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THE SOVIET BUDGET FOR 1961



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THE SOVIET BUDGET FOR 1961

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CONTENTS

	<u>Page</u>
Summary and Conclusions	1
I. Introduction	3
A. Availability of Data	3
B. Accounting Change in the New Budget	3
II. Expenditures	3
A. Financing the National Economy	4
1. Capital Investment	4
2. Working Capital	6
3. Agriculture	9
B. Social-Cultural Measures	9
C. Defense	10
D. Administration and Miscellaneous	12
1. Administration	12
2. Reserve Funds of the Council of Ministers	12
3. Loan Service	12
4. Budgetary Expenditure Residual	12
III. Revenues	13
A. Turnover Tax	13
B. Deductions from Profits	13
C. Budget Revenues Received from the Population	14
D. Miscellaneous	14
1. Income Tax on Organizations	14
2. Social Insurance Receipts	16
3. Revenue Residual	16
a. Local Taxes and Collections	16
b. Collections and Nontax Revenue	16
c. Adding into the Budget Certain Expenditures of Local Industry	16
d. Other	17

Appendixes

	<u>Page</u>
Appendix A. Accounting Change in the Soviet Budget for 1961	21
Appendix B. Residuals in the Soviet Budget	23
Appendix C. Budgets of the Union-Republics of the USSR . .	29
Appendix D. Source References	31

Tables

1. Financing the National Economy in the USSR by Budget Funds, by Economic Sector, 1956-61	5
2. Plan for Financing the National Economy in the USSR by Enterprise Own Funds, by Economic Sector, 1956-61 .	6
3. Capital Investment and Planned Sources of Financing in the USSR, 1957-61	7
4. Working Capital Norms of State Enterprises in the USSR, 1959-62	8
5. Planned Allocations to State Agriculture in the USSR, 1958-61	10
6. State Budget Expenditures for Social-Cultural Measures in the USSR, 1958-61	11
7. Profits of State Enterprises and Organizations in the USSR, 1957-61	15
8. Expenditures of the State Budget in the USSR, 1956-61 .	18
9. Revenues of the State Budget in the USSR, 1956-61 . . .	19
10. Residuals in the State Budget in the USSR (FNE Industry and Construction Residual and Budgetary Expenditure Residual), 1956-61	27

	<u>Page</u>
11. Residuals in the State Budget in the USSR (FNE Uniden- tified Residual and Budgetary Revenue Residual), 1956-61	28
12. State Budgets of the Union-Republics of the USSR, 1960 and 1961 Plans	30

THE SOVIET BUDGET FOR 1961

Summary and Conclusions

The state budget of the USSR for 1961 contains no great surprises. Revenues are planned to be 79 billion rubles* in 1961, a 5-percent increase above the comparable figures for 1960, and are planned to exceed expenditures by 1.5 billion rubles. Planned expenditures for 1961 are 77.5 billion rubles, 6.7 percent above the comparable figures for 1960.

Turnover tax receipts, planned to be 32.5 billion rubles in 1961, an increase of 2.5 percent above the 1960 plan, reflect a somewhat lower rate of tax. Budget receipts from profits in 1961 are planned to be 20.5 billion rubles, a 12.3-percent increase above the comparable plan figure for 1960. This rate of increase reflects a small reduction in the percentage of total profits taken for the budget, in that total profits of state enterprises and organizations are to be 14 percent above the comparable plan figure for 1960. Direct taxes on the population are budgeted at 5.5 billion rubles for 1961, and the revenue from State Loans, which will come from subscriptions and increased deposits with the savings banks, is to be 1.4 billion rubles in 1961.

Expenditures from the budget for the category Financing the National Economy are planned to be 33.9 billion rubles in 1961 as against planned expenditures in 1960, on a comparable basis, of approximately 31 billion rubles. The total plan for Financing the National Economy in 1961 is 56.4 billion rubles, an increase of 11.8 percent above the comparable figure planned for 1960.

Budget expenditures for the category Social-Cultural Measures are to be 27.1 billion rubles in 1961 as against actual expenditures in 1960 of 24.9 billion rubles, an increase of 8.8 percent. Within this category, budget expenditures for national education, training of cadres, science, and culture are to be 11.3 billion rubles in 1961,

* Throughout this report, unless old rubles are explicitly specified, all references to rubles should be read as amounts in new rubles, original amounts in old rubles being converted to new rubles at one-tenth of their original sum. The official Soviet rate of exchange for the new ruble is 0.90 ruble to US \$1. Unless otherwise indicated, ruble values in this report are in current rubles, adjusted for the conversion as indicated above.

11 percent above the expenditures planned for 1960. State expenditures for science in 1961 are to be 3.8 billion rubles, 16 percent above the figure for 1960.

The explicit defense budget is to be 9.255 billion rubles in 1961, whereas expenditures planned for 1960 were 9.61 billion rubles. The decline in planned expenditures is compatible with the announced plans for reduction in manpower. Administrative costs are down slightly in 1961 to 1.09 billion rubles.

I. Introduction

A. Availability of Data

The information presently available on the Soviet budget for 1961 is limited to the speech of Finance Minister Garbuzov to the Supreme Soviet on 20 December 1960, as reported in Pravda on the next day, and to an article by Garbuzov in the January issue of Finansy SSSR. In contrast with the past, there was no article this year in the journal Planovoye khozyaystvo, and the information in Finansy SSSR goes little beyond what was given in the speech, other than to give the figures for the budget plan as confirmed by the Supreme Soviet.

B. Accounting Change in the New Budget*

The adoption of the "new ruble" on 1 January 1961, which brought the external value of the ruble approximately equal to its internal value, has had the effect of eliminating the heavy book profits on imports as well as the need for a heavy subsidy on exports. The budget for 1961, drawn up in this new situation, could not, therefore, have been directly compared with the budget for 1960, which included profits from imports and a subsidy for exports. In all comparisons of the new budget with figures for 1960, the figures for 1960 appear to have been recalculated -- the original planned expenditures for 1960 being reduced by about 1.95 billion rubles and the original planned revenues for 1960 being reduced by about 2.09 billion rubles.* These figures apparently represent the subsidies and book profits, respectively, planned for foreign trade in 1960.

II. Expenditures

The general trend in Soviet state budget expenditures may be seen in Table 8.** Adjusting for the elimination of the subsidy (balanced by the profit on imports) that was paid on exports, there is a modest increase in the expenditure category Financing the National Economy as well as in the category Social-Cultural Measures.

The explicit Defense budget was reduced to 9.255 billion rubles, a drop compatible with the announced reductions in manpower. Outlays for Administration continue to decrease slightly.

