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CIA HISTORICAL REVIEW PROGRAM  
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*To be reviewed  
on 8/1/70*

Mr. John A. Waring  
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Dear Mr. Waring:

The following indicators of Soviet economic growth during 1969 are forwarded in response to your recent request for unclassified data on the subject (growth rates for the year 1969, in percent):

From Soviet Official Sources

	<u>Plan</u>	<u>Actual</u>
National income	6.5	6
Industrial production	7.3	7
Agricultural output	6.1	- 3

From Estimates of Western Analysts

	<u>Actual</u>
Gross national product	2.3
Civilian industrial production	5.2*
Agricultural production	-4.5

Western analysts believe that the actual performance of the Soviet economy is better measured by statistical series computed according to Western criteria rather than by the officially published series. For example, the index of gross value of

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\* Industrial production figure is for civilian production only, while the official Soviet plan and plan fulfillment data include both civilian and military production.

industrial production published by the USSR is not accepted by Western students as an accurate measure of industrial growth. The specific faults of the Soviet gross value index include large and probably varying double-counting, as well as inflation of the index caused by excessive pricing of new products. Perhaps the most important consideration tending to inflate Soviet reporting arises from the tremendous political pressure and peculiar financial incentives operating at all levels of the industrial hierarchy to make the gross value index for each plant, each region, each industry, and the economy as a whole rise in excess of plan.

The rate of growth of industrial production in 1969 was lower than in any other year in the post-World War II period. The reasons are varied. In the first quarter of the year all economic sectors were affected adversely by extremely bad weather that disrupted transportation and retarded production. Other causes which contributed at least indirectly to the slowdown are the deceleration that has taken place since 1960 in the growth of investment in industry, reflecting in part the notorious inefficiency in management of construction that has resulted in a huge backlog of unfinished construction; a slowing of growth of the industrial labor force; an apparent slowdown in the rate of technological progress; and the inability of the cumbersome planning and administrative apparatus to cope with increasingly massive and complex tasks.

The overall decrease in agricultural production in 1969 resulted mainly from smaller output of crops, including potatoes, sugar beets, grains, fruits, vegetables, and cotton. Crop raising was marked by generally unfavorable weather conditions which led to an above-normal damage to winter grain and other fall-sown crops, prevented timely spring planting, and seriously compressed the time available for fall harvesting. In addition, there was an overall decline in output of livestock products, especially meat.

We hope these data and comments will be useful in revising the lecture material. If we can be of further service, please do not hesitate to contact us.

Sincerely,

Office of Economic Research