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Comments on Nutter's Ruble/dollar Ratios

Construction Gypsum

We are satisfied with our Soviet-US comparison of construction gypsum. Ours differs with Nutter's because he has compared a ruble price for a final product with a US price for unprocessed gypsum. In the US, unprocessed is much cheaper than processed gypsum. Nutter's dollar price is derived from value and quantity data as measured by mine shipments, sales, or marketable production for gypsum. While the data cited by Nutter 1/ may not have been exactly clear as to stage of processing, Table 950, p. 740 of the same source, clearly identifies the data as crude gypsum.

On the other hand Nutter may have been looking for a crude gypsum dollar price. The source of his ruble price is not explicit about the Soviet product. 2/ However, his source relates the price to construction gypsum, GOST 125-41. When this GOST (State standards) is examined, 3/ it is clear that the Soviet product is a finished, rather than a crude one.

Asbestos Shingles

Nutter is comparing a Soviet price for roofing shingles with an average US price for siding shingles, clapboard, and roofing shingles. The raw US data from which Nutter estimates his price is given in terms of squares. The Department of Commerce advises that a square represents 100 ft^2 of area covered rather than 100 ft^2 of shingles. It is impossible from the data cited to move from the US price per 100 ft^2 to price per 1,000 pieces. We are also unable to determine comparability with respect to size of shingles.

We have rechecked our comparison and we are comparing asbestos siding in the two countries and have adjusted for comparability in dimensions. The ratio for the specific items being compared appears to be valid.

Natural Gas

It appears that Nutter's Soviet price for natural gas was estimated as follows:

1)	Average price of coal per metric ton	74.2 Rubles
2)	Factor for converting metric tons of coal to tons of standard fuel	.794275
3)	Average price of coal per ton of standard fuel (1 ÷ 2)	93.4 Rubles
4)	Cost ratio for a ton of gas to a ton of coal	.883
5)	Average price of gas per ton of standard fuel (3 x 4)	82.47 Rubles

25 YEAR RE-REVIEW

ENCLOSURE #1

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6) Factor for converting tons to 000m^3 of natural gas 1.27

7) Price of natural gas per 000m^3 (5 x 6) 105 Rubles

The method used by CIA was the same as Nutter's. In 1, above, CIA used an estimated ruble value for the cost of producing coal rather than the price of coal. This, however, has little effect on the overall results. The major difference in the Nutter and CIA results is traceable to item 4, above. Nutter used a gas-coal cost ratio of .883 and CIA used a ratio of 6.66 -- both taken from the same source. 4/ Nutter's ratio is based on the cost of producing gas plus a transportation charge for 1,300 km relative to the cost of producing coal exclusive of transportation charges. CIA's ratio is based on the cost of producing gas at the well relative to the cost of producing coal at the pit. The source clearly points out that the DOBYCHA cost of gas is 6.6 lower than the DOBYCHA cost of coal and that gas is still significantly cheaper than all other types of fuel even if it is transported 1,200 - 1,300 km. For example, the cost for gas including transportation for 1,300 km is 582.5 relative to the pit cost of coal of 660.0. $\left(\frac{582.5}{660.0} = .883\right)$

Since Nutter compared the ruble price to a US price for gas at the well, he was obviously striving for a well head ruble price which was not obtained from his calculation. CIA's calculation yields an estimated well head ruble price which was compared to a US well head price.

Had Nutter used the 6.66 cost conversion ratio, his price for natural gas would have been very similar to CIA's. If we were constructing R/$ ratios today, we would adjust the ruble price by 5-10 percent to take into account profit. The data for this adjustment were not available at the time our study was undertaken.

Sources

1. Statistical Abstract of the US, 1957, p. 722.

2. Spravochnik tsen na stroitel'nye materialy i oborudovanie, Moscow, 1956, Part I, p. 4f.

3. SSSR Gosudarstvennyye Standarty. Vyazhuslchiye Materialy, betony i zapalniteli dlya betona, Moscow, 1964, p. 12.

4. Voprosy Ekonomiki, 1956, no 1, p. 23.

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