In previous years the relationship of Financing the National Economy, actual, to Financing the National Economy, plan, has suggested that the Reserve Funds of the Council of Ministers were expended primarily to finance expenditures under Financing the National

* For additional details, see Appendix A.

** P. 18, below.

Economy. In 1960, however, the Reserve Funds of the Council of Ministers evidently were not used to any significant extent to finance expenditures under Financing the National Economy, but they were used to finance some sort of expenditure under the category Budgetary Expenditure Residual.

A. Financing the National Economy

The budget category Financing the National Economy constitutes only a part of the "plan" for Financing the National Economy, which is financed from the budget and from the "own resources" of the enterprises concerned. A breakdown of the budget category Financing the National Economy for 1956 through the 1961 plan is given in Table 1.* Details of the supplementary plans for Financing the National Economy by enterprise own funds** for the same years are given in Table 2.***

The year 1960 is the first for several years when even a partial breakdown of the budget category Financing the National Economy has been available both for plan and for actual. It may be noted that, in 1960, Industry and Construction, actual, was only a very small amount greater than Industry and Construction, plan.

Planned budgetary expenditure for trade for 1960 has been so estimated as to leave only a small amount for domestic trade, after the adjustment to eliminate the subsidy paid on foreign exports. Expenditures charged to the budget in connection with agricultural procurement can only be guessed at, but it is possible that they have by now been totally eliminated. Increased expenditures in the Municipal Economy reflect expenditures for housing now handled under the Municipal Economy.

The Unidentified Residual under Financing the National Economy is discussed separately.†

1. Capital Investment

Planned capital investment and planned sources of financing for 1957 through 1961 are shown in Table 3.†† In the budget

* Table 1 follows on p. 5.

** Enterprise own funds (sobstvennyye sredstva predpriyatiya) consist mainly of profits, amortization allowances, and allowances for above-plan reductions in investment costs resulting from increased efficiency.

*** Table 2 follows on p. 6.

† See Appendix B.

†† Table 3 follows on p. 7.

Table 1

Financing the National Economy in the USSR by Budget Funds
by Economic Sector
1956-61

Economic Sector	1956 e/		1957 b/		1958 c/		1959 d/		1960 e/		1961 f/	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Confirmed Plan	Adjusted Plan	Reported Actual	Plan
Industry and Construction	11.00	12.82	11.84	13.08	12.90	N.A.	14.53	N.A.	15.19		15.6	16.1
Agriculture and Forestry	4.87	4.91	5.22	5.18	5.34	N.A.	3.03	N.A.	3.23		3.3	4.2
Transportation and Communications	2.18	2.16	1.80	2.26	1.84	N.A.	2.50	N.A.	2.74		(2.5)	(2.6)
Other (unspecified)	5.62	4.63	5.54	6.18	5.64	N.A.	10.83	N.A.	11.89	(9.94)	(9.6)	(11.0)
Trade (Domestic and Foreign)	(1.10)	1.22	(1.5)	N.A.	(1.5)	N.A.	(1.8)	N.A.	(2.2)	(0.25)	(0.25)	(0.25)
Agricultural Procurement	(0.6)	0.64	(0.8)	N.A.	0.86	N.A. h/	(0.9)	N.A.	(0.9)	(0.32)	(0.32)	(0)
Special Price Differential	1.5	0										
Municipal Economy	(0.9)	1.13	(1.34)	N.A.	(1.4)	N.A.	(2.8)	N.A.	2.86		3.1	3.6
FNE j/ Unidentified Residual	(1.59)	1.64	(1.9)	N.A.	(1.88)	N.A. h/	(5.33)	N.A.	(5.93)		(5.93)	(7.15)
Total	23.73	24.52	24.47	26.70	25.72	29.03	30.89	32.37	32.85	(30.90)	31.0	33.9

a. 1/. (For serially numbered source references, see Appendix D.) Estimates in the plan figures are based on the actual figures.

b. 2/. Increase in the estimate for trade is based on the increase in exports.

c. 3/. The figure for transportation and communications increased by 0.4 billion rubles (representing the estimate of expenditure for motor and river transport) to make it comparable with other years. The estimate is based on the 1959 figure (see footnote d, below).

d. 4/. The figure shown for transportation and communications is taken from the budget speech, a figure that evidently covers all transportation, as it is 0.42 billion rubles higher than the figure in the Planovoye Khozyaystvo article, which is explicitly stated to cover transportation of All-Union subordination only. The estimate for municipal economy reflects the transfer of housing and is comparable with the plan figure for 1960.

e. 5/. For an explanation of the adjustment, see Appendix A.

f. 6/

g. Figures in parentheses are estimates.

h. Just how the government handled the increased agricultural procurement payments instituted in mid-1958 is not known. The reported total of expenditures for Financing the National Economy in 1958 was large enough to have permitted a special expenditure from the budget of 1.5 billion rubles, over and above the provision of 0.86 billion rubles set up in the original budget to cover extra payments by the procurement agencies. Of such an amount of 1.5 billion rubles, 1 billion rubles would have been offset by savings in the explicit agricultural budget where expenditures, as a result of the abolition of the machine tractor stations, are estimated to have been only 4.31 billion rubles 7/ as against the original provision of 5.34 billion rubles indicated above.

i. In the absence of precise information the estimate of 0.9 billion rubles for Agricultural Procurement has been carried forward in the plan figures for 1959 and 1960.

j. Financing the National Economy.

Table 2

Plan for Financing the National Economy in the USSR
by Enterprise Own Funds, by Economic Sector a/
1956-61

Economic Sector	Billion Current Rubles					
	1956	1957	1958	1959	1960	1961
Industry and Construction	7.30	8.30	9.70	10.71	12.74	N.A.
Agriculture and Forestry	0.80	0.87	1.18	1.47	1.83	2.0
Transportation and Communications	1.90	1.91	1.78 b/	2.72 b/	3.19	N.A.
Domestic Trade	0.12	0.38	0.48	0.51	(0.53) c/	N.A.
Residual	0.89	1.69	2.43	2.15	1.18	N.A.
Total	<u>11.01</u>	<u>13.15</u>	<u>15.57</u>	<u>17.56</u>	<u>19.47</u>	<u>22.5</u>

a. 8/

b. All-Union subordination only.

c. Estimate.

speech by Garbuzov, there was a statement that the capital works to be carried out under the state plan in 1961 would be financed in part by "funds, more than 300,000 rubles, from noncentralized sources." This reference is not unambiguous, but it is understood to refer to new capital investment planned for 1961 in the former producers cooperatives, which were brought over into "state" industry, apparently just before the close of the books for the year 1960.

