer orientation of the program with the claim that heavy industry increasingly will direct its output to the service of the consumer. That segment of heavy industry which provides "means of production" for the light and food industries, agriculture, and housing construction is to grow 13 times by 1980, whereas the remainder of heavy industry is to grow only 6 times. Khrushchev apparently achieved this effect by a judicious selection of data. Because he did not sufficiently identify his selection, the statement has no analytical use, except to suggest that the consumer durable and light industries in the Soviet Union today are operating at the limits of their relatively small capacities and that any significant future increases in output can be achieved only by expanding the industries.

Housing Goal

In support of his housing goal, Khrushchev stated that the annual volume of construction will increase from 135 million square meters in 1961-65 to 400 million in 1976-80. These statistics imply impressive rates of growth, but by themselves they are not enough to permit an accurate calculation of the programmed changes in per capita availabilities during the next two decades.

Housing remains a serious problem in the USSR because of several decades of neglect coupled with losses during World War II.

Light Goods and Durables

Khrushchev's speech outlines goals for production of textiles and footwear for 1970 which, compared with 1960, require rates of increase slightly higher than those called for by the Seven Year Plan.

His figures indicate that by 1970 the over-all plan is to supply in large part the consumer needs for textiles and leather footwear as measured by the "scientific norms" for consumption which were announced in 1958 and which are roughly equivalent to US production in 1957.

After 1970 the rates of growth for light industry are planned to slow considerably -- for example, for textiles from 7.5 percent during 1961-70 to 4 to 5 percent during 1971-80 and leather footwear from 7 percent in 1961-70 to 1 to 2 percent during 1971-80 -- probably in favor of increased production of "cultural and household goods."

In general, the goals set forth are fairly realistic as measured against the past performance of the light and consumer durables industries.

Standard of Living and Wages and Hours

Khrushchev's plans for improved levels of living contain no sharp departures from previous announcements. The further planned increase in publicly determined consumption as against privately determined consumption has been expected and represents, at a minimum, a "safe" method of distributing the increasing national income. Even by the end of the 20 year period, however, about one-half of total personal income still will be distributed as wages and salaries.

Although social benefits -- free health service, pensions, and the like -- are to be increased faster than earnings and although differentials between lower paid and higher paid workers are to be reduced, such adjustments are to be made cautiously so as to maintain a sufficient incentive to achieve goals of production and productivity.

The draft program repeats the intention to reduce further the length of the workweek to 35 hours during the first 10-year period. The shift from a 46-hour to a 41-hour workweek was complete at the end of 1960, and the workweek is to be further shortened by 1 hour in 1962. No reductions were announced for the second 10-year period (1971-80).

A curious omission from a picture of "workers paradise" was any reference to increasing industrial safety precautions which Khrushchev had hit hard in his Program and in which the Soviet Union is appallingly remiss by Western standards.

Education

Khrushchev emphasized that the Party should direct its efforts during the next 20 years at implementing universal secondary education. Secondary education at present is "universally available" but not compulsory. While stipulating that completion of the 11-year school should become the standard for children of school age during the next decade, he also indicated that the minimum educational attainment of persons already in the labor force should be increased to at least 8 years. The formidable nature of this latter goal is suggested by the results of the 1959 census of population relating to the educational attainment of the labor force, which showed that less than one-half of all Soviet workers have completed 7 years or more of schooling. In addition, the next two decades will witness a rapid expansion in enrollment at higher educational institutes, from 2.6 million currently to 8.0 million in 1980. This represents an annual increase in enrollment of about 6 percent compared with about 7 percent during the 1950's. Higher education in evening classes and correspondence courses is slated to play a dominant role and presumably will account for an even greater proportion of total enrollment by 1980 than its current 56 percent.

Life in the Soviet Union, 1980

Khrushchev's version of the program promises a Utopian future, Communist style, to the Soviet citizen. Indeed, even before the end of the 20-year period the benefits of Communism are supposed to be apparent as he goes from his small free apartment, with its limited but free utilities, via free public transportation to his 35-hour a week job (secure in the knowledge that his children are being cared for at the free boarding school and his wife at the free hospital) hopeful that today's free meal will be better than yesterday's and looking forward to his vacation at the reduced rate rest home at Sochi.

It should be noted, however, that the prospective "free" items now cost the consumer relatively little in direct outlays -- slightly more than 10 percent of total consumer expenditures in 1960 -- the balance of the cost of the goods and services being paid primarily through indirect taxes. Whether the consumer pays directly or indirectly for such services is mainly a bookkeeping problem and has no effect, as such, on his standard of living.

