

THE SOVIET SEVEN YEAR PLAN

Oleg Hoefding

P-1607

2 February 1959

To appear in
FOREIGN AFFAIRS,
April 1959

The **RAND** Corporation

1700 MAIN ST. • SANTA MONICA • CALIFORNIA

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I

Nikita Khrushchev's report on the new Seven Year Plan for 1959-1965, published last November and endorsed by the January Party Congress, is a package remarkable both for its content and its vivid wrapping.

The hard content was provided by the data which Khrushchev reviewed on Soviet past economic achievements, and those he revealed on his economic program for the seven years ahead. On both counts, he had an impressive story to tell. In the nineteen-fifties, the Soviet record of industrial expansion, scientific advance, and technological accomplishment, has been a startling one. Even in agriculture, where the Soviet economic system had been failing badly, Khrushchev's own vigorous leadership has at last added a creditable page to the record, by bringing about a striking expansion of output. This background of fast economic growth has also enabled the regime to let the consumer share increasingly in the fruit of his labor and sacrifices. Urban and rural real incomes, however modest they still are by the standards of the richest Western countries, have been rising fast enough to give Soviet workers and farmers a sense of measurable and continuous improvement. Moreover, Khrushchev has taken care in recent years to channel much of this improvement selectively into the worst areas of Stalinist neglect. He spearheaded a vigorous attack on the housing problem. His minimum wage and pension reforms brought some badly needed relief to the most underprivileged groups of Soviet society.

If Khrushchev's past economic record could well have spoken for itself, his preview of further advances to be made by 1965, and beyond,

traced out a program also impressive enough, on its own merits, to cheer his followers and to force the West to take thoughtful notice of the dimensions that the Soviet economic challenge is likely to assume within the coming decade.

Yet, Khrushchev was not content to let the record, and the economic blueprint for the future, speak for themselves. Instead, he turned his report into a political manifesto, and garnished it with propagandist embellishment unusually heavy even for Soviet documents of this kind. To the Soviet public, he represented the Plan as a decisive milestone of advance to the final "Communist" stage of social and economic development. To be sure, he was as careful as ever not to specify exactly when the Soviet Union might enter this promised land of superabundance and social harmony, but he tried to build up the impression that two or three seven-year strides would take it there.

To the world at large, he painted the Plan as an equally decisive step towards final victory in competition with capitalism. Here, he was specific, and predicted confidently that fifteen years hence the USSR would "take the first place in the world not only in total output but also in per-capita production."

This latter theme was heavily and exuberantly expanded by Soviet comments after publication of Khrushchev's report. "A plan that will shake the world" was one representative headline, over an Izvestia editorial which credited the Plan with "having captured the imagination of mankind," and having "illuminated, like a powerful searchlight, the perspectives of its historical development." This article, and many like it, reported gleefully that publication of the Plan had caused dismay and

consternation in the capitalist camp.

Soviet economists, in a less lyrical but equally confident vein, proceeded to document Khrushchev's bold predictions, with calculations that try to determine the precise point at which Soviet and American production curves will cross. One writer credited Soviet industry with a 1957 output volume half that of the United States -- an exaggerated estimate, probably, but one which got the Soviets off to a good start, in a projection that assumed for their industry an annual rate of output expansion of 8.6 per cent (as the Plan requires for 1959-1965), and its American opponent with a modest 2.2 per cent. Having duly noted that the American recession had given the Soviets a headstart in 1958, he went on to conclude that Soviet industry would be producing as much as the United States in 1968, and then would need but two or three years more to surpass it in per-capita production.

One would be doing too much justice to this kind of political arithmetic, which still substitutes in the USSR for serious research on comparative economic growth, if one were to dwell on the various ways in which it stacks the cards in the Soviets' favor, ignores the tough technical problems involved in such comparisons, and treats uncertainty as certainty. It would also be too obliging to Khrushchev to get infected with his sporting mood, and to accept his challenge to the industrial race on his own terms, by which he himself picks the entries for both sides, matching fast-growing sectors of the Soviet economy against their American counterparts, while disqualifying all the large areas of gross Soviet backwardness, in industry and elsewhere. In some of them, indeed, it would be scurrilous yet to speak of Soviet-American competition.