2. Working Capital

The working capital norms of Soviet enterprises refer to minimum working capital needs supplied by the enterprises' own funds. These funds are supplemented by short-term borrowing from the State Bank. The development of the working capital norms of Soviet enterprises over the last few years is shown in Table 4.* The increases in actual norms above planned norms are believed to be usually financed by above-plan profits.

* Table 4 follows on p. 8.

Table 3
 Capital Investment and Planned Sources of Financing
 in the USSR ^{a/}
 1957-61

	Billion Rubles				
	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960 b/</u>	<u>1961 b/</u>
Volume (centralized) (in "estimate" prices) ^{c/}					
Total (plan)	<u>17.52</u>	<u>19.88</u>	<u>22.60</u>	<u>25.55</u>	<u>29.04</u>
Total (actual)	<u>18.47</u>	<u>19.91</u>	<u>21.95</u>	N.A.	N.A.
Planned financing (centralized) (in current rubles)					
Total (plan)	<u>17.88</u>	<u>20.38</u>	<u>23.31</u>	<u>26.24</u>	<u>29.5</u>
Planned sources					
Budget	12.96	14.27	16.37	18.06	19.5
Profit	1.52	2.51	2.94	3.43	4.2
Amortization	2.49	2.77	3.25	3.61	4.1
Other	0.92	0.83	0.75	1.14	1.7
Decentralized (actual) (in current rubles) ^{d/}	<u>2.59</u>	<u>4.04</u>	<u>4.85</u>	N.A.	N.A.

a. ^{9/}. Because of rounding, components may not add to the totals shown.

b. Beginning with 1960, figures for centralized investment include outlays for project planning. Such outlays in 1960 were set at 0.62 billion rubles.

c. Construction plans are made up in terms of estimate prices, which are prices of 1 July 1955 with certain subsequent adjustments. The relationship of estimate prices to current prices is reflected by the relationship of the planned volume, as expressed in estimate prices, to the planned financing for the same volume for the same year, as expressed in current rubles.

d. Excluding collective farm investment.

On 1 January 1961, as against enterprise own funds amounting to 36.6 billion rubles, short-term loans supplied by the State Bank totaled something more than 32 billion rubles. ^{10/} This relationship of bank loans to own funds has remained comparatively stable in recent years.

Table 4

Working Capital Norms of State Enterprises in the USSR a/
1959-62

Economic Sector	Billion Current Rubles							
	1 January 1959		1 January 1960		1 January 1961		1 January 1962	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Industry and Construction	18.79	18.72	20.07	20.48	22.26	23.0	24.9	24.9
Agriculture	3.01	3.27	3.74	3.85	4.30	4.5	5.2	5.2
Domestic Trade	2.98	3.02	3.33	3.53	3.77	4.0	4.4	4.4
Transportation and Communications								
(All-Union ministries)	0.87	1.28	1.37	1.46	1.57	1.6	1.7	1.7
Other	1.88	1.93	2.06	2.33	2.54	3.5	3.7	3.7
Total	<u>27.53</u>	<u>28.22</u>	<u>30.57</u>	<u>31.65</u>	<u>34.44</u>	<u>36.6</u>	<u>39.9</u>	<u>39.9</u>
Planned increase in working capital norms								
From the budget			0.61		0.73		1.1	1.1
From enterprise own funds			1.74		2.06		2.2	2.2
Total			<u>2.35</u>		<u>2.79</u>		<u>3.3</u>	<u>3.3</u>

a. 11

3. Agriculture

Planned budget allocations to state agriculture* in 1961 are up sharply to 4.2 billion rubles compared with 3.23 billion rubles planned for 1960 (see Table 5**). The budget allocation in 1961 is to be supplemented by 2.0 billion rubles from own funds. Investment, not including the construction of housing and of cultural buildings, is planned to be 2.3 billion rubles. Total expenditures on state farms will amount to 2.7 billion rubles from the budget and to 1.4 billion rubles from own funds.

Capital investment by the collective farms is planned to be 4.6 billion rubles from their own funds plus another 0.8 billion rubles to be financed by credit. 12/

This increase in expenditures planned for agriculture is in part a response to the poor production of the last 2 years, but it also reflects a step-up in the production of agricultural machinery after extensive model changes. The program for the "modernization" of agricultural machinery models caused a short-run reduction in the over-all production of agricultural machinery between 1958 and 1960.

The reorganization in agriculture, which was announced in January, seems to have been expected when plans for 1961 were made.

B. Social-Cultural Measures

Expenditures from the budget for Social-Cultural Measures in 1961 are planned to be 27.1 billion rubles, up 8.7 percent from the actual expenditures in 1960. Details of the planned expenditures for 1961, in comparison with the expenditures for earlier years, planned and actual, are given in Table 6.*** It will be noted that planned expenditures for education continue to rise and that state expenditures planned for science in 1961 are 3.8 billion rubles, up 16 percent from 1960.

* The Soviet term state agriculture includes state farms, the machine tractor stations -- repair tractor stations (MIS-RTS's), and general agricultural programs (irrigation, experimental stations, and the like), but it excludes collective farms. In most cases, statistics labeled state agriculture also include forestry.

** Table 5 follows on p. 10.

*** Table 6 follows on p. 11.

Table 5

Planned Allocations to State Agriculture in the USSR a/
1958-61

	Billion Current Rubles			
	1958	1959	1960	1961
Total financing	<u>6.52</u>	<u>4.50</u>	<u>5.06</u>	<u>6.2</u>
Budget funds	<u>5.34</u>	<u>3.03</u>	<u>3.23</u>	<u>4.2</u>
State farms	1.19	1.40	1.90	2.7
MIS-RTS's b/	2.96	0.37	0.29 c/	N.A.
Other	1.19	1.26	1.04	N.A.
Enterprise own funds	<u>1.18</u>	<u>1.47</u>	<u>1.83</u>	<u>2.0</u>
Of which:				
State farms	N.A.	N.A.	N.A.	1.4
Total centralized investment	<u>2.97</u>	<u>1.91</u>	<u>1.90</u> d/	<u>2.3</u>
Budget funds	2.59	1.52	N.A.	N.A.
Own funds	0.38	0.39	N.A.	N.A.

a. 13/

b. Machine tractor stations in 1958, repair tractor stations thereafter.

c. This figure may include a small amount of enterprise own funds in addition to budget funds.

d. Calculated figure.