In reality the Soviet citizen can look forward at best to a Spartan existence by Western standards. Agricultural goals appear unattainable, even though there may be some improvement in the consumer's traditional diet, long on potatoes and short on meat. Light industry, hampered by shortages of agricultural materials, will provide adequate clothing but of limited and perhaps poor quality and style. Small, poorly constructed apartments will be sparsely finished and, in spite of promises of the wide introduction of "cheap household machines," it seems likely that the Soviet citizen will be expected to share these with other occupants of his apartment building -- most new apartments are equipped with electrical circuits only large enough for lighting. The average citizen will work shorter hours, but the demands on his leisure time will be increased for "voluntary" work for the Party's "common good" without compensation. Everyone, including women, will be expected to work, and the availability of "free" nurseries and communal dining will make it difficult to avoid this obligation. Indeed, Khrushchev admits that these services are being introduced to allow the already high proportion of women in the labor force (55 percent of women above 14 years of age in 1960) to increase still further.

Perhaps most important of all, whether or not the average Soviet individual is better off in 1980 -- and he undoubtedly will be -- he will have little or nothing to say in the matter. He may well be provided with some additional goods, but they may well not be the goods of his choice. The "new" Soviet man will have learned to be satisfied with a "reasonable" standard of living, Khrushchev hopes.

X. Planning

The report of the draft program reiterated the importance of more effective planning and management in the drive for greater economic efficiency. The program calls for more exacting planning norms to assure maximum utilization of materials and equipment and for better integration of the several components of the plan to minimize supply difficulties. No specific measures were advanced for achieving these elusive aims which have been pursued by Khrushchev's government since July 1955.

The need for more rapid incorporation of new technology into the production process, expressed in mid-1960 by the establishment of a system of bonuses for introducing new equipment and in mid-1961 by realigning industrial research organizations, was again given attention. Khrushchev hinted that the centralized procedure for introducing new equipment will be strengthened, but in the traditional Leninist formula, it is to be accompanied by a program to encourage technical progress from below.

Similarly, in a more general vein, the program stresses an increasing role for unified planning and economic coordination, accompanied by the further gradual extension of the economic responsibilities of local organs. The appearance of this phrasing of the Leninist concept of democratic centralism -- in common use since shortly after the 1957 reorganization of industrial administration -- suggests only that continuing attempts will be made to improve the quality of central planning so that central organizations can control a broader range of activities. Only as such ability is achieved will the economic rights of local organs be expanded.

Khrushchev suggests that past emphasis on material incentives as a device to encourage more efficient performance is to be pursued further by giving the enterprise more opportunity for administering its profits and for using them more extensively to encourage good work from its staff. He also suggests, in asserting the need to increase the significance of profits, that bonuses for attaining lower production costs, which were initiated at the start of 1960, have not been as effective as anticipated.

XI. International Role of Program

The Program has several international aims peripheral

to its central one of presenting a strong and confident image to the world abroad, but nonetheless important. Khrushchev stressed the importance of receptiveness to foreign ideas, especially in regard to advancing technology, saying, "we must ... discerningly adopt everything of value from a point of view of techniques and organization that exists in the West, including that which speeds up the turnover of funds and provides a larger return from capital investments." He also mentioned the importance of trade both from the point of view of its usefulness in strengthening the Soviet economy and from the point of view of its usefulness in the peaceful competition. He threatened the world market in explicit terms in regard to agricultural products claiming, "the Soviet Union in the near future will take such a position in the world market that Messrs. Imperialists will feel how our agriculture is increasing;" and implied such a threat in regard to other commodities. Although Soviet agriculture is the least likely quarter from which Khrushchev could be expected to draw resources for his export program, the statement does illustrate intentions, and the fact remains that each year the USSR is increasingly able to threaten established world market patterns with its products.

Finally, Khrushchev implied reaffirmation of the correctness of his current views on economic aid, in spite of Chinese Communist and perhaps domestic pressure during the past year to concentrate such aid on nations that closely pursue the socialist line.

XII. Conclusion

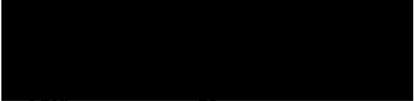
The picture of the Soviet economy in 1980 implied by the program is of an industrial structure about 2.5 to 3 times that of the US in 1960, with investment 10 times greater than that of the US in 1960, and of a country with agricultural surpluses, with defense expenditures that could be 5 times those of US in 1960, and with a consumers' average standard of living perhaps slightly more than one-half that of the US in 1960.

All of this picture is based on the assumption that the goals of the program will be achieved. More realistically, it would appear that the broad industrial goal might well be reached but that neither the agricultural goal nor the consumer goods promises are at all likely to be met.

In many parts of the world, however, the claims for the future embodied in the Party program will be accepted, in the light of the rapid industrial advances made by the USSR. Likewise, the welfare program will have its appeal. Within the Soviet Union some will view the program's objectives as postponements of benefits expected at earlier dates (the goal for production of meat, for example, in the remote possibility that it should be met, would be a full 10 years late on an earlier Khrushchev promise). Other Soviet citizens with a taste for privacy and a desire to make their own selections will think the time period for implementing the "benefits" far too short. Failure of the program to be more specific on production of consumer goods as well as the warning that it may be necessary to increase defense spending may dampen public expectations of a sharp improvement in standard of living. In spite of such reservations most of the Soviet populace, nevertheless, will realize that they "never had it so good" and be at least complacent toward the regime.