Yet, Khrushchev's obsession with the Soviet-American economic race cannot be shrugged off as irrelevant byplay to his economic policy, nor can his stress on the new Plan's role as a prelude to the defeat of capitalism be taken lightly. The calculations of his economists, however disingenuous and primitive, contain a hard core of disturbing fact, too important for American opinion to ignore with indifference, or to belittle with complacency, as it has largely tended to do so far.

In contrast to the easygoing industrial nations of the West, which expect economic growth to accrue as a fortuitous resultant of uncontrolled or loosely directed activity in the marketplace, the USSR has made output expansion a dominant and direct objective of national policy. In thirty years of single-minded pursuit of this objective, it has evolved economic and political institutions well matched to its attainment. In the nineteen-fifties it succeeded in translating these advantages over the hedonist West into industrial growth rates markedly higher than those recorded by most free-world nations, and certainly the United States. The USSR has now firmly signalled its determination to go on pressing for maximum industrial expansion in the nineteen-sixties. We have no comparable program.

Even if Soviet performance under the new Plan should fall short of its assignments, it would be important not to mistake the fallibility of long-term planning for economic failure. No sober appraisal of the data available to an outside observer can detect problems in the present-day Soviet economy serious enough to prevent industrial growth from proceeding at a pace likely to be rapid by any standards other than, possibly, the self-set and exacting standard of the Soviet leadership. Whatever discounts may

be applicable to Khrushchev's arithmetic, the cold fact remains that, at current relative rates of growth, Soviet industry is steadily narrowing the gap between its output and that of its self-elected main rival. Any comfort to be drawn from the thought that the gap is still wide gets colder year by year.

II

Not to seek comfort elsewhere, but to draw in some essential background to the new Plan, Khrushchev's motives for presenting it with so much pomp and bombast deserve examination. Two related reasons, probably, go far to account for his tactics.

First, in the eyes of his Party comrades, he must bear a goodly share of the blame for the Plan's embarrassing antecedents. Khrushchev dominated the Twentieth Party Congress three years ago, which issued the Party's Directives on the Sixth Five Year Plan for 1956-1960. This document bore the stamp of Khrushchev's impatient nature. It demanded ambitiously fast rates of advance on every sector of the production front, combined with promises of rapid gains in consumption and housing. Before 1956 had ended, it became clear that these demands were overtaxing Soviet resources. In December 1956, the Party called a first retreat, by scaling down output and investment targets for 1957. In the course of that year, Soviet production policy concentrated on the acute bottlenecks experienced by industry in 1956. This required revision of earlier output and investment programs, and resulted in much slower expansion than the Directives had called for in many industries. In some, output was actually curtailed. In September 1957 -- when the pattern of industrial progress had come to bear but casual resemblance to that required by the Directives -- the Sixth

Five Year Plan was given a none too decent burial. A Party resolution that was a prize exhibit of equivocation instructed the planners to start preparing the present Seven Year Plan. To justify the vacuum in planning left by the fiasco of the Directives, it was claimed that new expansion possibilities had been found in the economy, through mineral resource discoveries and technological advances, and that only a new Plan would do justice to the production gains expected from the drastic reshuffling of industrial administration in mid-1957. Much the same camouflage, with a few layers added, was used by Khrushchev to explain to the Twenty-first Party Congress why a fresh start in long-term planning had become necessary.

The other motive for this extra coat of propagandist veneer is more important, as it bears on the Plan's substance, and on the Soviet leaders' private views of their country's economic prospects. Although Khrushchev's glowing prose pictures the Plan as a program for an unprecedented spurt of industrial expansion, such claims are not borne out by his own figures. The growth rates implicit in the 1965 targets for industrial output as a whole, and for many major commodities, are distinctly below those claimed for the last few years. It appears that the industrial vicissitudes of 1956 prompted a serious reappraisal of industry's long-range growth potential. The first result was a fifteen-year "perspective plan" of tentative output goals for 1972. A few selected data from this document were published in November 1957. They showed that, even then, the leadership was reconciled to a marked slowdown in the rate of industrial growth -- compared, as must be stressed, to the outstandingly high rates of the first postwar decade, and the 1930's. This more conservative assessment of future production possibilities has carried over into the Seven Year Plan.