C. Defense

For several years, actual expenditures under the explicit Defense category have been somewhat less than those planned (see Table 8*). Language in the 1961 budget speech suggests that actual expenditures in 1960 were again less than planned: possibly 9.33 billion rubles compared with the original budget allocation of 9.61 billion rubles. Expenditures for 1961 were budgeted to be 9.255 billion rubles, a drop in comparison with the planned budget for 1960, which is compatible with the announced reductions in manpower.

* P. 18, below.

Table 6

State Budget Expenditures for Social-Cultural Measures
in the USSR a/
1958-61

	Billion Current Rubles				
	1958	1959	1960		1961
			Actual	Actual	Plan
Total for Social-Cultural Measures	<u>21.42</u>	<u>23.12</u>	<u>24.74</u>	<u>24.9</u>	<u>27.1</u>
Education	<u>8.60</u>	<u>9.41</u>	<u>10.2</u>	<u>10.3</u>	<u>11.3</u>
General Education	3.98	4.43	(4.5) b/	N.A.	4.7
Training of Cadres	2.35	2.39	2.21	N.A.	2.2
Science	1.70	2.00	(2.84)	(3.28)	3.8 c/
Other	0.57	0.59	(0.65)	N.A.	0.6
Health and Physical Culture	<u>4.12</u>	<u>4.47</u>	<u>4.75</u>	<u>4.8</u>	<u>5.2</u>
Social Welfare	<u>8.70</u>	<u>9.24</u>	<u>9.79</u>	<u>9.8</u>	<u>10.6</u>
Social Security	2.44	2.67	2.30	N.A.	N.A.
Social Insurance	5.73	6.07	7.02	(7.05)	7.8
Aid to Mothers	0.53	0.50	0.47	N.A.	N.A.

a. 14/

b. Figures in parentheses are estimates.

c. Described as expenditure by the state, but there is a possibility that this figure represents total expenditure, financed both from the state budget and from enterprise own funds.

The announced allocation for Defense represents the ruble outlay of the Soviet government for support of certain military programs. Certain programs that normally would come under the heading of national security are known or are believed to be excluded, however, and the published figure for outlays for Defense therefore understates total expenditures. For example, outlays for scientific research leading to new weapons are included under the category Science (under Education), and some outlays for development of new weapons and equipment may be included similarly under the category Financing the National Economy. In this connection, information concerning the organization

of the Soviet atomic energy program indicates that, since 1953 at least, its activities have been subordinate to the Ministry of Medium Machine Building and therefore are most likely financed from funds for Financing the National Economy. ^{15/} The Financing the National Economy residuals contain large sums to unspecified programs that could conceivably be for defense purposes.* Finally, payments to border guards and other militarized security forces are known to be financed separately in the budget.

D. Administration and Miscellaneous

1. Administration

Outlays for Administration continue to decline, both absolutely and as a percentage of the total budget. Planned outlays for 1961 are 1.09 billion rubles against 1.10 billion rubles reported for 1960 (see Table 8**).

2. Reserve Funds of the Council of Ministers

Reserve Funds, for expenditure by the Council of Ministers of the USSR and by the Councils of Ministers of the union-republics, are set up in the planned budgets. Expenditures of these funds, however, are shown in the reports of budgetary expenditures under the expense category where the expenditure was made. For the years 1957, 1958, and 1959 the reports of actual expenditures indicated that these reserve funds probably had been used, in major part, to finance expenditures under Financing the National Economy. For the year 1960, however, the information given on actual expenditures indicates that most of the expenditures financed from these special funds probably were not charged to any of the main expenditure categories but were charged to the Budgetary Expenditure Residual (see Table 8**).

3. Loan Service

Recent explicit information is not available on the cost of the Loan Service. It is assumed to be continuing at an approximately unchanged level of 0.6 billion rubles a year.

4. Budgetary Expenditure Residual

In terms of planned figures the Budgetary Expenditure Residual has been holding fairly steady. As indicated in II, D, 2, above, however, Reserve Funds of the Council of Ministers seem to have

* For a detailed treatment of residuals, see Appendix B.

** P. 18, below.

been used in 1960 to finance large above-plan expenditures in this category. The figures shown for the Budgetary Expenditure Residual (see Table 8*) include outlays for internal security (such as the expenditures of the Ministry of Internal Affairs and of the Committee for State Security), and it would appear that they include budget appropriations to increase the funds of the long-term investment banks. 16/ Appropriations for this purpose in 1957 were 0.46 billion rubles, and in 1958 they were planned at 0.30 billion rubles. 17/

III. Revenues

The general trend in the Soviet state budgetary revenues can be seen in Table 9.**

A. Turnover Tax

The turnover tax, which represents the largest single revenue item in the budget, is effectively an excise tax levied on consumption goods. The revenue from this tax is planned to increase this year, in comparison with last year's plan, by a modest 2.5 percent, indicating a somewhat lower rate of tax on a trade turnover that is planned to increase 5.8 percent. 18/

B. Deductions from Profits

All of the profits from state enterprises are disposed of in accordance with instructions laid down by the state. In 1961 the state will take directly for the budget about two-thirds of the profits that are planned. Of the above-plan profits, by far the larger part is left with the enterprises. Profits paid to the budget are called "profit deductions." Profits left with the enterprises, with the exception of amounts used to finance various types of bonuses, are used, together with accumulations of amortization funds not used for capital repair, for capital investment and other planned expenditures.

In recent years, total profits paid to the budget (see Table 9**) have included an ever-increasing amount of "profits" earned on imports, arising from the difference between the internal and external values of the Soviet currency, in spite of the fact that the budget also was being charged to cover an ever-increasing loss on exports. Planned budget receipts from profits in 1961, 20.5 billion rubles, are only slightly above planned budget receipts from profits in 1960, 20.3 billion rubles, because of the elimination of these "profits" in 1961. Reducing the profit receipts planned for 1960 by

* P. 18, below.

** P. 19, below.

2.05 billion rubles* -- representing planned receipts in 1960 from "profits" earned on imports -- causes the increase for 1961 above 1960 to rise to 12.3 percent. The total profits of state enterprises for 1961, which are planned at 30.2 billion rubles (not including adjustments from previous years), are 14 percent above the comparable figure planned for 1960 and 8.6 percent above expected profits for 1960.