For the West the message remains clear. The outstanding commitment of resources is to industrial growth -- that is, investment in heavy industry and the capacity to produce more investment goods. As far as the program is concerned, productive capacity is committed throughout the 20-year period simply to building more productive capacity. Between the two other major alternatives of a state, consumer welfare or military spending, no commitment is stated, although the implications for sharply increased military potential are obvious.

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USSR Communist Party Program Twenty Year Forecasts*

Commodity	1960 level	1970 level	1980 level	Increase 1980/1960 (times)	Average Annual Percentage Increase	
					20-year plan (1960-1980)	7-year plan (1959-1965)
Electric Power (bil. Kwh)	292	900	2700-3000	9.2-10.3	12.1	11.8
Crude Steel (mil. metric tons)	65	145	250	3.8	6.9	6.6-7.4
Petroleum (mil. metric tons)	148	390	690-710	4.7-4.8	8.1	11.1
Gas (bil. cu. meters)	47	310-325	680-720	14.7-15.2	14.5	26.2
Coal (mil. metric tons)	513	686-700	1180-1200	2.3-2.34	4.3	2.7
Machine Building and Metalworking (bil. rubles)	34	115	334-375	9.8-11	12.4	15.7 <u>a/</u>
Mineral Fertilizers (mil. metric tons)	13.9	77	125-135	9-9.7	11.8	16
Synthetic Resins and Plastics (mil. metric tons)	.332	5.3	19-21	57-63	22.7	32.2
Artificial and Synthetic Fibers (mil. metric tons)	.211	1.35	3.1-3.3	14.7-15.6	14.6	21-22
Cement (mil. metric tons)	45.5	122	233-235	5.1-5.2	8.5	14.3
Textiles (bil.sq. meters)	6.6	13.6	20-22	3-3.3	5.9	
Leather Footwear (mil. pairs)	419	825	900	2.1-2.4	4.0	5.5
Household goods (bil. rubles)	5.9	18	58.6	9.8-10	12.2	

* Footnotes follow on p. 21.

USSR Communist Party Program Twenty Year Forecasts
(Continued)

Commodity	1960 level	1970 level	1980 level	Increase 1980/1960 (times)	Average Annual Percentage Increase	
					20-year plan (1960-1980)	7-year plan (1959-1965)
Grain (bil. poods)	8.2	14	18-19	2.3	4.2	5.
Meat (dressed) (mil. metric tons)	8.7	25	30-32	3.6	6.6	12
Milk (mil. metric tons)	61.7	135	170-180	2.8	5.3	9
Eggs (billion)	27.4	68	110-116	4.1	7.3	
Wool (mil. metric tons)	.3579	.8	1.045-1.155	3.1	5.8	8
Raw Cotton (mil. metric tons)	4.3	8.	10-11	3.5	6.6	5
Sugar Beets (mil. metric tons)	57.7	86	98-108	1.8	3.0	7.
Oil crops (mil. metric tons)	4.3	8	9-10	2.2	4.0	
Potatoes (mil. metric tons)	84.4	140	156	1.8	3.0	8
Vegetables (mil. metric tons)	19.2	47	55	2.9	5.5	
Fruits, berries (mil. metric tons)	4.9	28	51	10.4	12.4	
Housing (mil. sq. meters)	135 <u>b/</u>		400 <u>c/</u>			

- a. 1960/1950.
- b. Average annual 1961-65.
- c. Average annual 1976-1980.

USSR Communist Party Program Twenty Year Forecasts

	<u>Aggregate Data</u>	
	<u>Increase 1980/1960 (times)</u>	<u>Average Annual Percentage Increase 20-year plan</u>
Gross Industrial Production	not less than 6	9-10
Gross Agricultural Production	about 3.5	6.5
National Income	5	8.4
Real Income per capita	3.5	6.5
Public Consumption Funds	more than 10 times <u>a/</u>	12.2
Industry		
Group "A"	6.8-7 <u>b/</u>	10.1
share for producer industry	about 6	9.4
share for consumer industry	about 13	13.7
Group "B"	5-5.2 <u>c/</u>	8.5
Industrial Productivity	4-4.2	7.3

- a. 1960 -- 24.5 billion rubles; 1980 -- 255-265 billion rubles; approximately half total income.
 b. 1960 -- 105 billion rubles; 1970 -- 287 billion rubles; 1980 -- 720-740 billion rubles.
 c. 1960 -- 50 billion rubles; 1970 -- 121 billion rubles; 1980 -- 250-260 billion rubles.