Its goal is to increase the volume of gross industrial output by about eighty per cent over the 1958 level. Impressive as this is, the implied annual growth rate is 8.6 per cent, compared to the 10 per cent per annum claimed by the Soviet production index for 1956-1958. An even more modest increase, by 7.7 per cent, has been programmed for 1959. One should note, however, that the annual plans for 1957 and 1958 had also scheduled output increases of seven to eight per cent only, and the ten per cent increases claimed for both years were attributed to plan overfulfillment. It is none too clear whether it is Soviet policy now to set easier output goals (to avoid high-cost production in efforts to meet excessive targets) or whether the claims of above-plan production are a statistical illusion, reflecting the skill acquired by Soviet plant managers in manipulating production reports. That Soviet authorities suspect the latter is suggested by the findings of a recent investigation, by the Planning Commission, of plants which had claimed to have exceeded their production quotas. Much of the excess turned out to be due to expedients like valuing new products at inflated prices, producing items not called for by the Plan, or concentrating on products requiring little processing at the plant, but reported with its output at their full gross value.

These and other uncertainties attaching to Soviet statistics preclude any appraisal of the exact degree to which the sights of industrial expansion have been lowered. However, the slowdown can be traced clearly for many commodities for which physical data on current and planned 1965 output are available, and the retardation tendency is more clearly reflected in these data than in the ever-suspect index of total industrial output. There has been no discussion in Soviet sources of this implication of the

Plan figures, a silence offset by the propaganda campaign that asserts sustained expansion at record pace. This silence, however, probably testifies to nothing more serious than a strong allergy of the political leaders to any admissions of the mere possibility of a slowdown in what they are convinced is the world's most dynamic economy.

One sees no reason for them to be otherwise concerned over the retardation, as the growth rates still deemed feasible by their planners are quite high enough to justify much of Khrushchev's exuberance. Moreover, with good reason, he has emphasized that, at the output levels now attained by Soviet heavy industry, the growth rates programmed for 1959-1965 signify very formidable additions to output in absolute terms over the next seven years. The prospect of having 30 to 35 million tons of steel added by 1965 to a present output of 55 million, with commensurate additions in other industries which spell national power, cannot be disheartening to Khrushchev, even if, three years ago, he had hopes of doing even better than this.

III

But have the planners carried realism far enough, and are the industrial goals truly feasible? The meager published data rule out anything like an independent audit of the Plan. There can be little doubt, however, that this time the targets for industry -- and this goes for the other nonfarm sectors, too -- are backed up by a serious attempt to balance output schedules with resource availabilities. Khrushchev's report, for all its 125 pages, is but a glossy publicity release abstracted from what must be many volumes of sober and technical calculations compiled over fifteen months by Gosplan and the thirty special committees that worked

in detail on every aspect of the Plan. Their joint product, probably, adds up to a much more thorough and critical assessment of the economy's growth potential than the ill-starred Sixth Plan had benefited from. It would be strange indeed if the planners had not worked hard to save Khrushchev, and themselves, from a repetition of the recent fallacy of overplanning, by drawing up a program that, in their best judgment, is feasible.

On the other hand, the planner's judgment was seriously constrained by Khrushchev's insistent directive that output expansion must be maximized, to "gain time", as he puts it, in the race with capitalism. They could not afford to turn in a soft plan, certain of realization in every detail. Khrushchev did not ease their task, by also insisting on objectives distinctly in conflict with the goal of maximizing output. This planners' dilemma is best illustrated by their handling of the labor supply problem, perhaps the most serious resource bottleneck confronting the Soviet economy in the immediate future.

This problem stems mainly from the harsh demographic fact that, for the next five years or so, the Soviet labor force will depend for its young recruits on the war-depleted age group born in 1942-1946. Recent growth of the state labor force (which excludes collective farmers) has been by about 2 million workers annually. An increase by only 1.3 million expected in 1959 shows that the lean years of labor supply have arrived. To make things more difficult, due to Khrushchev's energetic and badly needed measures to expand agricultural output, the nonfarm sector cannot draw as freely as before on its traditional labor reservoir, the farm

population. The Plan demands a formidable production effort from agriculture, and much of this effort is concentrated in branches of farming which, in the USSR, are still extremely labor-intensive and have been barely touched by mechanization. Thus, the villages may not be able to spare significant reinforcements for the nonfarm labor force.