Over-all data on profits, planned and earned, from 1957 through the 1961 plan, are given in Table 7.** The sharp increase in planned profits for 1960 above 1959 suggests that some change in the way of calculating profits took place between these years. No firm explanation of this apparent change has been found up to this time. Another problem in connection with Soviet profit figures has to do with the amount and the method of handling of planned losses.***

C. Budget Revenues Received from the Population

The state budget for 1961 continues to show a reduction in the percentage of total revenue to be received directly from the population, in the form of income taxes, and through the use of increased savings deposits to buy government bonds (see Table 9†). The planned decrease in the income and special personal taxes to 5.5 billion rubles for 1961 reflects continuing implementation of the plan initiated on 1 October 1960 to eliminate income taxes by 1 October 1966. In terms of this over-all plan, all taxes on incomes from 50.1 to 60 rubles per month will be abolished on 1 October 1961, with a simultaneous reduction of the taxes on incomes from 60.1 to 70 rubles per month.

Savings deposits are expected to reach a total of 11.5 billion rubles by the end of the year, an increase for the year of 0.9 billion rubles. This increase will finance the major part of the revenue of 1.4 billion rubles expected for the year from the further sale of government bonds.

D. Miscellaneous

1. Income Tax on Organizations

There has been no information as to the amount of receipts planned in this category in 1961. Planned receipts for 1960 were 2.13 billion rubles. 19/

* For additional details, see Appendix A.

** Table 7 follows on p. 15.

*** For a discussion of this problem, see Appendix B.

† P. 19, below.

Table 7

Profits of State Enterprises and Organizations in the USSR a/
1957-61

	Billion Current Rubles								
	1957	1958		1959		1960		1961	
	Corrected Plan	Plan	Actual	Plan	Actual	Plan	Adjusted Plan b/	Actual	
Total	<u>15.49</u>	<u>18.84</u>	<u>19.64</u>	<u>21.95</u>	<u>23.24</u>	<u>28.53</u>	<u>26.48</u>	<u>27.8 c/</u>	<u>30.2</u>
To budget d/ Retained		<u>12.86</u>		<u>15.25</u>		<u>20.07</u>	<u>18.02</u>	<u>18.7</u>	<u>20.2 c/</u>
		<u>5.98</u>		<u>6.70</u>		<u>8.46</u>	<u>8.46</u>	<u>9.1 c/</u>	<u>10.0 c/</u>
Of which:									
Industry and Construction	<u>8.89</u>	<u>11.16</u>	<u>11.76</u>	<u>13.25</u>	<u>14.33</u>	<u>18.27</u>	<u>16.22</u>		
To budget Retained		<u>7.13</u>		<u>8.60</u>		<u>12.48</u>	<u>10.43</u>		
		<u>4.03</u>		<u>4.65</u>		<u>5.79</u>	<u>5.79</u>		
		Percentage Increase in the Plan Above the Previous Year's Plan							
Total		<u>21.6</u>		<u>16.5</u>		<u>30.0</u>			<u>14.0 e/</u>
Industry and Construction		<u>25.5</u>		<u>18.7</u>		<u>37.9</u>			<u>N.A.</u>

a. 20/

b. See B, p. 13, above.

c. Calculated figures.

d. Less than the total amount planned to be carried to the budget, by amounts relating to previous years. For amounts planned to be carried to the budget, see Table 10, p. 27, below.

e. Calculated in relation to the adjusted plan figure, which is the comparable figure.

2. Social Insurance Receipts

These receipts consist of payments to the budget by state enterprises of a fixed percentage of their wage bill. Receipts planned for 1961 have not been announced, but they are estimated to be 3.8 billion rubles (see Table 9*).

3. Revenue Residual

Several different types of items are known to be included in what is here called the Revenue Residual, but information on these items is available only on a very scattered basis.

a. Local Taxes and Collections

The 1958 plan called for 0.53 billion rubles to be received, for the benefit of local budgets, in local taxes and fees. ^{21/} It is not known at what level these local taxes and fees are being continued.

b. Collections and Nontax Revenue

In 1955, "collections and nontax revenues" were 2.23 billion rubles. ^{22/} Probably included in this category is income from budgetary organizations, such as the income from forestry, which in 1958 was planned at 0.21 billion rubles. ^{23/} Probably also in this category are certain regular "price differences," such as the "price difference on meat and milk goods" and the "price difference on petroleum products," which are paid into the budget but are not handled as "turnover taxes." ^{24/}

c. Adding into the Budget Certain Expenditures of Local Industry

Recently it has become evident that certain small expenditure items -- in education, for example -- are in fact financed at the expense of "the accumulations of rayon and local industry." ^{25/} The magnitude of the identified items of this nature is about 0.05 billion rubles a year. It would appear that these items have been introduced into the totals of the state budget by adding them into the local budgets, both as expenditures and as miscellaneous receipts.

* P. 19, below.

d. Other*

Proceeds from the sale of gold from the State Material Reserves or from the sale of other state property such as the machines sold by the machine tractor stations to the collective farms are entered as revenue in the Soviet budget. Repayments of foreign loans also are believed to be accounted for as budgetary revenue.

* For some discussion of the Revenue Residual, see Appendix B.

Table 8
Expenditures of the State Budget in the USSR
1956-61

Billion Current Rubles

	1956 a/		1957 b/		1958 c/		1959 d/		1960 e/		1961 f/	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Confirmed Plan	Adjusted Plan g/	Reported Actual h/	Plan
Financing the National Economy	23.73	24.52	24.47	26.70	25.72	29.03	30.89	32.37	32.78	32.85	31.0	33.9
Industry and Construction	11.00	12.82	11.84	13.08	12.90	N.A.	14.53	N.A.	15.18	15.19	15.6	16.1
Agriculture and Forestry	4.86	4.91	5.29	5.18	5.34	N.A.	3.03	N.A.	3.23	3.23	3.3	4.2
Transportation and Communications	2.18	2.16	1.80	2.26	(1.84) j/	N.A.	2.50	N.A.	2.54	2.54	(2.5)	(2.6)
Unspecified Remainder	5.69	4.63	5.54	6.18	(5.64)	N.A.	10.83	N.A.	11.83	11.89	(9.6)	(11.0)
Social-Cultural Measures	16.15	16.44	18.84	20.05	21.28	21.42	23.22	23.12	24.74	24.78	24.2	27.1
Education (and Science)	7.28	7.36	7.89	8.07	8.42	8.60	9.44	9.41	10.20	10.22	10.3	11.3
Health and Physical Culture	3.51	3.57	3.79	3.83	4.04	4.12	4.41	4.47	4.75	4.77	4.8	5.2
Social Welfare	5.36	5.51	7.16	8.15	8.82	8.70	9.37	9.24	9.79	9.79	9.8	10.6
Administration	1.25	1.21	1.19	1.19	1.19	1.20	1.15	1.12	1.11	N.A.	(1.10)	1.09
Defense	10.25	9.72	9.67	(9.20)	9.63	9.36	9.61	9.37	9.61	N.A.	(9.33)	9.255
Reserve Funds, Councils of Ministers	(1.30)	0	1.40	0	1.67	0	2.12	0	2.76	N.A.	0	2.80
Loan Service	(1.60)	1.63	1.80	(0.40)	(0.30)	0.37	(0.60)	0.69	(0.60)	N.A.	(0.60)	(0.60)
Budgetary Expenditure Residual	(2.68)	2.82	3.09	(2.89)	(2.98)	2.89	(3.17)	3.73	(2.88)	N.A.	(5.42)	(2.755)
Total expenditures	56.96	56.35	60.46	60.73	62.77	64.27	70.76	70.40	74.48	74.58	(72.35)	77.5

a. 26/
b. 27/
c. 28/
d. 29/
e. 30/
f. 31/

g. For an explanation of the adjusted figures, see Appendix A.

h. Figures in parentheses are estimates.

i. The figure given in the source increased by 0.4 billion rubles, representing an estimate of the expenditure planned for motor and river transport, to make the resulting figure comparable with other years. The estimate is based on the figure for 1959 of 0.42 billion rubles. See Table 1, footnote d, p. 5, above.

Table 9
Revenues of the State Budget in the USSR
1956-61

	1956 a/		1957 b/		1958 c/		1959 d/		1960 e/		1961 f/	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Confirmed Plan	Adjusted Plan	Reported Actual	Plan
Turnover Tax	27.12	25.86	27.73	27.56	30.15	30.45	33.30	31.07	31.71	31.71	31.3	32.5
Receipts from Profits	10.73	10.29	11.60	11.84	13.03	13.54	15.49	15.26	20.30	20.30	19.0	20.5
Revenue from MTS-RMS's i/	N.A.	1.06	1.39	1.13	1.19	0.97	0.15	0.18	N.A.	N.A.	N.A.	N.A.
Income Tax on Organizations	N.A.	1.41	1.55	1.41	1.56	1.66	1.96	1.90	2.13	2.13	(2.2)	(2.3)
Of which:												
Collective Farms		0.75	0.96	N.A.	0.96	N.A.	1.33	N.A.	N.A.	N.A.	N.A.	N.A.
Cooperatives		0.57	0.50	N.A.	0.60	N.A.	0.63	N.A.	N.A.	N.A.	N.A.	N.A.
State Loans	N.A.	4.43	3.92	3.92	1.76	1.06	(1.10)	1.49	(1.20)	(1.20)	(1.38)	(1.4)
Of which:												
Subscription		3.28	2.66	1.85	0.26	0.32	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Savings Deposits		1.00	1.10	1.60	1.30	0.65	0.72	1.33	0.84	0.84	0.9	0.9
Taxes on the Population	5.03	5.05	5.15	5.20	4.98	5.19	5.60	5.52	5.72	5.72	(5.72)	5.5
Social Insurance Receipts	N.A.	2.83	3.10	3.33	3.33	3.31	(3.35)	3.63	(3.40)	(3.40)	(3.6)	(3.8)
Revenue Residual	N.A.	7.66	7.28	8.70	8.29	11.05	(11.38)	14.26	(12.75)	(12.75)	(12.15)	13.0
Total Revenues	59.27	56.59	61.72	62.69	64.29	67.23	72.33	74.01	77.21	(75.25) b/	(75.35)	79.0
Surplus of Revenue Above Expenditures	2.31	2.24	1.26	1.96	1.52	2.96	1.57	3.61	2.73	(2.62)	(3.00)	1.5

a. 32/
b. 33/
c. 34/
d. 35/
e. 36/
f. 37/

g. Figures in parentheses are estimates.
h. Reduced by 2.05 billion rubles in terms of calculations in Appendix A. See especially the first footnote on p. 21, below.
i. Machine tractor stations until 1958, repair tractor stations thereafter.

APPENDIX A

ACCOUNTING CHANGE IN THE SOVIET BUDGET FOR 1961

Near the beginning of Finance Minister Garbuzov's speech on the budget on 20 December 1960, there is a statement that planned revenues for 1961, at 78.9 billion rubles, and planned expenditures for 1961, at 77.5 billion rubles, are up 4.9 percent and 6.7 percent, respectively, from "figures for 1960." ^{38/} This would make the "figures for 1960" about 75.21 billion rubles for revenues and about 72.63 billion rubles for expenditures. A little later in the speech the planned expenditure figure for 1961, 77.5 billion rubles, is repeated in a context where there is a clear statement that these planned budget expenditures are 4.9 billion rubles above the budgetary expenditures that were planned for 1960. Since this indicates that planned expenditures were about 72.6 billion rubles, it confirms that the figures of 75.21 billion rubles and 72.63 billion rubles derived above are planned revenues and planned expenditures, respectively, for 1960. Planned revenues and planned expenditures for 1960, as originally confirmed, however, were 77.30 billion rubles and 74.58 billion rubles, respectively. ^{39/} Evidently, for the purposes of comparison with the budget for 1961, the budget for 1960 has been recalculated, planned revenues being reduced by about 2.09 billion rubles and planned expenditures by about 1.95 billion rubles.*

The further information given on the expected actual figures for 1960 for the various subsidiary budget categories indicates that the adjustment was made on the revenue side in "receipts from profits" and on the expenditure side in the "unspecified remainder" of Financing the National Economy. This and the order of magnitude of the adjustment suggest that, with the profits on foreign trade and the subsidy on foreign trade probably eliminated in the budget for 1961 by the introduction of the new ruble, the budget for 1960 -- for comparisons with the budget for 1961 -- has been recalculated, both plan and actual, to eliminate the profits and subsidy on foreign trade.

Furthermore, the 1961 budget speech reports the total plan for Financing the National Economy for 1961 as 56.4 billion rubles, 11.8 percent above the plan for 1960. This relationship would make the 1960 plan 50.45 billion rubles, 1.87 billion rubles less than the 52.32 billion rubles originally set up for 1960.** The discrepancy between the result obtained here and that derived above could well be the product of differing rounding techniques.

* Each of these adjustments has a range of error of plus or minus 0.04 billion rubles.

** An amount of 32.85 billion rubles to be financed from the budget and 19.47 billion rubles to be financed from enterprise own funds (see Tables 1 and 2, pp. 5 and 6, respectively, above).