Confronting these prospects, the Plan budgets for a seemingly modest 21 per cent increase in the state labor force over the seven years, or by 1.6 million workers per annum. Actually, this is quite an optimistic expectation, given the stringency of the demographic bottleneck. It suggests that the planners place considerable reliance on several measures built into the Plan and designed, in part at least, to ease the labor supply problem.

Wage policy is one: wage increases in the seven years will be largely reserved for the lowest-paid categories of labor, where they will be substantial. This measure not only effectively builds up Khrushchev as the friend of the underdog, but also may add to labor supply. Since women make up much of the low-paid labor contingent, it should draw more women into industry. At the same time, the freezing, or nearly so, of better-paid workers' wages should deter their working wives and daughters from leaving employment. In similar vein, the Plan's pension policy is designed to keep older workers at work. They have been warned not to expect increases in retirement pensions -- still very low after the 1956 pension reform -- until 1963, when the worst of the impact of low wartime birthrates on labor recruitment will have passed.

The school reform synchronized with the Plan is another timely device to assist labor supply, though this may not be its primary motive. In a

move not without irony at a time when Americans, in the wake of Sputnik, had started looking enviously at the high standards of Soviet education, the Soviet leadership decided that their youth was being overeducated. Students will now be encouraged to leave school and start work at fifteen. Those who stay on to compete for university admission will combine academic studies with training for industrial work. In contrast to the time-wasting "shop" courses of American schools, this training is evidently conceived as serious and systematic apprenticeship. Thus, Soviet industry will be able to recruit young workers already trained to some extent, and adolescents may be more willing to leave school and seek employment at the better starting wages now offered.

These measures may ease the labor problem, though to an extent that cannot be precisely predictable to the Soviet planners. At the same time, their efforts to back up the Plan's output goals with adequate labor inputs came into conflict with Khrushchev's decision to yield to labor's desires for more leisure; and to offer it psychological incentives on the long road to "communism." After some reductions in working hours in recent years, the average work-week in Soviet nonfarm employment is still in the neighborhood of 45 hours. Now, the Plan promises to make a 41-hour week general by 1960 (with shorter hours for miners and juveniles), and to reduce it to 40 hours by 1962. Looking even further ahead, it envisages a gradual transition to 30-35 hours, starting in 1964 -- that is, again, once the lean years of labor recruitment have passed -- and to be completed by 1968. This, Khrushchev claims, will give Soviet workers the shortest hours in the world, another long-range prophesy of his not capable of verification at this date. However, together with other long-deferred promises, like

that of pension reform five years hence, it illustrates the technique used in the Plan to impress working class opinion at home and abroad by an aura of concern with social welfare cast over its economic policies.

For the planners, however, the modest cutting of working hours scheduled for the next few years spells another important limitation on labor supply. Even if industry receives a little more than its proportionate share of the one-fifth increase in the state labor force hoped for by 1965, its output per man-hour, allowing for the shorter work-week, will have to rise by more than one-half if it is to realize the eighty per cent output increase assigned to it. This would require productivity increases at a rate faster even than the impressive six per cent per annum claimed to have been maintained in recent years.

The planners evidently hope that such a productivity spurt can be generated, but they cannot count on it. The surest way of raising output per man is to provide him with more and more equipment and power to work with. As far as can be judged from the fragmentary data on the Plan's investment program, industry -- and the heavy industry sector in particular -- is once again due for the lion's share of investment, something like one-half of the total.

This means that industry can expect a massive influx of new equipment and new construction. But there are signs that the industrial planners have had to husband prospective investment resources very carefully in trying to satisfy all of industry's voracious needs, and make hard decisions in apportioning investment within industry. This much can be inferred, first, from the fact that published information on industrial investment is confined mainly to preferred sectors of heavy industry -- such as metals

and ores, chemicals, and petroleum -- where investment is due to increase considerably faster than in industry as a whole. This necessarily implies that other sectors of industry, in addition to coal mining and power generation, where more moderate rates of increase have been admitted, will have to be content with much less generous investment programs.