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APPENDIX B

RESIDUALS IN THE SOVIET BUDGET

In the Soviet budget, there are three series of expenditure residuals that merit attention -- the Budgetary Expenditure Residual (the last line before the total in Table 8*), the Unidentified Residual under Financing the National Economy (FNE) (the last line before the total in Table 1**), and a residual that may be derived by subtracting from FNE Industry and Construction the known figures or estimates of expenses known to be charged to that account.

Even though actual figures for FNE Industry and Construction for 1958 and 1959 are not known, working estimates can be arrived at by adding to the plan figures either the amount of the Reserve Funds or the overage (actual above plan) in Financing the National Economy, whichever is the smaller. On this basis, 1.67 billion rubles are added to the plan figure for 1958, and 1.48 billion rubles are added to the plan figure for 1959 (see Table 10***).

For investment under FNE Industry and Construction, a figure is available for 1956. The estimates shown in Table 10 for 1957 and 1958 are from Soviet National Accounts, 1950 and 1955-58, Table 8, Appendix E, as yet unpublished. ^{40/} The estimate for 1959 follows the methodology laid out there -- that is, planned budgetary expenditure, 8.92 billion rubles, ^{41/} plus 0.35 billion rubles for supplemental allocations and 0.40 billion rubles for decentralized investment.

Budgetary allocations, under FNE Industry and Construction, for increasing working capital are not large and can be estimated as the planned allocations for all enterprises, less the estimates for state farms derived in Soviet National Accounts, 1950 and 1955-58 (referred to above), Table 19, Appendix C. On this basis, 1956 would be 0.38 billion rubles ^{42/} less 0.20 billion rubles; 1957 would be 0.47 billion rubles ^{43/} less 0.15 billion rubles; and 1958 would be 0.56 billion rubles ^{44/} less 0.25 billion rubles. For 1959 the figure is given as 0.17 billion rubles. ^{45/}

The costs of the design bureaus, which work out the detailed plans for capital construction, can be obtained directly from data on the costs of capital investment in the Soviet handbooks, which are reported both as including and excluding the costs of the design bureaus. The

* P. 18, above.

** P. 5, above.

*** P. 27, below.

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costs of research and development with respect to current industrial production, but charged to the budget, have been taken as equal to the costs of the design bureaus in 1956, and it has been assumed that they declined thereafter at 0.10 billion rubles per year. In March 1955, detailed instructions were issued as to how all costs of development were to be charged to costs of production, generally over 2 years and exceptionally over 3 or 4 years. 46/

Soviet accounting procedures, in effect during the whole of the period covered here, include a budgetary reporting of industrial profits which does not take into consideration the fact that certain "planned losses" are covered from the budget, on the expenditure side. For certain other purposes, profits are reported "net" -- that is, losses have been subtracted from profits. A comparison between these two sets of figures for profits permits a calculation of the amount of the losses that are carried to the budget. The first figures that became available on the "net" basis were those appearing in a book by Finance Minister Zverev in 1958 in connection with a discussion of national income, where the profit figures would have been "net." "Profits of state and cooperative organizations" were reported there as 12.58 billion rubles for 1955 and 19.20 billion rubles for the 1958 plan. 47/ Subsequently the handbook for 1959 repeated the 12.58 billion ruble figure, breaking it down to show the profits of state enterprises and organizations as 11.31 billion rubles. 48/ Total profits of state enterprise in 1955 can be calculated from data in the 1956 budget speech 49/ as having been 12.37 billion rubles, indicating that the budget figure in this case fails to take into consideration losses charged to the budget in the amount of 1.06 billion rubles. There is reason to believe that these losses represent the losses on industry (and construction) only and that the subsidies paid to state farms are not included. Losses in 1956 are assumed to have been the same as those in 1955.

Until the breakup of the industrial ministries by the reorganization of 1957, losses in industry charged to the budget represented only the net losses of branches of industry. By 1956 the only two branches of industry making net losses were timber and coal. 50/ In 1957, prices of timber were increased to reduce or wipe out the net loss in the timber industry. 51/ On the basis of the fact that the plan for union-republic industry for 1958 (union-republic industry now representing 94 percent of state industry) 52/ showed no losses for a branch of industry other than 0.56 billion rubles for coal, 53/ losses charged to the budget in 1957 are assumed to be 0.56 billion rubles.

Beginning in 1958, however, losses charged to the budget rose again, as the budget began to be charged for the aggregate of the

planned losses of individual enterprises rather than the aggregate of the net losses of the now defunct ministries. A figure for the losses planned to be charged to the budget in 1958 on this basis can be calculated by adding to planned state enterprise profits of 18.84 billion rubles ^{54/} the planned cooperative enterprises' profits of 1.45 billion rubles ^{55/} and comparing the result with the planned net figure for the "profits of state and cooperative organizations" of 19.20 billion rubles already mentioned above. This comparison indicates that losses planned to be charged to the budget in 1958 were 1.09 billion rubles. It is known that actual losses in the planned-loss enterprises were greater in 1958 than the planned losses, although not so much greater as in previous years. ^{56/} This suggests that actual losses charged to the budget in 1958 could have been as much as 1.2 billion rubles.

There is no firm basis for estimating losses charged to the budget in 1959, primarily because of some doubts as to the exact coverage of the profit figures for the years after 1955 as they appear in the handbook for 1959. ^{57/} A working estimate of 1.80 billion rubles has been used, the increase above 1958 representing largely the greater number of individual enterprise losses being charged to the budget rather than being netted at the level of the councils of national economy.

All of these figures are set forth in Table 10* and are used there to calculate a series from 1956 through 1959 for the FNE Industry and Construction Residual. A series for the Budgetary Expenditure Residual also is shown in the same table. In 1959, Reserve Funds of 2.12 billion rubles, set up in the plan (see Table 8**), apparently were used to finance the increase in actual above plan in FNE Industry and Construction of 1.48 billion rubles and perhaps partly to finance the increase in actual above plan in the Budgetary Expenditure Residual of 0.56 billion rubles (see Table 10). In 1960, Reserve Funds of 2.76 billion rubles, set up in the plan (see Table 8), were not used to any significant extent to finance actual expenditures in excess of the plan in FNE Industry and Construction for that year, because actual expenditures exceeded the plan by only 0.41 billion rubles. In the Budgetary Expenditure Residual, however, actual expenditures exceed the plan by 2.54 billion rubles. Hence it may be that some type of expenditure, which up through 1959 was financed from Reserve Funds and charged to FNE and apparently to FNE Industry and Construction, was in 1960 charged to the Budgetary Expenditure Residual. This conjecture would be somewhat confirmed if the actual expenditures in 1960 for the FNE Industry and Construction Residual were to show a decline from the preceding year.

* Table 10 follows on p. 27.

** P. 18, above.

A series for the FNE Unidentified Residual from 1956 through the 1961 plan is shown in Table 11.* For 1956, there is available for this series a firm actual figure of 1.64 billion rubles. 58/ This figure is known to include the cost of geological prospecting, of an unidentifiable but small amount, and is presumed to include payment for the cost of purchasing the annual production of gold for the State Material Reserves. An annual production of gold of 110 metric tons, paid for on the basis of 2.5 rubles a gram, would represent an annual charge to the budget of 0.275 billion rubles.

Beyond 1956, working estimates for the amount of the FNE Unidentified Residual can be made only for plan amounts. These show a sharp rise, beginning in 1959. The fact that this rise is matched by a similar rise in the Budgetary Revenue Residual, plan (shown in Table 10 for the purpose of comparison), suggests the possibility of this increase being the result of some unidentified "bookkeeping" entries to both sides of the budget.

If the rise that is matched by the rise in the Budgetary Revenue Residual is excluded from the FNE Unidentified Residual, then the three expenditure residuals (the FNE Industry and Construction Residual, the Budgetary Expenditure Residual, and the FNE Unidentified Residual) taken together show a rather steady, straight-line rise.

* Table 11 follows on p. 28.

Table 10

Residuals in the State Budget in the USSR
(FNE Industry and Construction Residual and Budgetary Expenditure Residual)
1956-61

	Billion Current Rubles										
	1956		1957		1958		1959		1960		1961
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan
FNE Industry and Construction <u>a/</u>	11.00	12.82	11.84	13.08	12.90	(14.57) <u>b/</u>	14.53	(16.01)	15.19	15.6	16.1
Less:											
Investment <u>c/</u>		8.00		(8.52)		(9.18)		(9.67)		N.A.	
Increase in working capital <u>d/</u>		(0.18)		(0.32)		(0.31)		(0.17)		N.A.	
Design Bureaus <u>e/</u>		0.50		0.52		0.56		0.60		N.A.	
Research and Development <u>d/</u>		(0.50)		(0.40)		(0.30)		(0.20)		N.A.	
Losses paid from the budget <u>d/</u>		(1.06)		(0.56)		(1.20)		(1.80)		N.A.	
Equals:											
FNE Industry and Construction Residual		(2.58)		(2.76)		(3.02)		(3.57)		N.A.	
Budgetary Expenditure Residual <u>f/</u>	(2.68)	2.82	3.09	(2.89)	(2.98)	2.89	(3.17)	3.73	(2.88)	(5.42)	(2.755)

a. From Table 1, p. 5, above, with estimates added as indicated in the text.

b. Figures in parentheses are estimates.

c. 1956, source 59/; 1956 through 1959, estimated as indicated in the text.

d. Estimated as indicated in the text.

e. Calculated as the difference between capital investment figures including and excluding these costs. 60/

f. From Table 8, p. 18, above.

Table 11

Residuals in the State Budget in the USSR
(FNE Unidentified Residual and Budgetary Revenue Residual)
1956-61

	Billion Current Rubles											
	1956		1957		1958		1959		1960		1961	
	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
FNE Unidentified Residual (Plan) <u>a/</u>	(1.59)	b/ 1.64	c/ (1.9)	(1.88)	(5.33)	(5.93)	(7.15)					
Budgetary Revenue Residual (Plan) <u>d/</u>	N.A.		7.28	8.29	(11.38)	(12.75)	13.00					

a. From Table 1, p. 5, above.

b. Figures in parentheses are estimates.

c. Shown here because it is the only firm figure available for this residual. 61/

d. From Table 9, p. 19, above.

APPENDIX C

BUDGETS OF THE UNION-REPUBLICS OF THE USSR

Expenditures channeled through republic and local budgets in 1961 (thus appearing in the union-republic state budgets rather than in the All-Union budget) will total 42.772 billion rubles (see Table 12*), representing 55 percent of the total expenditures of the consolidated budget, 77.5 billion rubles (see Table 8**). The share of expenditures passing through the republic and local budgets has been increasing ever since 1955, when a large number of industrial, agricultural, construction, trade, and other organizations were transferred from union control to republic control. This trend was furthered by the reorganization in 1957 that put the bulk of industry under the jurisdiction of the councils of national economy, which in turn are under republic jurisdiction.

The union-republic state budgets for the 1960 plan and for the 1961 plan are shown in Table 12. Union-republic outlays are covered by the republic's retention of certain portions of revenues collected within its territory. In general, republics retain all income from the bachelor tax, the collective farm income tax, the agricultural tax, forest revenue, and 50 percent of income taxes and state loan revenues. In the case of profit deductions, enterprises subordinate to republics pay their profit deductions to the republic, except that 20 percent of the plan profit of enterprises under the councils of national economy goes to the All-Union budget. For the turnover tax the share retained is fixed year by year in the annual plan, to permit the republics just to cover their expenditures without any surplus. In the 1961 plan, Kazakh SSR and Turkmen SSR, in addition to receiving 100 percent of the turnover tax collected within their territory, will receive further subsidies "for the development of branches of the republic's economy which are of national importance" of 929.4 million rubles and 57.7 million rubles, respectively. 62/

Expenditures from the union-republic state budgets for Financing the National Economy in 1961 will be 21.2 billion rubles, to be supplemented by 39.7 billion rubles from the own resources of the enterprises and economic organizations of the republics. Expenditures from the union-republic state budgets for Social-Cultural Measures will be 19 billion rubles. 63/

* Table 12 follows on p. 30.

** P. 18, above.

Table 12

State Budgets of the Union-Republics of the USSR a/
1960 and 1961 Plans

Billion Current Rubles		
Republic	Confirmed Plan 1960	Proposed Plan 1961
RSFSR	23.19	25.292
Ukrainian SSR	6.98	7.456
Belorussian SSR	1.11	1.279
Uzbek SSR	1.02	1.145
Kazakh SSR	2.52	3.092
Georgian SSR	0.64	0.718
Azerbaydzhan SSR	0.61	0.669
Lithuanian SSR	0.46	0.545
Moldavian SSR	0.30	0.328
Latvian SSR	0.42	0.474
Kirgiz SSR	0.34	0.395
Tadzhik SSR	0.29	0.331
Armenian SSR	0.32	0.366
Turkmen SSR	0.31	0.362
Estonian SSR	0.29	0.320
Total	<u>38.79</u> b/	<u>42.772</u> c/

a. 64/

b. Because of rounding, components may not add to the total shown.

c. The total is derived as the sum of rounded components.

APPENDIX D

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