Then, there is a general and heavy emphasis on the need to economize investment resources and put them to the best possible use. There is to be stress on replacement and modernization of equipment in existing plants, to save on new construction -- an indication also of how Khrushchev's housing construction program is impinging on resources available to industry. In power plant construction, there has been a switch from hydroelectric to thermal plants -- explicitly to economize on investment. Here, one also notes that a much-publicized prestige frill of the Sixth Plan has been trimmed: the new Plan has very little to say on the Soviet atomic energy program announced in 1956. This appears to have been heavily cut, in response to the investment squeeze, as well as, undoubtedly, technological second thoughts such as have arisen in the West, too.

This strenuous effort to make the most of industry's investment resources, and to confine them to essentials, may bespeak the planners uneasiness as to whether the inflow of new capital will be adequate to account for the required steep increase in industrial labor productivity. One has the impression that they are banking, to a large extent, on other and less tangible sources of productivity increases, intractable to prediction and planning. Considerable faith is being placed, clearly, in the future fruits of technological advance in general, and automation in particular. Probably, there are similar expectations of beneficial effects

on productivity from the better educational levels of the present industrial labor force, the ample supply of engineers and industrial scientists, and from organizational and managerial improvements. There is nothing reckless about making some allowance for these effects in a long-term program. Soviet industry, no doubt, still has large reserves of inefficiencies amenable to energetic treatment. Moreover, past experience of other industrial nations has shown that labor productivity often tends to increase faster than is accounted for by an increasing provision of physical capital per worker alone. These effects, however, are easier to observe ex post than to anticipate ex ante. Time soon will show whether the Soviet planners' judgment on productivity gains has not been pushed a bit too far by Khrushchev's insistence on "gaining time."

IV

In agriculture, too, the proof of planning is in the eating, and more literally so. The history of Soviet Five-Year planning of farm output contains a dismal record of setting grossly excessive and seldom-realized production targets. On the face of it, the Seven Year Plan suggests more of the same. There must be newspaper readers even in Moscow with memories long enough to compare the grain output target for 1965, 164-180 million tons, to the goal for 1960 of the Sixth Plan, 180 million tons. Actual grain production in 1956-1958 has averaged some 120 million tons, though in last year's bumper crop it may have been as high as 140 million tons. Equally or more striking increases are scheduled for other farm products, including a doubling of meat output, towards Khrushchev's coveted and distant goal of surpassing American carnivorous standards.

What is one to make of these figures? On the past form of Soviet planning for agriculture, one is tempted to write them off as another flight of wishful fancy. Yet, one cause for hesitation, and a weighty one, is provided by the reforms and new policies instituted by Khrushchev since 1954. Apart from raising output to a significantly higher level, they have produced an atmosphere in Soviet farming greatly different from the stifling air of bureaucratic regimentation and shortsighted exploitation under Stalinism. These measures, probably, have not yet run their course in freeing the production potentialities of the Soviet peasantry and the land it tills from the shackles of a system that could not have been better designed to discourage effort, thwart initiative, and breed inefficiency. One is not surprised that Khrushchev, at the remarkable meeting of the Party's Central Committee in December 1958, chose his farm policy record as the stick with which to beat his defeated opponents of the "anti-party faction." Possibly in order to counter skepticism evoked by the Plan's agricultural goals, he reviewed this record at great length, and spiced it with charges such as that against Malenkov of having publicly exaggerated grain production in 1952 by more than forty per cent. By this performance, Khrushchev may have sought to establish his unique competence for leading agriculture in another rapid upsurge of output, now no longer obstructed by the "faction."

On this occasion, as in his Plan report, Khrushchev acknowledged that this surge will be no easy task. The production gains since 1954 have rested very largely on extensive additions to output, through the daring "virgin lands" drive which has added fifty million acres to Soviet grain acreage. Now, as Khrushchev has stressed, further expansion of crop

production will have to come from more intensive cultivation, by raising yields per acre rather than bringing more land under the plow. Expanding crop production, nowadays, no longer means producing more food grain to assure the people's daily bread. Khrushchev can take much of the credit for this comforting situation, as his farm policies have raised wheat production by some fifty per cent since 1952. The main problem now is to grow more feed grain and other fodder in order to expand livestock herds and thus to add to meat and dairy output, as well as to produce more vegetables and fruit to vary the urban diet, and to supply more cotton, sugar beet, and other "technical crops" to the processing industries.

Soviet industry is due to bring considerable succour to agriculture in its efforts to intensify production. It will go on providing the wherewithal of mechanization on a large scale, and is also scheduled to triple mineral fertilizer output, bringing it to 31 million tons by 1965. Even at this level of output, however, chemical fertilizers will remain reserved for cotton, sugar beet and vegetables. The Lenin Academy of Agriculture recently estimated that an output of 45 million tons would be needed before fertilizers can even start making an impact on grain yields. Generally, it is clear that, with all the increasing supply of physical inputs which agriculture can count on, it will come anywhere near its exacting output targets only if it is enabled, and encouraged, to make full use of the more propitious climate created by Khrushchev's reforms for better use of its resources.

Soviet farming, much more so than industry, harbors great reserves stemming from the very fact that so many operations are still conducted

in highly primitive and inefficient fashion. In sharp contrast to the Stalin era, Soviet farmers now have much better price and income incentives to start pulling themselves out of this trough of backwardness. This they can do by making use of any number of improved farming techniques and practices which still await introduction in the USSR. At the same time, many of the old institutional barriers to their introduction have now disappeared. Thus, the system of highly centralized production planning and narrowly prescribed delivery obligations has given way to a much more sensible and flexible scheme, which enables collective farms to adapt production to their particular conditions. The fact that the collectives themselves now control and operate tractors and farm machinery should enable them to observe more timely schedules of farm operations, a most important potential source of higher output. There is also a new emphasis on keeping track of production costs in collective farming, and comparing them to returns -- an elementary and badly needed innovation that should promote more rational farm management.

In short, one certainly should not regard the agricultural goals of the Plan as much more than numerical symbols denoting the fact that a maximum effort to raise output is expected from agriculture. It would be unwise to ignore, however, that for the first time in its history Soviet collective farming has been offered some rewards to make effort and initiative worthwhile, and the scope to exercise them.

V

What is the import of the Plan for East-West relations? In traditional fashion, Soviet comments depict it as evidence of pacific intent: so sweeping a program cannot but absorb all the energies of the

USSR in "peaceful construction." Yet, the Plan presents no evidence of any reorientation of economic policy towards more urgent concern with consumer welfare and less emphasis on building up the power of the Soviet state. For another seven years, the time-tested formula of expanding heavy industry output (which in Soviet terminology includes military hardware) more rapidly than consumer goods production is to govern the pattern of Soviet industrial development and speed its pace.

Khrushchev's report notes that the Plan will "further strengthen the defense capability" of the USSR. Such strengthening need not necessarily mean expanding munitions output. The Soviet budget for 1959, with its trivial reduction in overt defense outlays and very sizeable increase in appropriations to "science," serves as a reminder that much of the contest for military superiority has shifted to the arena of research and development. At the same time, the vigorous pursuit of the Soviet economic offensive underscores the other important fact that "peaceful" capital equipment now serves as ammunition in the vital contest for the allegiance of the underdeveloped nations. Undoubtedly, the Plan has made sure to curb domestic demand for investment resources by the small margin required to assure an ample supply of these high-yield weapons of diplomatic warfare.

In short, no matter how the Soviet Union chooses to employ economic resources to build up national power and back up its foreign policy, it can look forward to disposing of a growing flow of resources to this end. It is this prospect, no doubt, which makes Khrushchev so confident in equating Soviet gains in the industrial output race with progress towards the defeat of capitalism. Clearly, he does not expect the Western

democracies to strike their colors simply because a statistical comparison, in 1972 or any other year, has shown them that Soviet and American production curves have crossed. Nor can he count on Soviet production successes "to enhance the attractive power of the great ideas of Marxism-Leninism" to the point of setting off an unassisted landslide into the communist fold. But he has good reason to be pleased with the rate at which industrial progress is providing Soviet political strategy with the material means for helping history along towards the outcome postulated by Marxism-Leninism.

